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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: January 9, 2023

RE: Ten-Year Financial Review and Projections/Outlook for the Detroit Public Library

Council Member Scott Benson requested “as a result of the Legislative Policy Division’s (LPD) Library Financial Fact Sheet memo dated May 17, 2022, which identifies several financial threats to the Detroit Public Library, please provide a 10-year financial performance review and projections/outlook for the Detroit Public Library.” Attachment I represents LPD’s Library Financial Fact Sheet memo. This report addresses Council Member Benson’s request.

Executive Summary

A key question is: “Why Public Libraries?” Back in the 1800’s, public libraries were created to educate the masses through public education. Public libraries under state law used local taxes and voluntary donations to create opportunities for every citizen in a community to equally share in its resources. By offering free library buildings to communities who supplied their own books and committed to continue the libraries into perpetuity with tax dollars, Andrew Carnegie transformed the public library system by establishing up to 2,000 library structures.

Today, funding for public libraries is stressed in the face of all levels of government and non-government agencies competing for scarce public dollars. But another key question arises: “Are Public Libraries Still Relevant?”. The answer is a resounding “Yes!” Today’s public libraries are a place for people of all ages and backgrounds to seek help, connect with others, and get access to the information and services they need.

Moreover, public libraries help boost local economies: 1) they are free for patrons, 2) they provide a workspace for telecommuters, 3) supply free internet access for people looking for employment opportunities, and 4) offer job and interview training for those in need.

However, the role of libraries has changed. The number of in-person visits has declined, and libraries increasingly offer more diverse kinds of programs for all ages, such as story time for toddlers, afterschool programs for teens, and computer classes for adults and seniors. No longer are they just book-lending centers, and with the number of print materials declining, libraries have been expanding their electronic book collections significantly, with per capita e-book collections growing by more than 3,000 percent between 2010 and 2019.

There is a new model for public libraries in the 21st Century: 1) libraries need to be people-centered-offering services to address diversifying populations and different learning styles-and not collections-centered; 2) libraries need to look to partner with private companies, philanthropic organizations, and government agencies to coordinate delivery of goods and services; libraries should also consider exploring partnerships with public schools, community colleges, and vocational schools to accommodate the growing demand for a more robust continuing education and skills-based learning infrastructure; 3) library design should promote a sense of ownership, belonging, and safety, and be adaptable and flexible; 4) and libraries will need to integrate physical and virtual environments, since in the coming decades, digital media will complement books as the predominant format for most library collections. Attachment II provides a recommended Standard Program Template for components of a 21st century library.

Given the funding sources for public libraries nationwide and in the State of Michigan, and the funding challenges faced by public libraries locally and nationally, it may be difficult financially for public libraries to provide new model library services as described previously without partnering with an outside organization or government entity. The funding sources for public libraries nationwide include: 1) dedicated property taxes; 2) dedicated sales or use taxes; 3) General Fund of a municipality; 4) a contract with a municipality; 5) a school district fund allocation; 6) fund allocations by several legal or municipal entities via a Memorandum of Understanding (MOU) or Inter-agency Agreements (IGA); or 7) by direct funding from a state.

The funding sources for public libraries in the State of Michigan are primarily from three funding sources authorized by state law: millages, state aid and penal fines. Unfortunately, diminishing property values reduce property tax revenues based on a library millage. In addition, Downtown Development Authorities (DDAs) and Tax Increment Finance Authorities (TIFAs) often capture dedicated millages for public libraries, which impacts the library's ability to sustain all its operations. Public Libraries also receive funds from miscellaneous sources: philanthropic donations, sales/charges for services (fees), interest earnings, and to a lesser extent, municipal General Fund contributions.

The main challenge facing libraries both locally and nationally is stable revenue sources. Local, national, and global economic conditions are significant factors in the availability of funding sources for public libraries. The decline in the sources of funds contribute to library reduced service hours and/or closures, resulting in poor and limited services to library users. In an economic recession, public libraries may be forced to reduce their budgets and operate in deficits.

Unquestionably, the COVID-19 pandemic had a drastic impact on public libraries in the nation. By March 2020, 98 percent of libraries had closed their doors to some extent. Like many public institutions forced to close their doors, libraries worked to adapt to a new way of doing business. As most libraries were closed to in-person visits, libraries accelerated or adopted policies that let users access resources from a safe social distance, including offering digital library cards, creating curbside pick-up programs, and promoting eBook

lending. Libraries played a significant role in bridging a digital divide that became more apparent during the pandemic. Families, marginalized communities, students, and rural residents struggled as the nation pivoted to virtual communication instead of in-person interactions and learning.

Meanwhile, the Detroit Public Library (DPL) has been providing very important library and educational services to the citizens of the City of Detroit for almost 160 years. However, like public libraries throughout the U.S., DPL has faced financial challenges, as a 10-year financial review further in the report will show. However, a four-year projections/outlook of DPL operations further in the report will demonstrate some improvement in DPL finances to better address operational and capital needs in the short term.

Prior to the COVID-19 pandemic, the level of library services provided by DPL with limited resources is remarkable. DPL's Main Library is a center for literacy support, library services, cultural programming, technology access, computer classes, and special historical collections such as the Burton Historical Collection. DPL's Mobile Library offers checking out books, audio visual materials, access digital collections, connect with free Wi-Fi or participate in programs. And DPL's library branches in Detroit's neighborhoods serve as community centers connecting citizens to information and technology. Each branch is different, offering a range of services and programs tailored to fit the specific community served including: 1) technological online access; 2) literacy and tutoring; 3) technology training and lifelong learning opportunities; 4) summer reading program and other reading programs; and 5) many branches serve as warming centers during winter and cooling centers during the summer months.

DPL Executive Director Jo Anne G. Mondowney recently stated "We (DPL) are the community's living room. We provide opportunities for lifelong learning and access to information. We're always able to provide varying formats including print and on-line to access information, education, and recreation."¹

Prior to the COVID-19 pandemic, DPL operated the Main Library, 21 branches, and one mobile library. But like public libraries throughout the nation, the COVID-19 pandemic forced DPL to close its library system on March 13, 2020. In July 2020, DPL's courageous frontline staff boarded the Mobile Library to visit parks, schools, food distribution sites, and recreation and community centers. On September 28, 2020, DPL reopened the Main Library and six branches based on geographic locations and the ability to accommodate social distancing. DPL also reopened the one mobile library.

In the face of the COVID-19 pandemic, DPL planned to reopen 11 additional library branches in Fiscal Year (FY) 2023, beginning July 1, 2022. DPL determined it would need to use \$3.1 million of its unassigned general fund balance, which had a \$26 million balance as of June 30, 2021, to reopen the 11 library branches. As of this report date, DPL has reopened nine of the 11 library branches.

LPD conducted a ten-year performance review of DPL's financial condition per Council Member Benson's request. Using a review of DPL's annual financial statements, DPL's financial records, and financial information from the City's Office of the Chief Financial Officer (OCFO) Office of Budget, LPD reviewed: 1) makeup of DPL's general fund total revenues for 1975, 1985, and from 2012 through 2021; 2) DPL's general fund property tax captures from 2012 through 2022, and projections of property tax captures from 2023 through 2027; and DPL's general fund revenues, expenses, net income (loss), and fund balance from 2012 through 2022. Key findings from this financial performance review are as follows:

1. The history of the city's General Fund support of DPL revenues have evolved over the years from over 50% primary support to zero upon implementation of a dedicated library property tax millage.

