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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 14, 2024

RE: **NEIGHBORHOOD IMPROVEMENT PLAN BONDS (PROPOSAL N) FUNDS
STATUS AS OF DECEMBER 31, 2023**

This report is intended to give your Honorable Body an appropriation/cost center level status as of December 31, 2022, of the Proposal N Neighborhood Improvement Bond (Proposal N NIB) funds. On November 3, 2020, the citizens of the City of Detroit approved the bond issuance of not to exceed \$250 million in unlimited tax obligation bonds¹ for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition, and blight remediation. The City of Detroit's Demolition Department is responsible for using the Proposal N NIB funds to demolish an additional 8,000 blighted homes and preserve 6,000 homes for future renovation and sale² to improve the safety, value, and health of the neighborhoods in the City.

As your Honorable Body knows, the Citizens approved a total of \$250 million in bonds be sold and the City issued the first \$175 million in February 2021. This was a very successful bond sale as the City of Detroit received an additional \$30.7 million in bond premium³ on top of the \$175 million with total bond proceeds of \$205.7 million.

¹ Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit's property tax debt millage. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City's general fund and are not paid for out of property taxes based on the property tax debt millage.

² The Demolition Department plans to preserve or stabilize 6,000 homes for future renovation and sale through debris removal, roof repair, and securing of property in the neighborhoods in the City.

³ According to the Office of the Chief Financial Officer, because there was a high demand for the Proposal N NIBs, along with market conditions at that time, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. It is important to note that the City is only responsible to pay off the par amount of the bonds of \$175 million with a coupon interest rate of 5% over the 30-year life of the bonds to the bondholders. The bondholders were willing to pay the City the premium of \$30.75 million since the bonds were effectively priced to yield a bond interest rate of approximately 3.3% at time of the bond sale.

Also, as your Honorable Body knows, on July 12, 2023, the City of Detroit issued the remaining \$75 million of the voter-approved \$250 million Proposal N UTGO Neighborhood Improvement Bonds for the purpose of property rehabilitation, demolition, and other blight remediation activities. It is anticipated that another 2,500 properties will either be demolished or stabilized with this latest bond sale. This was also a very successful bond sale as the City of Detroit received an additional \$3.0 million in bond premium⁴ on top of the \$75 million with total bond proceeds of \$78.0 million.

As a result of the two Proposal N UTGO NIB bond sales, the City of Detroit has total bond proceeds of \$283.7 million for the purpose of property rehabilitation, demolition, and other blight remediation activities.

The Legislative Policy Division (LPD) also notes that since City Council approved appropriation 21003 to house the Prop N NIB proceeds in July 2020, these bond proceeds were budgeted in appropriation 21003 Neighborhood Improvement Bonds in February 2021 when the bonds were sold. As a result, the activity in appropriation 21003 Neighborhood Improvement Bonds is not reflected in the FY 2024 budget and FY 2024-2027 four-year financial plan. Consequently, the Prop N NIB proceeds will be balanced forward at the end of each fiscal year until the Prop N NIB proceeds are exhausted.

In addition, on January 30, 2024, your Honorable Body approved a resolution authorizing that the July 2013 Prop N NIB bond proceeds be budgeted in appropriation 21004 for the purposes of transparency and reporting, and to distinguish the July 2013 \$75 million bond sale from the February 2021 \$175 million bond sale, which is budgeted in appropriation 21003 as denoted above.

LPD further notes the Demolition Department uses Prop N NIB proceeds to pay for its operational costs, including staff costs, professional & contractual services costs, operating supplies costs, operation services costs, equipment acquisition costs, and other expenses costs⁵. For FY 2024, the 88 budgeted positions in the Demolition Department will be paid from the Prop N NIB funds housed in appropriation 21003 Neighborhood Improvement Bonds.

Of the total bond proceeds of \$283.7 million, as of December 31, 2023, the City encumbered \$69.5 and spent approximately \$133.7 million (including \$5.6 million spent in FY 2021, \$52.5 million spent in FY 2022, \$43.5 million spent in FY 2023, and \$32.1 million spent in FY 2024).

