



March 20, 2025

**TO:** David Whittaker, Director  
Legislative Policy Division

**FROM:** Beau Taylor, Chief Executive Officer  
Public Lighting Authority

**RE:** **PLA Response to FY 2025/2026 Budget Analysis Questions**

Please find below responses to your questions send on March 18, 2023, regarding Budget Analysis Fiscal Year 2025/2026 for the Public Lighting Authority.

**1. Please provide the Board-approved FY2025 operating budget and the Proposed FY2026 operating budget.**

The Board-approved FY 2025 operating budget is attached, but the FY 2026 budget will not be finalized until the beginning of May. The PLA budget includes strategic reserve funds support planned maintenance; Bond-funded corridor improvements were approved in a separate budget when received from the City in 2024.

**2. Briefly explain the agency's new expense initiatives, and any new and/or significant capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY2026. a. Did PLA submit a revised city lighting expansion plan to City Council as previously discussed?**

PLA's new expense initiatives in FY2026 will include some portion of the 16,900 fixtures, 20,000 wood poles and 950 decorative poles, and 125 viaduct fixtures that still need replacement. Execution of the Bond-funded Corridor improvements are about 20% completed and will continue through FY2026. PLA is implementing a staff reorganization to align with the scale of reinvestment efforts; two junior positions have already been added to support operational capacity.

A Revised Lighting Plan has not been submitted. Below is a detailed analysis of the legal processes by which the Lighting Plan may be modified or amended in accordance with the applicable law as well as best practices:

Three key pieces of legislation were enacted in 2012 regarding Michigan municipal lighting authorities:

- (1) The [Michigan Municipal Lighting Authority Act](#) (2012 PA 392, MCL 123.1261 *et seq.*) (“MMLAA”), which enables a municipality to establish a separate lighting authority governed by an appointed five-member board;
- (2) an [amendment to the Michigan City Utility Users’ Tax Act](#) (1990 PA 100, MCL 141.1151 *et seq.*), which requires a municipality that establishes a lighting authority to provide it with \$12.5 million in funding annually (the “Mandatory Annual Funding”); and
- (3) an [amendment to the Michigan City Income Tax Act](#) (1964 PA 284, MCL 141.501 *et seq.*), which authorizes a municipality that creates a lighting authority to assess higher income taxes for repayment of the lighting authority’s bonds, obligations, and other indebtedness.

The Detroit City Council and Mayor incorporated and formed the PLA in accordance with the provisions of the MMLAA as of April 5, 2013. The operation and financing of the PLA are discussed below.

MMLAA requires the five-member board of a new municipal lighting authority to submit a three-year plan (a “[Lighting Plan](#)”) to the governing body of the municipality on or before the March 15th following its formation. Biannually thereafter, the lighting authority’s board may prepare and submit a plan for the next succeeding three years. Detroit’s PLA was created on April 5, 2013. Therefore, PLA’s initial Lighting Plan was required to be prepared and submitted to the Detroit City Council on or before March 15, 2014. The PLA’s Lighting Plan was issued September 9, 2013, within the statutory prescribed deadline.

The procedures for adopting a proposed lighting plan are detailed in [MCL 123.1277\(1\)-\(8\)](#) and summarized as:

- i. On or before March 15 of every other year after the creation of the authority, the Board may prepare and submit to the governing body of the local government a plan for the next three succeeding fiscal years.
- ii. Detroit City Council would then have the option to vote to accept or reject the plan as proposed by the Board. Please note that unless the governing body of the local government votes to reject the plan within 45 days of its submittal, the plan is considered approved.
- iii. If Council were to vote to reject the plan as provided in the Act, the authority’s Board would then need to revise the plan and resubmit the revised plan to Council within 30 days of the vote that rejected the plan.
- iv. The governing body of the local government may vote to accept or reject the Revised Lighting Plan within 30 days of its submittal. Unless the governing body of the local government votes to reject the revised plan, the revised plan is considered approved.
- v. If the governing body of the local government votes to reject the revised plan, the governing body of the local government must contemporaneously adopt, by a vote of at least 2/3 of the members of the governing body of the local government elected and serving, a resolution that includes a list of items that, if altered, would result in a vote to adopt the plan. Failure to adopt a resolution in compliance with this subsection is considered acceptance of the revised plan by the governing body of the local government.