¹ "Dumas: Detroit Public Library is 'here to stay'", Detroit News, by Karen Dumas editorial writer, dated December 5, 2022. <https://www.detroitnews.com/story/opinion/columnists/2022/12/06/dumas-detroit-publiclibrary-is-here-to-stay/69696975007/>

2. DPL's approximate library millage of 4 mills currently generates approximately \$26 million in gross property tax revenue, which constitutes about 89% of DPL's FY 2021 total revenue sources. DPL's library millage expires on June 30, 2025. **If the library millage is not renewed by Detroit's registered voters by FY 2026, DPL's library system would eventually be forced to shut down.**
3. DPL's net property tax revenue² ranging from \$27 to \$33 million makes up about 92 to 96% of total revenues over the ten-year period, further emphasizing DPL's dependency on property tax revenue generated by the library mills to operate at a level of providing the best library services it can offer.
4. Unfortunately, DPL's gross property tax revenue over the ten-year period did not grow but was rather stagnant hovering around \$31 million annually. Meanwhile, property tax captures grew from \$1 million to \$3.5 million over the ten-year period, thereby creating lower net property tax revenue for DPL to operate. And DPL's property tax captures are expected to reach approximately \$4.1 million by FY 2027.
5. DPL general fund property tax capture is a product of tax increment financing, which is a mechanism that allows communities to "capture" property tax revenue from incremental increases in value in a determined area and spend the "tax increment revenue" on economic development projects. In the State of Michigan there are 10 different acts that provide for the use of tax increment financing, but three of these acts, Public Act (PA) 197 of 1975 Downtown Development Authority Act, PA 281 of 1986 Local Development Financing Act, and PA 381 of 1996 Brownfield Redevelopment Financing Act, primarily negatively impact DPL's property tax revenues in the form of property tax captures.
6. Given that TIF authorities (some decades old now) under State law can capture property tax revenue for economic development purposes, DPL has no rights to the TIF captures according to State law, and the amount captured is not DPL's property tax revenue; or stated simply, the amount captured is not DPL's money. This is the reason for the accounting change made in 2019 by the City to show only net property tax revenue (gross property tax revenue minus property tax captures) in the financial statements.
7. **As a result, it would require a change in State law to eliminate the TIF authorities' ability to tax capture.** However, some TIF legislation allow for libraries in Michigan to opt-out of tax capture, but unfortunately, do not apply to DPL at the present time. In 2013, under an amended DDA, DPL had the opportunity to "opt out" from property tax capture from an expansion area for the Little Caesars Arena (LCA) project but failed to do so within a certain timeframe. However, as accommodation to DPL, the DDA entered into a tax sharing agreement allowing all tax increment revenue generated in the LCA expansion area be kept by DPL. DPL collects about \$184,000 in property tax revenue annually from this expansion area.
8. In addition, Section 3(3) of the DDA Act was further amended to exempt library taxes levied before January 1, 2017, from capture when the applicable downtown development authority has no outstanding obligations. According to DDA's annual financial statements as of June 30, 2021, the DDA issued in December 2018 \$287.4 million in Series 2018A bonds to refund the Series 2014 bonds (for the LCA construction project) and Series 2017 bonds (for the Detroit Pistons relocation construction project). These bonds will be repaid primarily through Catalyst Development Project tax revenue captured by the DDA, and they mature in 2049.
9. Of the DPL general fund property tax captures from 2012 through 2027, up to 87% of these tax captures represent DDA property tax captures, which help to support the repayment of outstanding DDA bonds, and therefore, cannot be eliminated if there are outstanding DDA bonds.

² Net Property Tax revenues include current property taxes based on total library millage of 4.63 mills (.64 mill per State law: Public Act 62 of 1933 plus 3.9943 mills approved by Detroit voters in August 2014), prior year taxes, special act property taxes from Neighborhood Enterprise Zones, Industrial Facilities Tax districts, and Obsolete Property Rehabilitation Act areas, personal property taxes, interest and penalties, less property tax captures. ("Property tax captures" represent property taxes captured by Tax Increment Financing Authorities for economic development purposes.)

10. One key point is that there is no decrease in DPL's property tax revenue due to TIFs. For instance, with many TIFs, it is quite the contrary since in many cases (outside of DDA capture districts), the properties are City owned, or owned by another government entity such as Detroit Public School, thereby generating zero taxes, until the ownership changes hands. Even with a TIF, new taxes are generated in these instances. But even when privately owned property is being redeveloped under a TIF project, in most cases, the property is blighted or environmentally challenged and is generating very little taxes before it is redeveloped.
11. Although, the duration of TIF projects can last up to 30 years, DPL can benefit from higher property taxable values surrounding the redeveloped TIF areas during the duration of the TIF project. Where a TIF project involves large real property (construction of new commercial and industrial buildings or rehabilitation of existing commercial and industrial buildings), DPL could realize substantially higher property tax revenue when the TIF project expires.
12. In addition, there are several tax incentives or tax abatements offered by the State of Michigan that reduces DPL's property tax revenue. A tax abatement is designed to incentivize investment by reducing tax payments for a company. The types of tax abatements, also called "special act property tax legislation", that can reduce DPL's property tax revenue are as follows:
 - Obsolete Property Rehabilitation Act, PA 146 of 2000, as amended; abatement term up to 12 years
 - Commercial Rehabilitation Act, PA 210 of 205, as amended; abatement term up to 10 years
 - Neighborhood Enterprise Zone Act, PA 147 of 1992, amended; abatement term up to 15 years
 - Industrial Facilities Exemption, PA 198 of 1974, as amended; abatement term up to 12 years
 - New Personal Property Exemption, PA 328 of 1998, as amended; abatement term up to unlimited term (however, terms have been limited to 12 years under the Mayor Duggan administration)
 - Commercial Facilities Exemption, PA 255 of 1078, as amended; abatement term up to 12 years
 - Michigan Renaissance Zone Act (Michigan Strategic Fund Designated Zone), PA 376 of 1996; abatement term up to 15 years
 - Next Michigan Development Act, PA 275 of 2010/Renaissance Zones PA 376 of 1996; abatement term up to 10 years
13. Fortunately, DPL can receive the same level of property tax revenue or more during the term of a tax abatement, and substantially more property tax revenue after the tax abatement expires. Based on information from the Detroit Economic Growth Corporation (DEGC), FY 2022 estimated library millage collections from 73 tax abatement projects amounted to \$269,000 but grow to \$873,000 when the respective tax abatements expire during the period 2021 through 2027.
14. City Council painstakingly deliberate over the cost/benefits of the TIF and tax abatement projects that come before them for approval to ensure the benefits outweigh the costs³, which benefits include the retention and creation of more jobs, redevelopment of vacant and obsolete properties, creation of mixed-use projects including new housing units and commercial development, creation of affordable housing, etc. All projects must demonstrate that "but for" this incentive the project will not occur, and that the City will receive a net benefit from the investment.
15. Over the ten-year period, DPL's total revenues averaged \$32.6 million annually for the first five years, reaching a high of \$35.3 million in FY 2016. But in the last five years, DPL's total revenues average dropped to \$29.5 million annually, reaching a low of \$28.4 million in FY 2020, primarily due to the stagnant growth in gross property tax revenue and rising property tax captures. This means that DPL had limited resources to operate 22 branches (the Main Library and 21 neighborhood branches) with around 300 Full Time Equivalents (FTEs).
16. DPL experienced net losses in FY 2012 and FY 2013 when it operated 24 branches (the Main Library and 23 neighborhood branches) with limited resources. Therefore, DPL was forced to close two

³ "Costs to the City" associated with TIF economic projects are costs of any city services (police, fire, public works, general services, etc.) provided by the City on behalf of the TIF project.

neighborhood branches in 2014 and reduce the number of FTEs to right-size the library system. This led to a string of net income results for four years from FY 2014 through FY 2017, and DPL basically broke even in FY 2018 when the number of FTEs increased by 32.