Of the \$133.7 million spent as of December 31, 2023, \$121 million was spent on demolition contracts and \$12.8 million spent on payroll costs for City employees that are performing demolition related work. The remaining \$80.5 million is available to be spent in FY 2024 and beyond. We should note that the \$133.7 million spent through December 31, 2023, represents 47.1% of the total bond proceeds while 24.5% represents Encumbrances for FY2024 and 28.4% is available.

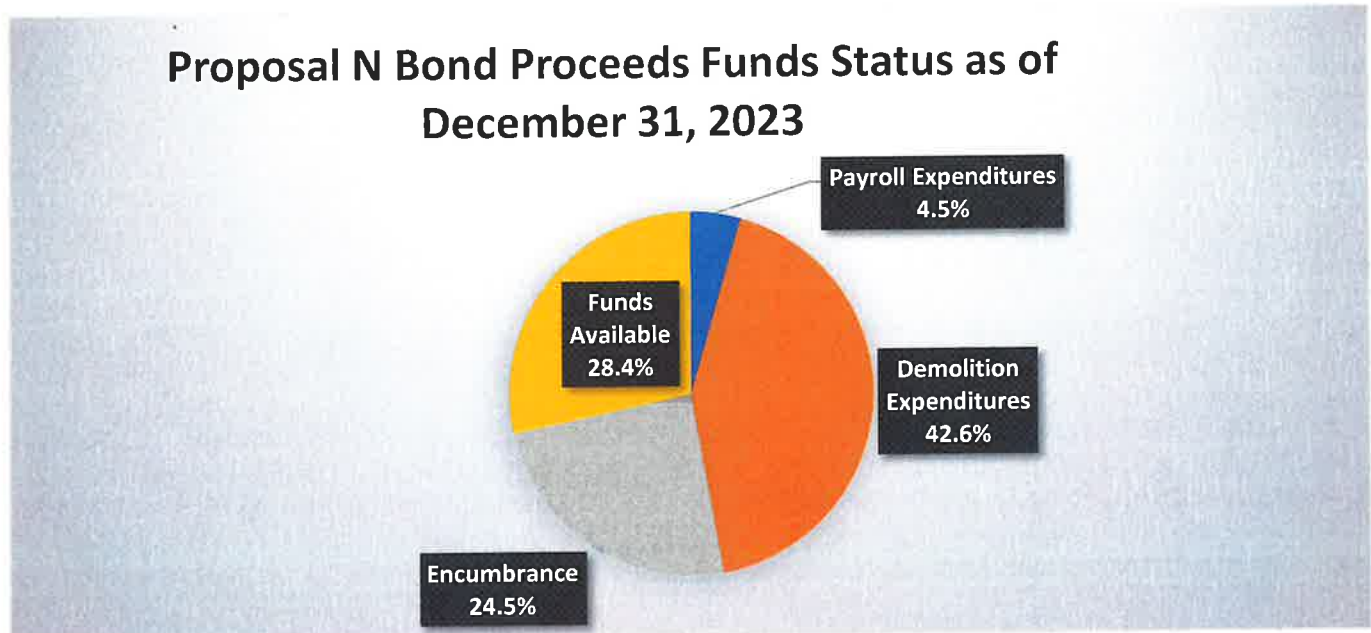
Below schedule summarizes funds status as of December 31, 2023, and it includes activities for fiscal years 2021, 2022, 2023 and 2024.

⁴ According to the Office of the Chief Financial Officer, because there was a high demand for the Proposal N NIBs, along with market conditions at that time, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. It is important to note that the City is only responsible to pay off the par amount of the bonds of \$175 million with a coupon interest rate of 5% over the 30-year life of the bonds to the bondholders. The bondholders were willing to pay the City the premium of \$30.75 million since the bonds were effectively priced to yield a bond interest rate of approximately 3.3% at time of the bond sale.