- vi. If the governing body of the local government votes to reject the revised plan and submits the required resolution as provided in subsection (5), the authority shall prepare a final proposed plan not more than 20 days following the vote to reject the revised plan. The final proposed plan shall be sent to the chief executive officer of the local government, and the chief executive officer shall make the final proposed plan available on the local government's internet website as soon as is practicable. The final proposed plan shall also be made available at a public hearing to be held not more than 10 days after the final proposed plan is complete. Public comment shall be taken at the public hearing concerning the final proposed plan. On or after the tenth day after the public hearing, the authority shall vote on the final proposed plan.
- vii. Except as otherwise provided in this subsection, if 2/3 of the board members of the authority vote to adopt the final proposed plan, it is adopted. If the final proposed plan incorporates a majority of the items identified in the appropriate resolution or resolutions adopted by the governing body of the local government, then the final proposed plan is adopted if approved by a majority vote of the board of directors of the authority.
- viii. If a plan is not adopted on or before July 1 of the year in which a plan is required to be prepared under subsection (1), then the adopted plan shall be the final proposed plan, except that all changes identified in the resolution of the governing body submitted under this act are considered amendments to the final proposed plan so that the plan as adopted contains all changes listed in the resolution from the governing body.

The statute makes clear that:

- “The governing body of the local government does not have the power to amend the plan in any respect.” (MCL § 123.1277(2)).
- The sole statutory mechanism for amending a lighting plan prior to the adoption of the next lighting plan is found in MCL § 123.1277(9).
- “A plan adopted by the board may be amended by a vote of 4 of the 5 members on the board.”
- Although the statutory framework is unambiguous, it is also advisable to have counsel review the PLA’s other contractual obligations that may bear on any modifications to a lighting plan.

**3. What is the current budgeted and actual staffing level at the Public Lighting Authority? Briefly discuss any current and any proposed staffing initiatives, including the plan to fill any vacancies.**

For new revenue initiatives, PLA is exploring opportunities to leverage **released bond funds** to support ongoing and future capital projects. As part of this effort, a **working group** has been established to address the **2014 bond refinancing**, with the goal of releasing additional funding for capital investment.

The Public Lighting Authority (PLA) has a **budgeted staffing level of 23 Full-Time Equivalents**, which aligns with the current actual staffing level. This includes **6 FTEs dedicated to administrative functions**, **16 FTEs assigned to Operations & Maintenance (O&M)**, which incorporates **two newly added junior staff positions**, and **1 contractual construction engineer consultant**.

Staffing initiatives for FY 2026 focus on optimizing operational efficiency through the integration of the two junior positions within O&M. There are no current vacancies, and staffing levels are strategically aligned to support PLA's reinvestment and capital improvement efforts.

**4. Does the city's solar initiative impact the public lighting system, if yes briefly explain the impact on the system? Are there any future implications for the lighting system with the expansion of the city's solar program?**

Yes, the city's solar initiative impacts the public lighting system by **offsetting energy use**, contributing to overall sustainability efforts. As solar energy adoption increases, it supports cost efficiency and reduces reliance on traditional power sources for public lighting.

Future implications for the lighting system include the **integration of smart technology**, which will enhance energy management, improve system responsiveness, and further optimize efficiency as the city's solar program expands.

**5. Has the PLA and the city determined a reimbursement formula for administrative, operations and maintenance expenses required under the interlocal agreement and as previously discussed in the city's Auditor General report(s)?**

We always assumed the existing Interlocal Agreement would be static, so we operate within its funding adequately. PLA expects to re-evaluate funding requirements as a new Lighting Plan is approved and we have submitted a rate case to the Office of the Chief Financial Officer to quantify cost drivers and will continue to refine our data.

