

City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION

208 Coleman A. Young Municipal Center
Detroit, Michigan 48226


Phone: (313) 224-4946 Fax: (313) 224-4336

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Executive Policy Manager
Marcell R. Todd, Jr.
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Commission
Janese Chapman
Director, Historic Designation
Advisory Board

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TO: Robert Cramer, General Manager
Detroit Transportation Corporation- People Mover

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: March 20, 2024

RE: 2024-2025 Budget Analysis

Attached is our budget analysis regarding your department's budget for the 2024-2025 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, March 21, 2024, at 2:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council members, the City Clerk's Office, and the Legislative Policy Division.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

Attachments:
Issues and Questions

cc: Councilmembers
Auditor General's Office
Jay Rising, CFO
Tanya Stoudemire, Chief Deputy CFO-Policy & Administration Director
Steven Watson, Deputy CFO/Budget Director
Todd Bettison, Group Executive-Deputy Mayor
Michael Staley, Interim DDOT Director
Doug Ortiz, Budget Analyst
James George, Agency CFO
Malik Washington, Mayor's Office

**Detroit Transportation Corporation (People Mover)
FY 2024-2025 Budget Analysis by the Legislative Policy Division**

Summary

The Detroit Transportation Corporation (DTC) was created by the City of Detroit pursuant to P.A. 7 of 1967 as a component unit of the city for the basic purpose of acquiring, completing, and operating the Downtown People Mover. The DTC is governed by a Board of Directors consisting of six (6) members, appointed by the Mayor without compensation or set terms. The City Council President also sits on the board.

The FY 2025 Proposed Budget includes an operating subsidy of \$6.5 million, no change from the current fiscal year. No General Fund operating subsidy was provided to the People Mover in Fiscal years 2020 and 2021 as DTC relied upon federal funding to support operations from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. FY 2023 was the first full year of service for the People Mover operations since the pandemic.

Issues and Questions

1. Please provide a copy of the 2024 - 2025 DTC budget submitted to the DTC's Board of Directors.
2. Please briefly explain any new expense initiatives, new capital funding requests, operation reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2025.
 - a. Briefly discuss any future expansion plans for the People Mover and any studies under consideration. Are there any public or private funding opportunities available or under consideration for light rail transit for which the People Mover may be eligible.
3. Briefly describe the current operations of the People Mover (changes in hours of operations, fares, ridership, any scheduled downtime, etc.)?
 - a. What are the plans for the People Mover operations during large events (i.e. NFL Draft)?
4. What is the current staffing level of the People Mover? Please indicate the number of filled and vacant positions as of December 31, 2023. Briefly explain the department's strategy to fill vacant positions or new positions. What are the challenges in hiring new or filling vacant positions?
 - a. The DTC Single Audit- financial report for June 30, 2023, reported 75 employees/32 vehicle operators. The audit included 3 findings of deficiency and/or material weaknesses; these findings were also reported in the June 30, 2022, report, which in part was caused by insufficient staffing. Please provide an update on how DTC will/or has corrected these findings through the hiring and training process.
5. Please provide an update on the status of the transit police deployment on the People Mover. Briefly describe and provide the status of the contract between DPD and the DTC regarding transit police officers. How many officers are currently assigned to the People Mover and the Q-Line?
6. What other security improvements are under consideration for the People Mover? Does the DTC work with the city's Department of Information Technology (DOIT) and Detroit Police Department (DPD) on security/cyber-security issues?
7. The DTC financial statement for June 30, 2023, DTC posted operating losses of \$16.1 million on operating revenues of \$226,656. Nonoperating revenues of \$17.6 million and capital grant revenues of \$1.9 million offset operating losses and provided an overall increase in the DTC Net Position of \$3.4 million. DTC's Net Position improved over FY 2022 negative (-147,605) Net Position and based on zero operating revenues and \$13.9 million operating expenses offset by \$13.7 million non-operating and capital revenues.

