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TO: Beau Taylor, Executive Director
Detroit Public Lighting Authority

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: March 15, 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 **Monday, March 18, 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
Agency Plan: Mission, Goals and Activity Summary

cc: Councilmembers
Auditor General's Office
Jay Rising, CFO
Tanya Stoudemire, Chief Deputy CFO-Policy & Administration Dire
Steven Watson, Deputy CFO/Budget Director
Brad Dick, Group Executive-COO
Justin Buss, Budget Analyst
James George, Agency CFO
Malik Washington, Mayor's Office

Detroit Public Lighting Authority
FY 2024-2025 Budget Analysis by the Legislative Policy Division

The Detroit Public Lighting Authority (PLA) was authorized by the Michigan Legislature in 2012 via the Michigan Lighting Authority Act (Public Act 392 of 2012, or “Act 392”) to support and develop a plan to improve public lighting in the City of Detroit. The PLA is overseen by a five-member board that is appointed by the Mayor and the City Council.

The PLA was created for the purpose of providing financing, operating, and maintaining a street lighting system in the city. The PLA made a multi-year, city-wide investment in the public lighting infrastructure, including poles, ballasts, circuits, transformers, and distribution connections. This is the distinction between the PLA and the Public Lighting Department, the PLA does not provide or generate electrical energy- the city shall purchase all of the electricity necessary to power the streetlighting system from a third-party power provider. Per City Charter, the Public Lighting Department (PLD) is responsible for the delivery of energy (PLD can furnish and sell – electrical power)¹.

The PLA street lighting system improvements were funded through the sale of \$185 million in bonds; total bonds outstanding as of June 30, 2023, is \$165.9 million, final maturity is 2045. The bonds are repaid from the \$12.5 million per year the PLA receives from the City’s Utility User Tax revenues. The PLA also receives from the city reimbursement of operating and maintenance costs per an Operating & Maintenance (O&M) interlocal agreement with a stated annual cap of \$8.024 million. In the Management’s Discussion and Analysis section of PLA’s June 30, 2023, financial statements PLA indicates that they are in process of discussing a reimbursement formula for their annual operating and maintenance reimbursements from the city which was \$1 million less than the previous fiscal year.

Issues and Questions

- 1) Please provide LPD with the Board approved FY 2024 operating budget and the Proposed FY 2025 operating budget.
- 2) Please briefly explain the agency's new expense initiatives, any new and/or significant capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2025.
- 3) What is the current staffing level at the Public Lighting Authority and any vacancies; please briefly discuss any current and proposed staffing initiatives.
- 4) As more residents voice their concerns about the city’s climate resiliency, how does the PLA handle extreme weather events and its impact on the streetlighting system? What are the PLA plans to preserve the system in the face of a growing climate crisis?
- 5) On page 5 of the June 30, 2023, PLA financial statements: please explain the increase in Inventory-on-hand and PLA’s reinvestment program.
- 6) On page 6 of the 2023 PLA financial statements, why a zero balance in Cash Reserved for Operation and Maintenance as of June 30, 2023?
- 7) Page 8 of the 2023 PLA financial statements: Approximately 1,000 poles and luminaires were replaced in FY 2023; how many are estimated to be replaced in FY 2024 and how many have been replaced year to date. How many are scheduled to be replaced in FY 2025 per the PLA’s Long-Term Planned Maintenance Program.

¹ City of Detroit Auditor General, A Performance Audit Of The Public Lighting Authority May 2022; Appendix C: Memo from the Law Department: “Public Lighting Authority and Detroit City Charter” page 82.

- 8) Assuming higher maintenance costs as PLA assets age, what is the PLA plan to absorb anticipated higher costs? Please explain how the city's reimbursement of actual O & M costs will impact the FY 2025 budget. When will a revised reimbursement formula be determined?
- 9) Page 11 of the 2023 PLA financial statements: Please explain the year-over-year increase in Other Revenue of \$1.0 million and the \$1.4 million increase in Operating and Maintenance costs.
- 10) Page 19 of the 2023 PLA financial statements: Why the use of uninsured (FDIC) and uncollateralized bank accounts for working capital?
- 11) Page 24 of the 2023 PLA financial statements: The PLA will end its lease of office space, storage space and equipment in 2025- 2026. Are there any plans to relocate operations?