⁵ The Office of the Chief Financial Officer has received a legal opinion from the City of Detroit's bond counsel (Miller Canfield) on the legality of using Prop N Bond funds for the Demolition Department's operations. A copy of the opinion was provided to City Council.

Appropriation	Appropriation Description	Cost Center	Cost Center Description	Total Budget	FY 2021 Actual Expenditures	FY 2022 Actual Expenditures	FY 2023 Actual Expenditures	FY2024 Activity		Funds Available
								Encumbrances	Actual Expenditures	
21003	Neighborhood Improvement Bonds	16000	Demolition Administration	7,692,167	265,738	2,109,469	1,686,931	5,415	696,196	2,928,418
		160020	Residential Demolition	188,777,644	3,642,293	47,502,486	37,986,315	33,734,803	27,791,665	38,120,081
		160040	Demolition Environmental	739,250	42,286	422,454	781,450	1,325	247,925	(356,190)
		160050	Demolition Compliance	7,103,500	259,831	2,502,704	2,948,761	5,938	1,245,084	91,181
		351380	2018 UTCD Bonds	1,436,228	1,416,427	-	-	-	-	19,801
21004	2023-Neighborhood Improvement Bonds	16000	Demolition Administration	2,994,363	-	-	-	-	679,105	2,315,258
		160020	Residential Demolition	75,000,972	-	-	-	35,770,560	1,455,684	37,771,729
Grand Total				283,744,125	5,626,576	52,537,113	43,453,457	69,521,042	32,115,659	80,490,279

Below graph summarizes funds status in percent terms as of December 31, 2023, and it includes activities for fiscal years 2021, 2022, 2023 and 2024:



Please refer to attachment I for cost center level detail for FY 2021, FY 2022, FY 2023 and FY2024 actual expenditures, and funds available as of December 31, 2023.

Please let us know if we can be any more assistance.

Attachments

- cc: Auditor General’s Office
- Jay Rising, Chief Financial Officer
- Tanya Stoudemire, Chief Deputy CFO – Policy & Administrator Director
- Steven Watson, Deputy CFO/Budget Director
- La Juan Counts, Director, Construction & Demolition Department

LaShanda Davis, Deputy Agency CFO, Demolition Department
Malik Washington, Mayor's Office