**6. On page 5 of the June 30, 2024, PLA financial statements: please discuss the PLA 2022 Strategic Reserve and the planned withdrawals for maintenance activity.**

The PLA Strategic Reserve was established under the 2022 Board-approved Capital Plan to support critical infrastructure projects. These projects go beyond routine operations and maintenance to extend system life. Withdrawals from the reserve occur twice a year and are expended in accordance with approved project plans. For FY2025, planned withdrawals include funding for fixture replacements, pole swaps, and custom neighborhood retrofits. These retrofits specifically target areas such as Boston Edison, Arden Park, and Oakman to enhance lighting infrastructure and maintain system reliability.

**7. On page 6 of the June 30, 2024, PLA financial statements, FY 2023 Operating and maintenance expenses increased by \$5.4M to \$15.1M in FY 2024; please discuss.**

The primary increase in Operating and Maintenance (O&M) expenses, as reflected on page 6 of the June 30, 2024, PLA financial statements, is attributed to several factors. First, there was an increase in planned maintenance due to the aging of 2014 fixtures, which reached their end of life and required more aggressive attention. Additionally, legacy wood poles were addressed more proactively, leading to an increase in maintenance activities. The rise in contractor rates also contributed to the higher expenses. All were funded by our strategic reserve.

Furthermore, \$1 million was expended for downtown maintenance in support of the NFL Draft, which was fully reimbursed.

- 8. Page 8-9 of the June 30, 2024, PLA financial statements: PLA maintains a positive Net Position of \$26.9M as of June 30, 2024; it includes a decrease of \$3.7M over FY 2023.**
- a) PLA Unrestricted Net Position declined from \$11.9M in 2022 to \$4.9M in 2023 and (.5M) in 2024; please discuss.**
- b) Does the PLA expect to obtain a full recovery of its investment fund loss; please provide the status of this open item.**

These changes in Net Position are due to the investment fund loss in FY2023 and increases in planned maintenance expenses (supported by the Strategic Reserve). A legal settlement for the loss was negotiated by the Corporation Counsel in FY2024. We prefer that legal counsel answer any questions about the legal settlement, to be sure that any disclosure terms are followed.

- 9. Page 10 of the June 30, 2024, PLA financial statements: Approximately 1,000 poles and luminaires were replaced in FY 2023; how many are estimated to be replaced in FY 2025? How many have been replaced year to date? How many are scheduled to be replaced in FY 2026 per the PLA's Long-Term Planned Maintenance Program.**
- In FY 2025, the PLA plans included a total of 11,200 luminaires 1,000 wood-residential poles, 200 Boston Edison poles, and 125 Viaduct luminaires.
  - Year-to-date, the PLA has swapped 4,937 luminaires, including 531 wood-residential poles and 81 Boston Edison poles.
  - For FY 2026, the PLA's Long-Term Planned Maintenance Program estimates replacing 10,900 luminaires, 1,500 wood-residential poles, 200 Boston Edison poles, and 125 Viaduct luminaires.
- 10) The debt service on the PLA 2014 \$185M bonds is paid from the \$12.5M Utility Users' Tax (UTT) revenues from the city; however, the interest expense for this debt was \$7.3M in FY 2024.**
- a) Please discuss how the remaining \$12.5M in UTT funds were utilized.**
- b) Beginning in FY 2025, principal payments ranging from \$4.3M to \$5.2M during the 4-year forecast period are due, which will increase the debt service due to \$11.9M of the total UTT allotment; please discuss.**

- a) The \$12.5M in Utility Users' Tax (UTT) revenues is dedicated to the debt service on the PLA's 2014 \$185M bonds. In FY 2024, this allocation included \$4.3M for principal payments and two payments of \$3.8M for interest payments, totaling \$7.6M in debt service. The remaining funds, after covering the debt service, are used for capital reinvestment.
- b) In FY 2025, this allocation included \$4,525,000 for principal payments and \$7,481,250 for interest payments, totaling \$12,006,250 for debt service.