17. DPL's high personnel, capital outlay, and other expenses costs, coupled with slightly declining limited resources, generated net losses in FY 2019 and FY 2020.
18. The closing of the DPL library system on March 20, 2020, due to the COVID-19 pandemic, coupled with limited reopening's of the Main Library and six library branches during FY 2021, resulted in a large reduction of expenses, primarily due to huge layoffs and furloughs, which generated a sizable net income of \$7 million in FY 2021, and increased DPL's general fund unassigned fund balance by the same amount.
19. During the ten-year period, pre-COVID-19, it appears that DPL felt compelled to operate 22 branches with around 300 FTEs with limited resources and high costs to provide the best library services it could for its library patrons, including residents of the City of Detroit, even if it meant dipping into its general fund balance to do so. However, to operate 22 branches with limited resources and growing property tax captures, DPL is compelled to deficit spend and use fund balance at times, to maintain operations. This mode of operation is unsustainable for DPL to survive operationally in the long run. If total revenues do not grow substantially in the future, DPL would have to seriously examine providing library services with fewer branches.
20. For FY 2022, DPL ended up with a net income of \$5.8 million, consisting of \$2.9 million from operations and \$2.9 million from an insurance recovery due to significant storm event on June 25, 2021. The positive operational results are from again just operating the Main Library and six library branches post-COVID.
21. Over the ten-year period, DPL has had to use a significant amount of unassigned general fund balance, approximately \$10 million, on print and non-print material for circulation⁴. On average DPL spent almost \$1.3 million annually on print and non-print material during eight years of the ten-year period under review. Apparently, DPL replenishes the Main Library and library branches with new materials and collections on an ongoing basis, which is a considerable expense.
22. Over the ten-year period, DPL has had to use fund balance on numerous occasions to fund capital improvements at the Main Library and neighborhood branches. DPL spent approximately \$9 million on capital improvements during eight years of the ten-year period under review.
23. As a result, DPL spent a total of approximately \$19 million from fund balance on print and non-print material and capital improvements during eight years of the ten-year period under review. Meanwhile, DPL operated the Main Library, 21 library branches, and one mobile library with limited resources to provide the best library services it could for its library patrons, which consisted primarily of Detroit residents. Even though in February 2009 the registered voters of the City of Detroit approved a bond authorization up to \$97 million for museums, libraries, recreation, and other cultural institutions (voters at the time were told up to \$25 million would be used for the libraries), no general obligation bonds have been sold for DPL since 2009. If DPL had general obligation bond dollars from the City to fund these capital improvements, and possibly to fund the print and non-print material which may be classified as capital assets during this ten-year period, DPL would have been in a much better position financially to provide even more robust library services at the Main Library and library branches and avoid deficit spending.
24. In addition, due to the limited growth in DPL's main revenue source, property tax revenue, over the ten-year period, property tax captures in any given year can reduce property tax revenue to the point where

⁴ Print sources include books, magazines, newspapers, and catalogues. These items are printed on paper using ink and often have images drawn on them in color or black & white. They are available in many different formats including hard copy and electronic versions. Non-print sources include videos, films, CDs, and DVDs. These items use electrical energy to capture an image that can then be displayed or played for the user. Source: AuthorsCast article entitled "What are print and non-print materials?", by Jerry Owens. <https://authorscast.com/what-is-print-and-nonprint-materials>

DPL is forced to use some its fund balance to purchase print and non-print material or provide capital improvements at the Main Library or library branches. However, as explained previously, it would require a change in State law to eliminate property tax captures, or they cannot be eliminated if there are outstanding DDA bonds.

LPD reviewed DPL’s five-year capital improvement plan. Key findings from this review are as follows:

1. Some of DPL buildings are over 100 years old, with the average age being 57. Most buildings require extensive repairs and/or upgrades. Regular and timely maintenance will allow DPL to utilize its facilities to its fullest extend and to meet its mission to provide quality services to the community.
2. DPL’s FY 2022-2026 five-year capital plan totals \$9.1 million in projects that will maintain the current infrastructure and does not include any new construction or expansion plans. These projects are anticipated to be paid for with funding from operations (millage/fund balance) denoting there is no anticipated or scheduled General Obligation Bond sale from the Capital Agenda on behalf of DPL.
3. In FY 2022, City Council approved \$2 million in General Fund surplus dollars to replace the chillers at the Main Library; this amount was later amended to \$4 million for total project costs. According to the OCFO, the City’s General Services Department is in the process of transferring the \$4 million to DPL for this capital improvement project.

LPD conducted a four-year future projections/outlook for DPL per Council Member Benson’s request using three scenarios, which are as follows:

1. Figure 1 below shows Scenario 1, which is a four-year future projection/outlook for DPL based on the City of Detroit’s FY 2023-2026 Four-Year Financial Plan. Scenario 1 assumes that for FY 2023-2026, DPL will reopen 11 library branches in FY 2023 to operate 18 branches (Main Library and 17 library branches).

Figure 1
Estimated Detroit Public Library Revenues-Scenario 1 (in millions)

| Fiscal Year | Estimated Property Tax Levy mills | Estimated Property Taxes- Net | Pct % | City of Detroit | Pct % | Estimated State of MI | Pct % | Estimated Other Revenues | Pct % | Estimated Contribution from DPL’s Fund Balance | Pct % | Estimated Total Revenues | Total FTEs | # of Branches plus Main Library |
|-------------------|-----------------------------------|-------------------------------|-------|-----------------|-------|-----------------------|-------|--------------------------|-------|--|-------|--------------------------|------------|---------------------------------|
| 2022 | 4.6307 | 26.2 | 82 % | 4.0 | 13 % | .7 | 2% | .9 | 3% | None | None | 31.8 | 325 | 7 |
| 2023 | 4.6307 | 27.8 | 83 % | | | .7 | 2.1 % | 2.0 | 6% | 3.1 | 9.2 % | 33.6 | 325 | 18 |
| 2024 | 4.6307 | 28.1 | 83 % | | | .7 | 2% | 2.1 | 6.2 % | 3.0 | 8.8 % | 33.9 | 325 | 18 |
| 2025 | 4.6307 | 28.8 | 83 % | | | .7 | 2% | 2.1 | 6.1 % | 3.0 | 8.7 % | 34.6 | 325 | 18 |
| 2026 ⁵ | 4.6307 | 29.4 | 82 % | | | .7 | 2% | 2.2 | 6.1 % | 3.5 | 9.8 % | 35.8 | 325 | 18 |

Source: City of Detroit FY 2023-2026 Four-Year Financial Plan.

Key findings, which are primarily from LPD’s One-page Financial Fact Sheet for DPL (Attachment I):

- a. To reopen the 11 branches, DPL will need to make facility repairs including roof replacements and replace HVAC systems at some of the reopened 11 Library branches and replace an elevator at Main Library, return 27 furloughed employees to previous positions and fill 95 positions, and increase spending on other DPL operational services such as more cleaning and security services, office supplies and equipment purchases.

⁵ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

- b. DPL projects it will need to spend \$3.1 million from its unassigned general fund balance to provide a balanced budget in FY 2023 because of the reopened branches. As of June 30, 2021, DPL’s unassigned general fund balance (surplus) is at approximately \$26 million.
- c. However, as mentioned previously, DPL has reopened nine library branches as of this report date. So, DPL may not need to reduce fund balance by the full \$3.1 million amount as projected.
- d. In addition, with the reopening of the 11 Library branches, DPL’s administration anticipates funding shortfalls of \$3.0 million in FY 2024, \$3.0 million in FY 2025, and \$3.5 million in FY 2026. If future funding shortfalls at this rate are covered by DPL’s unassigned general fund balance to maintain balanced budgets, the unassigned general fund balance (i.e., rainy-day fund) of \$26 million will be depleted in almost nine years.
- e. It is quite clear that the DPL needs an additional dedicated funding source to sustain operations in the future, or face cutting services to do so.

Figure 2 below shows Scenario 2, which is a four-year future projection/outlook for DPL based on the City of Detroit’s FY 2023-2026 Four-Year Financial Plan with updated financial information from DPL. Scenario 2 assumes that for FY 2023-2026, DPL will operate 18 branches (Main Library and 17 library branches). In addition, Scenario 2 assumes some increases in DPL’s net property taxes based on net property tax assumptions from the September 2022 Revenue Estimating Conference conducted by the OCFO. Also, Scenario 2 assumes a huge reduction in DPL pension expenses based on the latest actuarial report for the City of Detroit’s General Retirement System.