Appropriation 21003: Neighborhood Improvement Bonds

				FY2024 Activity								
Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Actual Expenditures	Encumbrances	Expenditures	Funds Available		
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,867,000	180,069.84	1,140,225	1,095,839	-	474,264	(23,398)		
		601125	Salaries-Vacation Time	-	4,813	70,894	102,191	-	49,271	(227,170)		
		601130	Salaries-Holiday Pay	-	4,860	59,432	63,392	-	24,844	(152,529)		
		601600	Salaries For Employee Illness	-	-	5,941	10,088	-	-	(16,029)		
		602100	Wages-Full Time-Gen City	-	41,159	305,119	5,311	-	9,984	(361,574)		
		602125	Wages-Vacation Time	-	246	9,335	227	-	-	(9,808)		
		602130	Wages-Holiday Pay	-	942	16,554	664	-	256	(18,416)		
		602300	Wages-Overtime-Gen City	-	-	1,746	-	-	-	(1,746)		
		602400	Wages-Shift Prem-Gen City	-	-	1	-	-	11,152	(11,152)		
		603125	Emplr Pd Pension-GRS	-	4,677.24	39,187	36,396	-	24,681	(104,942)		
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	70,785	-	41,153	(203,001)		
		603300	Employer Pd FICA	211,000	17,555.68	119,407	94,297	-	2,942	(23,202)		
		603400	Unemployment	-	3,685.19	17,059	10,958	-	3,704	(35,406)		
		603405	Workers' Compensation	-	213.08	25,572	22,003	-	1,131	(48,919)		
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	1,366	-	3,451	(7,655)		
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	7,707	-	-	(15,924)		
		604900	Other Comp-General City	-	-	200	300	-	75	(575)		
		605100	Group Life Insurance	-	15.43	308	279	-	107	(710)		
		605205	Eye Care-Active Civilian	-	19.23	356	351	-	933	(1,660)		
		605500	Income Protection-LTD	-	277.62	2,073	2,016	-	-	(4,367)		
		605205	Eye Care-Active Civilian	-	-	20	20	-	868	(888)		
		605620	Dental Active	-	188.05	3,217	2,928	-	5,657	(11,989)		
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	14,796	-	-	(32,658)		
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	-	1,034	2,681	3,873,952		
		620100	Office Supplies	10,000	-	2,948	2,629	-	-	4,423		
		621800	Oper Supplies-Nursery Stock, Equip	-	-	-	3,247	-	-	(3,247)		
		621900	Oper Supplies-Miscellaneous	-	-	-	532	-	1,137	(1,669)		
		622302	Software Maintenance	300,000	-	2,252	9,066	-	-	288,682		
		626010	Advertising	25,000	-	-	-	3,381	-	21,619		
		626100	Printing	100,000	-	110,756	2,879	-	-	(13,634)		
		626415	Rentals- Office Equipment	50,000	-	-	-	-	1,000	49,000		
		626500	Dues & Miscellaneous	4,500	-	-	-	-	2,413	2,087		
		626700	Telecommunications	2,000	-	1,262	14,595	-	29,941	(43,799)		
		627105	Private Car Reimbursements	185,000	-	57,525	80,394	-	-	47,081		
		627195	Employee Uniform Expense	5,000	-	-	739	-	4,443	(182)		
		628100	Travel	-	-	926	29,695	-	108	(30,729)		
		628101	Travel Advance	-	-	-	-	1,000	-	(1,000)		
		628200	Training	33,000	-	4,210	194	-	-	28,596		
		644100	Acquisitions - Equipment	22,000	-	-	1,046	-	-	20,954		
		Demolition Administration Total				7,692,167	265,738	2,109,469	1,686,931	5,415	696,196	2,928,418
		160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	10,399,848	8,883,720	3,830,049	(14,477,706)
620100	Office Supplies			-	-	-	-	-	-	-		
621900	Oper Supplies-Miscellaneous			90,000	-	23,194	53,738	3,288	14,060	(4,280)		
622400	Repairs & Maint-Facilities			10,800,000	-	-	-	-	(1,323,532)	12,123,532		
622900	Repairs & Maint-Misc			13,500,000	-	2,547,537	677,280	631,271	440,615	9,203,297		
622970	Abatement Services			26,390,717	828,467.00	10,487,805	6,699,776	2,918,522	4,790,324	665,823		
622975	Demolition & Excavation Services			80,247,280	1,849,388.50	17,178,022	14,943,125	18,126,086	15,297,092	12,853,566		
622980	Backfill & Grading Services			11,764,696	176,761.66	6,651,087	4,302,034	2,965,299	4,431,159	(6,761,644)		
622985	Site Finalization Services			19,783,861	66,584.52	1,872,268	284,059	206,618	259,777	17,094,555		
626804	Utilities-Electricity			50,000	-	4,111	-	-	-	45,889		
627105	Private Car Reimbursements			-	-	-	-	-	-	-		
628500	Miscellaneous Expense			5,670,000	-	-	-	-	-	5,670,000		
628501	Misc-License,Insp&Permit Fees			4,481,092	721,091.60	1,374,374	626,455	-	52,122	1,707,050		
Residential Demolition Total				188,777,644	3,642,293.28	47,502,486	37,986,315	33,734,803	27,791,665	38,120,082		