**11) The Corridor Bond Program was funded with \$22M in proceeds from the city's July 2024 UTGO bond sale for the purpose of standardization of lighting on the city's high traffic corridors. a) Please discuss how much of PLA's annual reimbursement is due to this program?**

**b) Does this program include viaduct lighting improvements? If not, is there any discussion on increasing viaduct lighting throughout the city?**

a) None of PLA's annual reimbursement comes from the July 2024 UTGO bond proceeds.

b) This program doesn't include viaduct lighting throughout the city, however we are addressing viaduct lighting through our capital plan initiatives with 20 sites now completed.

**12) Page 28 of the June 30, 2024, PLA financial statements: The PLA lease of office space and equipment ended in February 2024 and per the June 30, 2024, financial statement PLA continued with a month to month lease (storage lease end February 2025). a) What is the current status of PLA lease agreement?**

**b) Are there any plans to relocate operations?**

The PLA is finalizing a new lease agreement with no plans to relocate operations.



# Budget by Line Item, FY24 vs Proposed FY25

**Highlights of Board Resolution:** Separate classing by Fund (columns); assumes statutory ILA \$; Possible DOE Grant

Revenue Categories	FY24 Budget	FY24 Proj. Actual	FY25 Prop Operating	FY25 Prop Planned Maintenance	FY2025 Proposed Contingencies	Corridor Bond Project (Projected)	DOE Grant Funding (Applied)	Highlights
interlocal agreement fees	\$10,403,263	\$9,403,263	\$10,403,263					Per ILA rather than City budget
Utility User Tax Revenue	\$12,500,000	\$12,500,000	\$12,006,250		\$493,750			Expended in prior fiscal periods
Interest Income	\$900,000	\$1,022,831	\$22,472		\$700,000			Checking account, Capital Reserve; excludes Trust (restricted)
Insurance Recovery	\$10,000	\$14,000	\$14,000					No improvement
Others: City project MOUs	\$1,950,000	\$1,076,113				\$22,000,000		Any \$ treated as contingencies
<b>total</b>	<b>\$25,763,263</b>	<b>\$25,016,207</b>	<b>\$22,445,985</b>	<b>\$0</b>	<b>\$1,193,750</b>			
					<b>\$23,639,735</b>			<b>TOTAL REVENUE</b>

Expenditure Categories	FY24 Budget	FY24 Proj. Actual	FY25 Prop Operating	FY25 Prop Planned Maintenance	FY2025 Proposed Contingencies	Corridor Bond Project (Projected)	DOE Grant Funding (Applied)	Highlights
Compensation	\$1,827,776	\$1,771,289	\$1,994,413					3 new positions, 3% cola increases
Professional Fees	\$988,894	\$833,592	\$799,135		\$300,000			legal cushion, IT upgrades
Occupancy	\$220,000	\$195,034	\$198,040					rent increase absorbed
O&M: Time & Units, Material	\$12,253,090	\$13,000,000	\$6,605,000	\$5,343,757				potential 5% labor increase
Tree Trimming	\$500,000	\$530,000	\$500,000					added to operating budget
Office Expenses	\$73,000	\$55,000	\$45,000					excludes moving cost
Insurance	\$183,490	\$182,081	\$180,129					Added coverage, bundled policies
Travel, Meeting, Confer.	\$10,000	\$6,252	\$10,000					status quo
Auto Expenses	\$84,000	\$75,000	\$88,017		\$240,000			possible vehicle replacement
Public/Comm. Relations	\$20,000	\$10,000	\$20,000		\$20,000			ad campaign
Other	\$10,000	\$0	\$0					
<b>total</b>	<b>\$16,170,250</b>	<b>\$16,658,248</b>	<b>\$10,439,735</b>	<b>\$5,343,757</b>	<b>\$560,000</b>	<b>\$22,000,000</b>		
Debt Service on Bonds	\$12,006,750	\$12,006,750	\$12,006,250					
<b>Total, all funds</b>	<b>\$28,177,250</b>	<b>\$26,729,578</b>	<b>\$22,445,985</b>	<b>\$5,343,757</b>	<b>\$29,749,160</b>	<b>\$22,000,000</b>		<b>TOTAL EXPENSES</b>

Public Lighting Authority      **FY24 Deficit = (\$487,998)**      **FY25 Drawdown from reserve = \$5,343,757**