Figure 2
Estimated Detroit Public Library Revenues-Scenario 2 (in millions)

| Fiscal Year | Property Tax Levy mills | Estimated Property Taxes- Net | Pct % | Estimated State of M | Pct % | Estimated Other Revenues | Pct % | Estimated Contribution from DPL’s Fund Balance | Pct % | Estimated Total Revenues | Estimated Total Expenses | Est. Surplus | Total FTEs | # of Branches plus Main Library |
|-------------------|-------------------------|-------------------------------|-------|----------------------|-------|--------------------------|-------|--|-------|--------------------------|--------------------------|--------------|------------|---------------------------------|
| 2022 | 4.6307 | 29.0 | 95 % | 1.0 | 3.3 % | .5 | 1.6 % | None | None | 30.5 | 27.5 | 3.0 (4) | 325 | 7 |
| 2023 | 4.6307 | 28.6 | 85 % | .7 | 2.1 % | 2.0 | 6% | 2.3 | 6.8 % | 33.6 | 33.6 | | 325 | 18 |
| 2024 | 4.6307 | 28.9 | 83 % | .7 | 2% | 2.4 | 6.9 % | None | None | 32.0 | 31.5 | 0.5 | 325 | 18 |
| 2025 | 4.6307 | 30.0 | 84 % | .7 | 2% | 2.4 | 6.7 % | None | None | 33.1 | 32.2 | 0.9 | 325 | 18 |
| 2026 ⁶ | 4.6307 | 30.9 | 82 % | .7 | 2% | 2.4 | 6.1 % | None | None | 34.0 | 33.4 | 0.6 | 325 | 18 |

Source: DPL’s annual financial statements as of June 30, 2022 for the FY 2022 numbers; City of Detroit FY 2023-2026 Four-Year Financial Plan; and DPL’s Library Commission’s October 18, 2022 minutes where DPL’s proposed FY 2024 budget was approved by the Library Commissioners. (Note: Mayor Duggan’s proposed FY 2024 budget for the City of Detroit presented to City Council on March 7, 2023, for consideration could reflect different numbers for DPL’s proposed FY 2024 budget. But usually, the Mayor’s numbers align with the numbers for DPL’s proposed budget approved by the Library Commissioners.)

Key findings:

- a. With Estimated Property Tax-Net revenue increases and Estimated Other Revenues increase (which increase by \$400,000 starting in FY 2024 per DPL’s estimates), coupled with the huge reduction in DPL pension contribution expense since DPL’s ten-year General Retirement System (GRS) legacy pension expense of \$2.5 million ends in FY 2023 and reduces to \$100,000 starting in FY 2024⁷, it appears that DPL will only need to use \$2.3 million from unassigned general fund balance for just

⁶ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

⁷ Attachment XIV shows the applicable pages from the June 30, 2021 GRS actuarial report showing DPL’s pension contribution expense going from \$2.5 million down to \$100,000 starting in FY 2024.

FY 2023. For FY 2024-2026, DPL could end up with surpluses, with almost a \$1 million surplus in FY 2026.

- b. If DPL’s unassigned general fund balance of \$31.6 million as of June 30, 2022 is only reduced by \$2.3 million in FY 2023, leaving a balance of \$29.3 million, this fund balance could be used solely to pay for \$9.1 million in necessary capital improvements at the Main Library and library branches based on DPL’s five-year capital improvement plan mentioned previously. If fund balance is reduced by \$9.1 million, then the remaining amount in fund balance further reduces to \$20.2 million, which is still a healthy fund balance total. If the City of Detroit were to issue General Obligation Bonds in the future on behalf of DPL for necessary capital improvements, the fund balance would not be reduced as much and could last even longer for DPL and help ensure a stronger financial footing for DPL operations.
 - c. Based on this analysis, it appears that DPL should strongly consider continuing just operating 18 branches (Main Library and 17 library branches) to minimize the usage of DPL’s fund balance and strengthen its financial condition to become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL’s library services.
 - d. However, at the point where DPL’s Net Property Taxes revenue stops growing, or when operating expenses, such as salaries and benefit, utilities, etc., continue to grow annually due to inflation, DPL would have to reduce expenditures by reducing the number of branches it operates to maintain a balanced budget.
 - e. If DPL can maintain a balanced budget from its own resources, the City may be more inclined to provide a general fund subsidy to DPL for needed capital improvements, such as those depicted in DPL’s five-year capital improvement plan, given that DPL’s revenue streams are unlikely to grow enormously in the future based on past trends.
2. Figure 3 below shows Scenario 3, which is a four-year future projection/outlook for DPL based on the City of Detroit’s FY 2023-2026 Four-Year Financial Plan with updated financial information from DPL. Scenario 3 assumes that for FY 2023, DPL will operate 18 branches, and for FY 2024-2026, DPL will operate 20 branches (Main Library and 19 library branches) based on DPL’s proposed FY 2024 budget that was approved by the Library Commissioners on October 22, 2022. In addition, Scenario 3 assumes some increases in DPL’s net property taxes based on net property tax assumptions from the September 2022 Revenue Estimating Conference conducted by the OCFO. Also, Scenario 3 assumes a huge reduction in DPL pension expenses based on the latest actuarial report for the City of Detroit’s General Retirement System.

Figure 3
Estimated Detroit Public Library Revenues-Scenario 3 (in millions)

| Fiscal Year | Property Tax Levy mills | Estimated Property Taxes-Net | Pct % | Estimated State of MI | Pct % | Estimated Other Revenues | Pct % | Estimated Contribution from DPL’s Fund Balance | Pct % | Estimated Total Revenues | Total FTEs | # of Branches plus Main Library |
|-------------------|-------------------------|------------------------------|-------|-----------------------|-------|--------------------------|-------|--|-------|--------------------------|------------|---------------------------------|
| 2022 | 4.6307 | 29.0 | 95 % | 1.0 | 3.3 % | .5 | 1.6 % | None | None | 30.5 | 325 | 7 |
| 2023 | 4.6307 | 28.6 | 85 % | .7 | 2.1 % | 2.0 | 6% | 2.3 | 6.8 % | 33.6 | 325 | 18 |
| 2024 | 4.6307 | 28.9 | 83 % | .7 | 2% | 2.4 | 6.9 % | 2.9 | 8.3 % | 34.9 | 325 | 20 |
| 2025 | 4.6307 | 30.0 | 84 % | .7 | 2% | 2.4 | 6.7 % | 2.5 | 7.0 % | 35.6 | 325 | 20 |
| 2026 ⁸ | 4.6307 | 30.9 | 82 % | .7 | 2% | 2.4 | 6.1 % | 3.0 | 9.8 % | 37.0 | 325 | 20 |

⁸ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

Source: DPL's annual financial statements as of June 30, 2022 for the FY 2022 numbers; City of Detroit FY 2023-2026 Four-Year Financial Plan; and DPL's Library Commission's October 18, 2022 minutes where DPL's proposed FY 2024 budget was approved by the Library Commissioners. (Note: Mayor Duggan's proposed FY 2024 budget for the City of Detroit presented to City Council on March 7, 2023, for consideration could reflect different numbers for DPL's proposed FY 2024 budget. But usually, the Mayor's numbers align with the numbers for DPL's proposed budget approved by the Library Commissioners.)