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Actual Expenditures	FY2024 Activity				
								Encumbrances	Expenditures	Funds Available		
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	233,157.61	-	41,409	169,351		
		601125	Salaries-Vacation Time	-	-	7,066	17,124.89	-	1,881	(26,071)		
		601130	Salaries-Holiday Pay	-	132.69	7,879	11,334.01	-	1,567	(20,913)		
		601300	Salar-Overtime-Gen City	10,000	-	-	-	-	-	10,000		
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	413,847.82	-	165,774	(784,798)		
		602125	Wages-Vacation Time	-	-	2,860	11,247.14	-	8,131	(22,238)		
		602130	Wages-Holiday Pay	-	941.98	8,002	22,957.21	-	8,510	(40,411)		
		603125	Emplr Pd Pension-GRS	-	-	489.13	-	-	-	(489)		
		603200	Emplr Pd Ben-Medical	-	140.54	893	1,022.28	-	-	(2,056)		
		603300	Employer Pd FICA	48,000	2,992.88	28,163	53,034.75	-	17,229	(53,420)		
		603400	Unemployment	-	-	145.77	-	-	-	(146)		
		603405	Workers' Compensation	-	-	-	323.81	-	-	(324)		
		603900	Emp Benefits-Miscellaneous	-	-	-	17.60	-	-	(18)		
		604100	Other Comp-Unused Sick Leave	-	-	-	101.74	-	-	(102)		
		605100	Group Life Insurance	-	1.91	2	-	-	-	(4)		
		605205	Eye Care-Active Civilian	-	2.05	2	-	-	-	(4)		
		605500	Income Protection-LTD	-	-	-	26.41	-	-	(26)		
		605620	Dental Active	-	-	18	-	-	-	(33)		
		605700	Health Care Reserve - Civilian	-	14.44	-	195.65	-	-	(196)		
		626700	Telecommunications	7,000	-	4,399	6,462.75	-	3,423	(7,285)		
		627195	Employee Uniform Expense	1,750	-	-	286.84	-	-	1,463		
		628200	Training	33,000	-	7,785	9,675.00	-	1,325	14,215		
		644100	Acquisitions - Equipment	14,500	-	7,185	-	-	-	7,315		
		Demolition Environmental Total				739,250	42,286	422,454	781,450	1,325	247,925	(756,190)
		160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	1,014,047.21	-	432,861	3,648,725
				601125	Salaries-Vacation Time	-	3,291.49	55,717	85,825.35	-	38,295	(183,130)
601130	Salaries-Holiday Pay			-	2,535.45	38,742	55,051.94	-	20,638	(116,968)		
601300	Salar-Overtime-Gen City			22,000	-	-	-	-	-	22,000		
601600	Salaries For Employee Illness			-	-	-	5,942.07	-	7,139	(13,081)		
602100	Wages-Full Time-Gen City			-	137,828.26	1,186,714	1,344,687.84	-	540,856	(3,210,086)		
602105	Wages-Employee Casual Leave			-	828.06	12,569	17,593.60	-	-	(30,991)		
602125	Wages-Vacation Time			-	4,161.68	21,039	41,894.62	-	15,515	(82,610)		
602130	Wages-Holiday Pay			-	18.02	57,222	75,795.36	-	26,625	(159,660)		
602200	Wages- Part Time			-	-	-	-	-	2,112	(2,112)		
602300	Wages-Overtime-Gen City			-	2,599.21	5,608	50,726.32	-	34,516	(93,450)		
603125	Emplr Pd Pension-GRS			-	3,921.76	22,309	22,960.99	-	9,048	(58,240)		
603200	Emplr Pd Ben-Medical			-	17,641.06	23,681	20,527.71	-	11,016	(72,866)		
603300	Employer Pd FICA			475,718	-	166,498	205,024.69	-	85,166	19,029		
603400	Unemployment			1,282	-	9,570	6,950.08	-	2,400	(17,638)		
603405	Workers' Compensation			-	1,761.00	11,355	10,214.30	-	2,258	(25,589)		
603900	Emp Benefits-Miscellaneous			-	113.69	956	863.91	-	923	(2,856)		
604100	Other Comp-Unused Sick Leave			-	606.26	4,333	4,894.77	-	2,815	(12,649)		
604900	Other Comp-General City			-	20.06	453	953.69	-	457	(1,884)		
605100	Group Life Insurance			-	21.53	201	199.40	-	96	(517)		
605205	Eye Care-Active Civilian			-	148.27	218	214.02	-	103	(682)		
605500	Income Protection-LTD			-	176.74	1,164	1,272.18	-	762	(3,374)		
605620	Dental Active			-	1,039.66	1,719	1,627.78	-	793	(5,179)		
605700	Health Care Reserve - Civilian			-	-	8,933	9,382.37	-	4,615	(22,930)		
621900	Oper Supplies-Miscellaneous			2,000	-	13,877	(835.32)	-	1,973	(13,015)		
626500	Dues & Miscellaneous			-	-	726.27	-	-	-	(726)		
626700	Telecommunications	24,500	-	15,177	16,585.26	-	6,077	(13,340)				
627135	Pur Svcs-Law Dept	500,000	-	-	-	-	-	500,000				
627195	Employee Uniform Expense	10,000	-	-	721.00	-	-	9,279				
628200	Training	33,000	-	11,905	4,500.00	-	3,965	12,630				
644100	Acquisitions - Equipment	35,000	-	11,496	-	-	-	23,504				
645100	Acquisitions-WIP-Construction	-	-	-	413.29	-	-	(413)				
Demolition Compliance Total				7,103,500	259,830.89	2,502,704	2,998,761	5,938	1,245,084	91,182		

