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CFO FISCAL IMPACT STATEMENT NO. 2024-110-011

SUBJECT: Fiscal Impact of Solar Neighborhoods Project Phase 1
PREPARED BY: Office of the CFO – Office of Budget
DATE ISSUED: July 19, 2024

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the chief financial officer shall submit in writing to the Mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the Mayor or the governing body of the City will have on the City's annual budget and its four-year financial plan.
- 1.2. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements ("FIS") for pending or enacted decision items with a significant fiscal impact on the City, as determined by the CFO, to provide financial information to the Mayor and the City Council as they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

- 2.1. To provide financial information to the Mayor and the City Council as they consider action on the proposed resolutions authorizing Phase 1 of the Solar Neighborhoods Project and the Solar Equity Fund (together, the "Solar Initiative").

3. OBJECTIVE

- 3.1. This FIS serves as the report on the fiscal impact of the proposed on the City's annual budget for FY 2025 and four-year financial plan for FY 2025 – FY 2028 (the "City budget").

4. SCOPE

- 4.1. This FIS is not intended to convey any statements nor opinions on the advisability of the proposal, except for those components that have or may have a fiscal impact on the City budget.
- 4.2. This fiscal impact analysis is based on the proposal as described below in Section 5 of this FIS. Should the proposal change prior to final approval, an updated FIS may be issued.

5. STATEMENT

- 5.1. Conclusion: The Solar Initiative would have **no material net impact** on the City budget, as resources have been budgeted and identified to cover the incremental costs.
- 5.2. Background: The Administration has proposed two resolutions (the Resolution of Necessity and the Solar Equity Fund) authorizing the Solar Initiative and appropriations to support it, plus three related development and service contracts (DTE, Lightstar, and Zausmer). The Resolution of Necessity authorizes site preparation and property

acquisition in the first three solar neighborhoods included in Phase 1 and repurposes available PLD Decommissioning Reserve appropriations for the Utility Conversion Fund to fund the upfront costs of Phase 1. The Solar Equity Fund resolution further authorizes the Utility Conversion Fund for the purposes of the Solar Equity Fund. The Solar Equity Fund would support site preparation and property acquisition costs of owner-occupied homes in the remaining five finalist solar neighborhoods for homeowners who wish to exercise the option to sell their homes without needing to wait until the future solar neighborhood phases are authorized and implemented.

- 5.3. Fiscal Impact: The Solar Initiative has **no material net impact** on the city budget, as resources have been budgeted and otherwise identified to cover the incremental cost as summarized below and in the following table. The proposal would repurpose available appropriation balances in the PLD Decommissioning Reserve to support the one-time costs, including property acquisition and other project costs, estimated at \$14 million for Phase 1 Solar Neighborhoods and \$4.4 million for the Solar Equity Fund.

The recurring cost for Phase 1 is \$3.5 million annually, based on \$5.5 million in annual Power Purchase Agreement expenses offset by \$2 million in annual sale of solar-generated electricity. The City budget includes a \$1 million recurring budget placeholder for the ongoing costs of the Solar Initiative. Various City agencies, including the Detroit Land Bank Authority, General Services, Public Works, and others, have estimated \$2.2 million of annual service cost savings from the Solar Initiative due to the conversion of residential acreage to solar power fields. The OCFO has also estimated approximately \$200,000 in annual net property tax gains from the Solar Initiative.

In the FY 2026 budget cycle, the Mayor and City Council may choose to repurpose these budget resources to offset most of the remaining incremental recurring cost of the Solar Initiative or to reinvest all or a portion of those savings into other services, so long as the final adopted City budget is balanced over the four-year period from other revenue gains and/or cost savings. The potential upside from future increases in electricity prices and MIGreen Program credits may further offset some of the incremental cost of the Solar Initiative.

City of Detroit
FIS - Solar Initiative
 \$ in thousands

	FY 2025	FY 2026	FY 2027	FY 2028
Incremental Costs				
Phase 1 Solar Neighborhoods				
Upfront Costs	\$ 14,000	\$ -	\$ -	\$ -
Power Purchase Agreement	-	5,470	5,494	5,518
Sale of Electricity Offset ¹	-	(2,000)	(2,000)	(2,000)
Solar Equity Fund	4,400	-	-	-
Total Incremental Costs	\$ 18,400	\$ 3,470	\$ 3,494	\$ 3,518
Budget Resources				
Utility Conversion Fund	\$ 18,400	\$ -	\$ -	\$ -
FY25 Adopted Budget Placeholder	1,000	1,000	1,000	1,000
Departmental Savings & Property Taxes	-	2,454	2,457	2,465
Total Budget Resources	\$ 19,400	\$ 3,454	\$ 3,457	\$ 3,465
Net Impact on Four-Year Financial Plan²	\$ 1,000	\$ (16)	\$ (37)	\$ (53)

Notes:

1. Does not count potential upside from future increases in electricity prices
2. Does not count potential upside from MIGreen Program credits.

APPROVED



Steven Watson, Deputy CFO / Budget Director