Key findings:

- a. Based on Attachment XIII, it will cost DPL additionally about \$3.5 million a year starting in FY 2024 to operate 20 branches to pay for higher operational expenses, such as salaries and benefits, contractual services, maintenance, utilities, etc., and possibly for more capital improvements.
- b. Even with higher Estimated Property Taxes-Net revenue, and with a huge reduction in pension contribution expense, DPL would still need to use unassigned general fund balance ranging from \$2.5 million to \$3 million a year from FY 2024-2026 to maintain balanced operations. This equates to deficit spending.
- c. \$2.7 million is the average usage of DPL's fund balance over the FY 2023-2026 four-year period. If DPL had to contribute \$2.7 million annually from its fund balance totaling \$31.6 million as of June 30, 2022 to maintain balanced operations, it would fully deplete its fund balance in about 12 years. The fund balance could be depleted even sooner if it had to be used to cover necessary capital improvements as depicted in DPL's five-year capital improvement plan on top of being used to balance operations.
- d. Scenario 3 would put DPL's future financial condition in jeopardy, and at some point over the next decade would require DPL to reduce cost by operating a lower number of branches and reduce operating expenses, such as salaries and benefits, contractual services, utilities, etc.
- e. If it is deemed important for DPL to operate 20 branches to provide more accessible citywide library services, it would need a new dedicated revenue stream of approximately \$3.5 million a year, with a cost multiplier of about 2 to 4 percent annually to keep up with inflation.
- f. If the City agrees to provide a \$3.5 million annual subsidy, plus a multiplier, to DPL, then DPL's unassigned general fund balance of \$31.6 million as of June 30, 2022 is only reduced by \$2.3 million in FY 2023, leaving a balance of \$29.3 million, and this fund balance could be used solely for necessary capital improvements at the Main Library and library branches as depicted in DPL's five-year capital improvement plan. If the City of Detroit were to issue General Obligation Bonds in the future on behalf of DPL for necessary capital improvements, the fund balance could last even longer for DPL and help ensure a stronger financial footing for DPL operations.

Recommendations Regarding the Detroit Public Library

This report provides recommendations that seek more collaboration between the City of Detroit and DPL to make DPL stronger financially and become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL's library and social services. Key recommendations include:

1. City of Detroit should strongly consider affirming its commitment to DPL's participation in the city's General Obligation Bond Program to minimize DPL's usage of its unassigned general fund balance for needed capital improvements at the Main Library and library branches.
2. The City should strongly consider selling General Obligation Bonds on behalf of DPL that have been authorized by the electorate but unissued to date, up to an amount previously agreed to by City officials. If the amount of eligible authorization has been utilized for other city purposes, then the City should strongly consider placing before the electorate a separate ballot proposal for the Library's capital improvement program in amount mutually agreed upon by DPL and City officials.

3. All future voter authorization for General Obligation Bonds for DPL should be placed on the ballot as a separate proposal, dedicated for DPL use only.
4. DPL should strongly consider providing a comprehensive Capital Needs Assessment (CAN) for all DPL property (Main Library, branches, resource center, etc.) that addresses capital improvements and deferred maintenance needs to ascertain the full and true costs of these needs to better plan for DPL's future capital improvement projects. A CNA could also help the City and DPL determine what it would take financially to bring the library system's Main Library and library branch infrastructure to become a 21st century library system, based on suggestions provided in Attachment II. A CNA should further make the case why the City should use future General Obligation Bond proceeds to help with DPL's capital improvement needs to enable the library system to provide viable and sustainable library services to its library patrons, especially the citizens of the City of Detroit.
5. DPL's Library Commission should strongly reconsider its approval of DPL's proposed FY 2024 budget so that it operates only up to 18 branches (Main Library and 17 library branches) to maintain balanced operations and to minimize the usage of DPL's fund balance and strengthen its financial condition to become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL's library services.
6. If it is deemed important for DPL to operate 20 branches to provide more accessible citywide library services, it would need a new dedicated revenue stream of approximately \$3.5 million a year, with a cost multiplier of about 2 to 4 percent annually to keep up with inflation. The City should consider making it a priority to subsidize DPL to help enable the library system to provide valuable services to improve the quality of life of the citizens of Detroit. The City should also consider subsidizing DPL so it can minimize its usage of fund balance.
7. City Council should consider passing a resolution supporting the renewal of the library millage in 2026 so that DPL can continue to operate the library system to the best of its ability to provide viable and important library services for its library patrons, including the citizens of the City of Detroit. The resolution should also include if Detroit's registered voters approve a library millage renewal by 2026, any tax sharing agreement entered by DPL and DDA would have to ensure that the repayment of outstanding DDA bonds is not hindered.
8. If City Council approves a transformational Brownfield for the estimated \$1.5 billion District Detroit project, this economic development could significantly increase the property values in the downtown area. City Council should then consider passing a resolution urging the DDA to enter into a property tax revenue sharing agreement with DPL to improve the financial condition of DPL. Before entering into this agreement, the DDA should conduct an analysis to ensure that the level of property taxes captured even with this agreement in place will continue to properly support the repayment of any outstanding DDA bonds.
9. The OCFO- Office of Grants should collaborate with DPL on grant and philanthropic opportunities available to the library.
10. DPL should work with Housing and Revitalization Department (HRD) and City Council staff to explore the use of Community Block Grant funds for eligible community centered projects.⁹
11. The City should connect DPL with the Communication and Media Services Department to develop a multi-platform media campaign- cable, print, digital and social media to educate the public about DPL services.
12. The Duggan Administration and City Council need to collectively determine if a restructuring of the governance structure of DPL, such as providing City appointment authority on the Library Commission, would give the Mayor and City Council greater comfort in providing a City subsidy to DPL and in providing significant public capital investment in the library system's property. As stated previously, any change in the governance structure of DPL would require State legislative action.

⁹ DPL has not worked with the City's Housing and Revitalization Department to receive CDBG dollars for DPL programs; nor has DPL sought CBDG dollars directly from HUD.

Additional recommendations and findings are included throughout this report.

Conclusion

For over a century and a half, DPL has provided very important library and educational services to the citizens of Detroit. But like libraries throughout the U.S., DPL has faced financial challenges.

Remarkably, over the last ten years DPL has provided a myriad of necessary library services and social programs, especially for the most vulnerable in the City of Detroit, but at minimum levels with limited funds. This was exacerbated by the COVID-19 pandemic.

Additionally, DPL has felt compelled to deficit spend and use fund balance (“rainy day fund”) to make necessary capital improvements and address deferred maintenance to keep library branches open and accessible to the public. But this mode of operation is unsustainable for DPL to survive operationally. If total revenues do not grow substantially in the future, DPL will need to streamline operations by providing library services with fewer branches.

Meanwhile, it is imperative for DPL’s library millage of approximately 4 mills be renewed in 2026 so that DPL can continue to operate as a much-needed library system in Detroit. The City of Detroit should be supportive in this effort.

The City of Detroit can become a stronger partner with DPL to provide viable library and social services. Ideally, DPL needs another steady revenue source and future general obligation bond dollars to truly run a functional and viable library system for its library patrons, especially for the citizens of Detroit who rely heavily on the library for educational and social services.

Lastly, the City and the philanthropic community should make DPL a high priority that it deserves to become a strong library system for the long run.

Introduction

Public libraries began with the idea of educating the masses through public education back in the 1800's. This idea that public libraries established under state laws and funded by local taxes and voluntary donations is founded on the principle that every citizen in the community that maintains the library has an equal share in its resources.¹⁰ . Prior to 1850, public tax supported libraries, as we have today were rare. Up until 1833, libraries were private: church, society, subscription (membership only) libraries, and mercantile/mechanics- (trade) libraries utilized by students, clergy/parishioners, tradesmen, clerks, apprentices, and anyone interested in education enough to join a subscription or society library. Andrew Carnegie's program transformed the library system by providing free library buildings to communities who supplied their own books and committed to continue the libraries into perpetuity with tax dollars. It is estimated that 2,000 library structures were establish through the Carnegie program.¹¹

Fast forward to today, as the nation face the possibility of recessions and other financial crisis, funding for public libraries is stressed. U.S. taxpayers are resistant to higher taxes at a time when inflation is increasing the cost of government services. All levels of government and non-government agencies are competing for funding and often the libraries are on the bottom of the funding list. Although everyone is taxed to support the library, only a small percentage use it regularly.¹² Unlike schools, there is no law that compels people to utilize the library. This is the dilemma we face today in funding public libraries. As we look for solutions, one question raised: "are libraries still relevant."

Meanwhile, the Detroit Public Library (DPL) has been providing very important library and educational services to the citizens of the City of Detroit for almost 160 years. However, like public libraries throughout the U.S., DPL has faced financial challenges, as a 10-year financial review further in the report will show. However, a four-year projections/outlook of DPL operations further in the report will demonstrate some improvement in DPL finances to better address operational and capital needs in the short term.