				FY2024 Activity							
Appropriation 21003: Neighborhood Improvement Bonds				Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Actual Expenditures	Encumbrances	Expenditures	Funds Available	
Cost Center	Cost Center Description	Object	Object Description								
351380	2018 UTGO Bonds	705100	Bond Sale Expense	1,436,228	1,416,427	-	-	-	-	19,801	
	2018 UTGO Bonds Total			1,436,228	1,416,427	-	-	-	-	19,801	
Appropriation 21003: Neighborhood Improvement Bonds Total				204,312,561	4,210,148	52,537,113	43,453,457	33,747,482	29,980,870	40,383,491	
Appropriation 21004: 2023-Neighborhood Improvement Bonds										2,315,258	
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,315,258	-	-	-	-	679,105	-	
		705100	Bond Sale Expense	679,105	-	-	-	-	679,105	2,315,258	
	Demolition Administration Total			2,994,363	-	-	-	-	679,105	2,315,258	
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	2,631,569	-	-	-	-	-	2,631,569	
		622400	Repairs & Maint-Facilities	12,407,961	-	-	-	-	-	12,407,961	
		622970	Abatement Services	14,815,763	-	-	-	7,139,793	547,438	7,128,533	
		622975	Demolition & Excavation Services	15,514,152	-	-	-	22,622,571	638,116	(7,746,535)	
		622980	Backfill & Grading Services	14,815,763	-	-	-	4,565,790	190,212	10,059,761	
		622985	Site Finalization Services	14,815,763	-	-	-	1,445,406	79,918	13,290,439	
	Residential Demolition Total			75,000,972	-	-	-	35,773,560	1,455,684	37,771,729	
Appropriation 21004: 2023-Neighborhood Improvement Bonds Total				77,995,335	-	-	-	35,773,560	2,134,789	40,086,987	
Grand Total				283,744,125	5,626,576	52,537,113	43,453,457	69,521,042	32,115,659	80,490,278	
				0	-	-	-	-	-	-	
Actual expenditures breakdown:				FY2024 Activity						Total	
				FY 2021	FY 2022	FY 2023	Encumbrances	Actual Expenditures			
	Payroll			567,855	4,782,924	5,283,592	-	2,137,981	12,772,353	6.3%	
	Non-payroll			5,058,720	47,754,189	38,169,865	69,521,042	29,977,677	190,481,494	93.7%	
	Total			5,626,576	52,537,113	43,453,457	69,521,042	32,115,659	203,253,846	100%	