- a. Please explain how DTC plan to avoid a repeat of FY 2022 financial results with the current free ridership program in place for calendar year 2024. What sponsorship(s) are currently secured to offset operating expenses for 2024.
 - b. Are there any remaining CARES funding projected for use in FY 2024 or FY 2025?
 - c. Please explain the pension recovery of \$871,928 recorded in FY 2023. Assumption changes resulted in a decrease in pension liability of -\$467,010; please explain.
 - d. Please explain ineligible defined benefit pension expenses for FY 2023 (credit amount).
 - e. Is the city's \$6.5 million General Fund contribution to DTC's operations in FY 2024 and proposed for FY 2025 sufficient to meet operating needs?
8. Does DTC anticipate receiving an increase in State Operating Assistance or federal grants in FY 2025? Do you anticipate increased revenues from advertising resulting from a higher number of special events being held in Detroit in FY 2024 or FY 2025.
9. What is the current physical condition of the People Mover facilities? Please describe your capital improvement plans for the four-year period beginning in FY 2025.
- a. Please comment on the Beam Maintenance program, as DTC- FY 2023 financial statements noted inspections found structural defects, with an estimated cost of \$3 million to repair; please update the DTC's progress in this area.
 - b. The Train Car Replacement project consists of replacing 12 train cars with new cars or a combination of new and refurbished used cars per the FY 2024 – 2028 Capital Agenda. The project cost is estimated as \$50 million with funding from FTA Discretionary and Formula grants. The city appropriated in the current fiscal year \$19.9 million from the FY 2022 General Fund Surplus for a cash match for the purchase of replacement train car(s); please provide an update on this project. Is this project being financed or funded with grants and city contributions?
 - c. The Automated Train Controller Component Upgrade project, per the most recent Capital Agenda, is planned for FY 2025; please provide an update on this project.
 - d. Did the other capital projects proposed for fiscal year 2024 in the Capital Agenda receive FTA grant funding and are ready to proceed with implementation?

**CITY OF DETROIT
BUDGET DEVELOPMENT
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES
DEPARTMENT 20 - DETROIT DEPARTMENT OF TRANSPORTATION**

Department # - Department Name					
Fund # - Fund Name	FY2024	FY2025	FY2026	FY2027	FY2028
Appropriation # - Appropriation Name	Adopted	Mayor Proposed	Forecast	Forecast	Forecast
Cost Center # - Cost Center Name					
20 - Detroit Department of Transportation	167,322,462	188,867,155	190,018,146	191,438,416	192,890,893
5301 - Transportation Operation	153,586,609	171,552,851	172,703,842	174,124,112	175,576,589
27200 - Rider Services	89,494,247	103,829,887	105,354,482	107,041,043	108,755,718
200170 - DDoT Building Maintenance	10,337,728	11,177,621	11,295,990	11,415,683	11,536,715
200280 - DDoT Vehicle Maintenance	14,095,416	15,551,449	15,752,086	15,955,860	16,162,828
200290 - DDoT Materials Management	7,636,387	4,719,227	4,777,663	4,836,927	4,897,027
200300 - DDoT Vehicle Operation	36,356,131	50,538,695	51,461,956	52,403,500	53,363,690
200310 - DDoT ADA Transportation Services	14,568,585	15,342,895	15,566,787	15,929,073	16,295,458
200370 - DDoT Operations Support - DTC	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
29200 - DDoT Administration	20,802,593	21,361,250	21,621,638	21,885,649	22,153,340
200010 - DDoT Administration	4,345,889	4,463,449	4,528,792	4,595,243	4,662,820
200020 - DDoT Compliance	638,786	727,680	739,337	751,206	763,293
200090 - DDoT Finance	8,791,339	8,791,339	8,879,252	8,968,045	9,057,725
200230 - DDoT Safety Department	7,026,579	7,378,782	7,474,257	7,571,155	7,669,502
29201 - DDoT Planning	5,433,421	5,198,304	5,281,605	5,366,426	5,452,795
200011 - DDoT Strategic Planning Division	1,971,406	1,815,029	1,844,406	1,874,322	1,904,788
200030 - DDoT Marketing	987,959	910,998	924,082	937,383	950,906
200040 - DDoT Mobility Innovation	768,065	1,078,039	1,097,586	1,117,521	1,137,853
200070 - DDoT Management Information Services	1,053,845	521,228	526,440	531,706	537,023
200110 - DDoT Customer Programs & Communications	652,146	712,887	726,006	739,388	753,037
200170 - DDoT Building Maintenance	-	160,123	163,085	166,106	169,188
29202 - DDoT - Claims Fund (Insurance Premium)	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
200160 - DDoT Claims Fund	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000