Today's Public Libraries and Why Public Libraries are Still Important

Today's libraries have evolved into a new type of town square, a place for people of all ages and backgrounds to seek help, connect with others, and get access to the information and services they need.¹³ Some described it as the new community center.

A 2014 report from the American Library Association identified a top priority for libraries: to enhance "community engagement" to address "current social, economic, and environmental issues," through partnerships with governments and other organizations.¹⁴ During the pandemic, libraries became a necessary lifeline to those faced with job losses, healthcare crises, and remote work and learning. Per the American Library Association President, Julius C. Jefferson, Jr., "Libraries kept Americans connected in ways that brought our communities closer. Buildings may not have been open, but libraries were never

¹⁰ "Why Public Libraries?", by Steven J. Schneider, Foundation for Economic Education, September 1, 1976: <https://fee.org/articles/why-public-libraries/>

¹¹ Ibid

¹² Ibid

¹³ "Maximize the Potential of Your Public Library", by International City/County Management Association (ICMA), 2011: https://icma.org/sites/default/files/302161_MaximizeYourPublicLibrary.pdf

¹⁴ "The State of America's Libraries", a report from the American Library Association, 2014: <https://www.ala.org/news/sites/ala.org.news/files/content/2014-State-of-Americas-Libraries-Report.pdf> (page 6)

closed.”¹⁵ Today, social justice is an issue that libraries, as centers for engagement and community dialogue will address.¹⁶

Public libraries are still trustworthy community institutions and most importantly, public libraries are open to everyone. As noted in “Palaces for the People” by Eric Klinenberg- a noted author and sociologist who has spent years observing public spaces and studying how public space affects the health of communities- persuasively argues that “Libraries are an example of what I call ‘social infrastructure’: the physical spaces and organizations that shape the way people interact. Libraries don’t just provide free access to books and other cultural materials, they also offer things like companionship for older adults, de facto childcare for busy parents, language instruction for immigrants and welcoming public spaces for the poor, the homeless and young people. Libraries are the kinds of places where people with different backgrounds, passions and interests can take part in a living democratic culture. They are the kinds of places where the public, private and philanthropic sectors can work together to reach for something higher than the bottom line”.¹⁷

In addition, public libraries in the United States provide a crucial service for poor and homeless people across the country. Not only do they offer a safe and free refuge for those who need shelter, but they offer support to those in need. Each morning when public libraries open their doors, they become shelters, learning centers, and employment centers for the most underserved population¹⁸.

Moreover, public libraries help boost local economies. Because they are free for patrons, not many people consider the role they play in the economy, but libraries play a key role in financially strengthening local community. They provide a workspace for telecommuters, supply free internet access for people looking for employment opportunities, and offer job and interview training for those in need¹⁹.

In an effort to always find for ways to increase their relevance, public libraries have expanded their reach into areas of great societal need such as financial literacy. Studies found that historically public library staff have been reluctant to answer questions about personal finance.²⁰ The New York Public Library tackled this issue with a grant from the Institute of Museums and Library Services- IMLS; with this grant New York proceeded to change the culture of the library.²¹ The library developed a curriculum to support over 60 events and workshops promoting financial literacy. Money Matters staff trained librarians and information assistants on core concepts and personal finance reference sources, increased library staff comfort levels in providing reference services; provided opportunities to host presentations by finance experts and conducted trainings that their communities requested most. Library staff said the most helpful skill learned was how to guide clients confidently and to firmly vet and timely screen relevant online resources so that clients could handle the information being conveyed. Learning how to utilize financial calculators was also rewarding.

Over the years, DPL has frequently provided programs related to financial literacy. The Library has been a longtime participant in MoneySmart/Michigan Financial Wellness Literacy Monty. During the month of

¹⁵ “2021 State of America’s Libraries-Special Report: COVID-19, a report from the American Library Association, April 2021: <https://www.ala.org/news/sites/ala.org.news/files/content/State-of-Americas-Libraries-Report-2021-4-21.pdf>

¹⁶ Ibid (page 4 and 5)

¹⁷ “To Restore Civil Society, Start With the Library”, by Eric Klinenberg, the New York Times, dated September 8, 2018. <https://www.nytimes.com/2018/09/08/opinion/sunday/civil-society-library.html>

¹⁸ “Why Libraries Are Essential, Now More Than Ever”, by Sadie Trombetta, dated March 20, 2017. <https://www.bustle.com/p/7-reasons-libraries-are-essential-now-more-than-ever-43901>

¹⁹ Ibid

²⁰ Smith, Catherine Arnott, and Kristin Eschenfelder. “Public Libraries in an Age of Financial Complexity: Toward Enhancing Community Financial Literacy.” *The Library Quarterly: Information, Community, Policy*, vol. 83, no. 4, 2013, pp. 299–320.

²¹ “Tackling Money Matters at New York Public Library” by Institute of Museum and Library Services: <https://www.imls.gov/grant-spotlights/tackling-money-matters-new-york-public-library>

April, programs about banking basics, budgeting, investing, credit and debt, and retirement planning, are offered to children, teens, and adults at many DPL locations. In April 2022 programming included virtual presentations on homebuying and how to build and maintain a good credit history. In 2021, the Library received a \$5,000 grant from FINRA (Financial Industry Regulatory Authority) Investor Education Foundation to purchase books and materials related to personal finance²².

Overall, 80% of Americans say that it is “very important” to the community for libraries to have librarians available to help people find information they need.²³ They feel that helpful and fully staffed librarians are just as important as technology assistance. The public library continues to be one of a few governmental services that receives very high support from the public. This favorable public support has enormous potential to assist in any strategic initiative.

Trends in Public Libraries in U.S. and New Model for Public Libraries

Libraries in the United States are used for all sorts of reasons - education, information, self-improvement, and recreation. While libraries were originally established as book-lending centers, their role has changed and expanded over the years. There are over nine thousand public libraries and more than 125,000 librarians across the United States, all of which offer a wide variety of resources and services to the communities they serve²⁴.

With the number of in-person visits declining since 2010, libraries are taking on new roles and adapting to new habits of readers. Libraries across the country are increasingly offering diverse kinds of programs for all ages, such as story time for toddlers, afterschool programs for teens, and computer classes for adults and seniors. While the circulation of library items is down, the popularity of library programs has been increasing, with children's programs particularly popular. Additionally, changes in technology have had an impact on the way people consume materials. Since 2010, the number of print materials have been decreasing, while libraries have been expanding their electronic book collections significantly, with per capita e-book collections growing by more than 3,000 percent between 2010 and 2019²⁵.

In the 21st Century, public libraries need to embrace a new model for public libraries. The nature of librarianship must continue to evolve to serve the needs of diverse populations. Libraries are central to communities' network of social environments and public spaces. Larger concentrations of people are settling in cities, attracted by greater employment opportunities and more attractive lifestyles. As cities become more densely populated, libraries will confront issues resulting from social dislocation, homelessness, chronic unemployment, and substance abuse. Library staff will need to include a greater share of social workers, health care advisors, therapists, and community organizers²⁶.

Libraries are people-centered, not collections-centered. Public libraries' service offerings need to address diversifying populations and different learning styles. Both the aging cohort of baby boomers and the rise of millennials present generational challenges that institutions need to address. Additionally, increasing levels of migration cause deeper demographic shifts. Libraries will need to devise programming and design interventions that accommodate a broad range of interests and educational/ informational needs. While

²² Source: Jo Anne Mondowney, DPL's executive director.

²³ <https://www.pewresearch.org/internet/2013/01/22/part-4-what-people-want-from-their-libraries/>

²⁴“Libraries in the U.S.-Statistics & Facts”, by Erin Duffin, dated September 12, 2022, <https://www.statista.com/topics/1469/libraries/#dossierKeyfigures>

²⁵ Ibid

²⁶ “A New Model for the Public Library”. Gensler Research Institute. Dated 2019. <https://www.gensler.com/doc/research-a-new-model-for-the-public-library>

collections are still important, the needs of library users should be the first consideration when deciding how to allocate space. Patrons need areas to create, collaborate, socialize, and learn²⁷.

Libraries should be viewed as part of a broader system of allied institutions. Libraries will increasingly partner with private companies, philanthropic organizations, and government agencies to coordinate the delivery of goods and services. They should also consider exploring partnerships with public schools, community colleges, and vocational schools to accommodate the growing demand for a more robust continuing education and skills-based learning infrastructure. Furthermore, developing pop-ups, temporary outposts, and creative placemaking programs will also extend the presence of libraries throughout communities²⁸.

The design of public libraries should promote a sense of ownership, belonging, and safety. The ideal library design creates a hub for community resilience and growth. When developing strategies to leverage existing library space, designers should look for opportunities to embrace the outside world and encourage patrons to share their ideas. Celebrating community achievements and promoting social equity are key. As the public becomes more conditioned to high levels of personalization in their cultural, civic, and work environments, it is critical that library designs support spatial and cultural diversity²⁹.

Libraries will need to integrate physical and virtual environments. In the coming decades, digital media will replace books as the predominant format for most library collections. Additionally, as virtual, and augmented reality experiences come to serve as reliable media for conveying information, libraries will need to leverage those tools to take advantage of new models of education and pedagogy³⁰.

Library design must be adaptable and flexible. Libraries will occupy a myriad of roles in the coming decades. These institutions will need to function as offices, classrooms, laboratories, and social/ recreational centers. As library programming diversifies to accommodate generational and demographic shifts, designers should create rooms that flex and grow depending on activity. Library design needs to enable areas of individual focus within active, public settings. Additionally, as libraries are key centers of thought and information sharing, collaboration zones are critical³¹.

Library spaces need to accommodate a broader range of production modes alongside 3D printers, CNC routers, and laser cutters both analog and digital. As libraries play a larger role in supporting content creation with the proliferation of makerspaces and incubators, they continue to provide access to robust digital platforms for sharing these goods and connecting communities of makers and sharers. This ensures that libraries occupy a prominent place in the ecology of media production and maker culture³².

Attachment II provides a recommended Standard Program Template for components of a 21st century library³³. Most likely, a large influx of capital dollars will be needed to accomplish the recommended revisions/renovations outlined in Attachment II to keep libraries relevant in the coming years.

²⁷ "A New Model for the Public Library". Gensler Research Institute. Dated 2019. <https://www.gensler.com/doc/research-a-new-model-for-the-public-library>

²⁸ Ibid

²⁹ Ibid

³⁰ Ibid. "Pedagogy" means the method and practice of teaching, especially as an academic subject or theoretical concept.

³¹ Ibid

³² "A New Model for the Public Library". Gensler Research Institute. Dated 2019. <https://www.gensler.com/doc/research-a-new-model-for-the-public-library>

³³ Source: "Public Library Facilities for the Future". Margaret Sullivan Studio. <https://www.margaretsullivanllc.com/wp-content/uploads/2020/08/Public-Library-Facilities-for-the-Future.pdf>

Funding Sources for Public Libraries Nationwide

Nation-wide, public libraries are mainly funded locally, through one of seven sources: 1) dedicated property taxes; 2) dedicated sales or use taxes; 3) General Fund of a municipality; 4) a contract with a municipality; 5) a school district fund allocation; 6) fund allocations by several legal or municipal entities via a Memorandum of Understanding (MOU) or Inter-agency Agreements (IGA); or 7) by direct funding from a state. In most states, over 90% of operational funds are from one of these sources.³⁴ In addition, public libraries receive more than 80 percent of their funding from local government, but also from grant programs, and donations³⁵.

Three examples of funding sources of large public libraries. The Cleveland Public Library receives 55% of its funding from property taxes (from a dedicated levy of 7.0 mills, weighted average- 2 mills are restricted to capital improvements), 39% from state aid (Public Library Fund) and the remaining 6% from various miscellaneous sources.³⁶ Both the Chicago Public Library (CPL) and the Houston Public Library are municipal libraries, established by local ordinance with their respective library boards appointed by the Mayor and confirmed by City Council. Both libraries are funded with general government and special revenue funds; neither has a dedicated library millage.³⁷

Funding Sources for Public Libraries in the State of Michigan

Funding for public libraries in the State of Michigan are primarily from three sources: millages, state aid and penal fines. All these sources are authorized by state law. Local millages comprise most of the public library funding with penal fines and state aid making up 3 to 6% of annual funding.³⁸ Public Libraries also receive funds from miscellaneous sources: philanthropic donations, sales/charges for services (fees), interest earnings, and to a lesser extent, as previously discussed, municipal General Fund contributions. The Michigan Library Association has noted “on average, Michigan libraries depend on locally dedicated millages for 77% of their funding and this number is increasing nearly 1% each year”³⁹.

Funding Challenges Facing Public Libraries

The main challenge facing libraries both locally and nationally is stable revenue sources. This issue is complex, cannot be resolved in the short-term and requires a focus on stabilizing current-year revenues/expenses, diversifying revenue sources over the long term, and generating new revenue and

³⁴ “The Coming Revenue Crisis for Public Libraries”, by Every Library, April 27, 2020: https://www.everylibrary.org/coming_revenue_crisis

³⁵ “Libraries in the U.S.-Statistics & Facts”, by Erin Duffin, dated September 12, 2022.

<https://www.statista.com/topics/1469/libraries/#dossierKeyfigures>

³⁶ Cleveland Public Library Cleveland, Ohio Annual Comprehensive Financial Report for the year ended December 31, 2021, page 10 and 178.

³⁷ City of Chicago Annual Comprehensive Financial Report for the year ended December 31, 2021; page 159. City of Houston Texas Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021; page 48-49.

³⁸ <https://www.milibraries.org/millages-and-tax-capture>: In 2019, the legislature appropriated \$12,067,700 which equaled about 35.5 cents per capita. In 2020, MLA and our library champions were instrumental in advocating for an increase of \$1 million for distribution in 2021. The new total for FY 2021, about \$13.1 million dollars -- equals 43 cents per capita. While we are getting closer to the allotted 50 cents per capita that Act 89 of 1977 specified, we are still a long way away and must continue to advocate for the resources that make our libraries innovative and essential in today’s world. It must be noted that with these recent increases, our legislators, on both sides of the aisle, absolutely know the importance and value of libraries in their communities.”

³⁹ <https://www.milibraries.org/millages-and-tax-capture>. At the same time, diminishing property values reduce tax revenues, and DDAs (Downtown Development Authorities) and TIFAs (Tax Increment Finance Authorities) are constantly siphoning their dedicated millages through tax captures. While millages are not the sole source of revenues for libraries, none is more important. Many citizens are familiar with how property taxes have declined in value and collection in recent years, which obviously has impacted the library's ability to sustain all its operations.

service collaborations/alignments across jurisdictions to ensure that libraries are viable.⁴⁰ Some key observations regarding library funding is: 1) Library boards with ultimate fiduciary responsibility have more discretion to manage their own budget under law; 2) Libraries that are funded primarily from dedicated property tax levies are better able to handle financial crises than those dependent on sales/use taxes or General Fund contributions; 3) TIF (Tax Increment Financing) Districts and other forms of tax abatements impose long-term caps on revenue growth for schools, libraries, parks, and other districts by redirecting a portion of property taxes to development projects; and 4) State and local acts that rededicate library millage for other purposes.⁴¹

Public Libraries must be prepared for economic downturns. Local, national, and global economic conditions are significant factors in the availability of funding sources for public libraries. The decline in the sources of funds contribute to library reduced service hours and/or closures, resulting in poor and limited services to library users. In an economic recession, public libraries may be forced to reduce their budgets and operate in deficits.⁴²

Given the funding sources for public libraries nationwide and in the State of Michigan, and the funding challenges faced by public libraries locally and nationally, it may be difficult financially for public libraries to provide new model library services as described previously without partnering with an outside organization or government entity.

COVID-19 Pandemic Challenges Faced by Public Libraries

A Gallup poll published in January 2020 found that the cultural activity that Americans engaged in most often wasn't going to a movie theatre, concert or sporting event, but visiting a library. The most frequent users of library services were young people aged 18-29, residents of low-income households and women. By March 2020, 98 percent of libraries had closed their buildings to some extent, a survey by the American Library Association (ALA) found. They had pivoted and were working to augment online services and develop new ways to serve their communities during the pandemic. Some jurisdictions reassigned library staff to assist with the COVID-19 response. Looking back on 2020, ALA President Julius C. Jefferson, Jr. described it as "a year when library professionals answered the call to serve amid multiple emergencies and a year when library workers again proved to be essential 'first restorers' or 'second responders.'"⁴³

Like many public institutions forced to close their doors, libraries worked to adapt to a new way of doing business. Closures did not prevent library workers and libraries from serving their communities. Instead, closed physical space fueled significant innovation and opportunities to assist and support patrons and students. As most libraries were closed to in-person visits, libraries accelerated or adopted policies that let users access resources from a safe social distance, including offering digital library cards, creating curbside pick-up programs, and promoting eBook lending, which surged 40 percent over 2019⁴⁴.

Libraries played a significant role in bridging a digital divide that became more apparent during the pandemic. Families, marginalized communities, students, and rural residents struggled as the nation pivoted to virtual communication instead of in-person interactions and learning. Multiple studies cited in the report

⁴⁰ https://www.everylibrary.org/coming_revenue_crisis

⁴¹ Ibid. "Even in good financial times, we have seen dedicated levies become vulnerable to rededications through both legal and extra-legal means. In states like Indiana and Louisiana, library levies and fund balances are subject to review, audit, and possibly (attempted) seizure by another unit of government - often a county or a parish".

⁴² <https://studycorgi.com/clayton-county-library-system-enhance-financial-sustainability/>

⁴³ "Public Libraries Can Tap into Eligible Funds Worth Billions", by Carl Smith, dated April 21, 2021.

<https://www.governing.com/now/public-libraries-tap-eligible-funds-billions.html>

⁴⁴ American Library Association (ALA) releases State of America's Libraries Special Report: COVID-19

(State of America's Libraries Special Report: COVID-19: April 2021) show that a significant sector of the US population lacks access to computers and broadband as well as the digital literacy skills needed to navigate the internet and ethically use communication platforms like Zoom and social media. Many libraries left their wi-fi on even as their buildings closed⁴⁵.

History of the Detroit Public Library

The Detroit Public Library (DPL) has a history longer than the State of Michigan. The original City Library of Detroit first opened in 1817, which is twenty years before Michigan became a state. Its name changed to the Detroit Public Library in 1865.⁴⁶ Today, it is the second largest library system in Michigan, (the first is the University of Michigan Library). DPL is the fourth largest public library system in the U.S. per volumes held.⁴⁷ The library consists of the main branch located at 5201 Woodward and twenty-one branches (including closed branches). The Main library is listed on the National Register of Historic Places.

The first DPL building was constructed in 1872, and the first branch opened in 1897 with the opening of the Detroit Water Commission Library.⁴⁸ The Main Library opened in 1921 constructed with funding from Andrew Carnegie and designed by Cass Gilbert. It took 11 years from conception to opening to the public on March 21, 1921, due to delays and World War I. Book mobile service began in 1940. Followed by the loaning of microfilm- projected books and portable projectors to the disabled. Specialized services to veterans and other disabled patrons began after World War II. The North and South wings of the main library opened on June 23, 1963.

The Detroit Public Library (DPL) is a publicly funded, independent municipal corporation established by the state of Michigan.⁴⁹ It is governed by a seven (7) member Library Commission; six (6) members are appointed by the Detroit Board of Education. The 7th commissioner is the current president of the Board of Education, who is an ex-officio commissioner.

PA 126 of 1921 mandated that library commissions in cities with a population of more than 250,000 must have the library budget prepared and approved in the same manner as other city departments. Due to the population requirement, Detroit was the only city impacted by this provision.⁵⁰ In addition, State law does not require municipalities to provide any appropriations to the public library. However, the 2012 Detroit City Charter allows the City to contribute from its general fund appropriations to the library. Section 9-504 of the Detroit City Charter states "The City may make appropriations to, and exercise its power in aid of, the Detroit Library Commission for the operations of libraries within the City".⁵¹

Additional information on DPL's history is provided in LPD's report entitled "Detroit Public Library Relationship", dated April 26, 2021, which is provided in Attachment III.

⁴⁵ American Library Association (ALA) releases State of America's Libraries Special Report: COVID-19

⁴⁶ 1817 Michigan's first public library, City Library of Detroit, was opened by Rev. John Monteith (probably the first Michigan "librarian") on a membership share basis. Detroit Public Library became a free public library in 1865. <https://www.michigan.gov/libraryofmichigan/about/history/history-articles/significant-dates-in-michigan-library-history>

⁴⁷ https://en.wikipedia.org/wiki/Detroit_Public_Library

⁴⁸ In 1901, Local Act #359 authorized the City of Detroit to borrow and issue bonds up to one million dollars for Library purposes (with voter consent).

⁴⁹ There is a misconception that Local Act 233 of 1869 provided for the establishment of the Detroit Public Library. This is inaccurate. Special Act No. 70 of 1842, in fact, provided for the establishment of the Detroit Public Library. Local Act 359 of 1901 provided for the establishment of the Detroit Library Commission. Reference: LPD's report entitled "Detroit Public Library Relationship", dated April 26, 2021. https://detroitmi.gov/sites/detroitmi.localhost/files/2021-04/Library%20Relationship%20Report_0.pdf. This report is provided in Attachment III.

⁵⁰ Ibid

⁵¹ Ibid

Mission of the Detroit Public Library and Services Provided by Detroit Public Library

Mission of DPL: The Detroit Public Library (DPL) enlightens and empowers people by providing diverse and dynamic pathways to literacy and learning. DPL is an independent municipal organization, administered through the Detroit Library Commission. Funding for library operations is generated through a dedicated millage of 4.63 mills. As Michigan’s largest public library system, DPL offers services through its Main Library and 21 neighborhood branches: a collection of over 4.4 million catalogued items includes books, magazines, professional journals, as well as extensive audio, video, and DVD collections; 4 million manuscripts, music scores, photographs, pictures, and government documents; over 800 public access computers.⁵²

As will be demonstrated by the “Historical Review of Detroit Public Library’s Financial Resources” section below, it is remarkable that DPL has provided the following library services to its library patrons, especially the citizens of Detroit, with limited resources.

The **Main Library**, located in the Cultural Center, is an architectural jewel and the largest public library building in the state. It is a center for literacy support, library services, cultural programming, technology access and computer classes. Departments offer full spectrum of topics:

- TIP, The Information Place, a free community information and referral service to access info about 2,000 local health and human services.
- Technology Literacy Centers (TLC) for literacy, workforce development, technology training and access, lifelong learning, and GED testing.
- Youth and children services include: Once Upon a Time and More, an early literacy program; HYPE (Helping Young People Excel) Center, a dedicated space for teens to study, engage with each other, interact with the latest technology, and participate in enriching experiences.
- DPL for the Blind & Physically Handicapped provided 121 programs.
- Unrivalled Special Collections: Burton Historical Collection; National Automotive History Collection; E. Azalia Hackley Collection of African Americans in the Performing Arts; Ernie Harwell Sports Collection; and Rare Book Collection.⁵³

The **Mobile Library** to check out books, audio visual materials, access digital collections, connect with free Wi-Fi or participate in programs.⁵⁴

21 branches in Detroit’s neighborhoods serve as community centers connecting citizens to information and technology. Each branch is different, offering a range of services and programs tailored to fit the specific community served. During FY 2019, branches provided 42,384 hours of service:

- Technology for those needing online access.
- Space to Accounting Aid Society, American Association of Retired Persons, and Wayne Metro Community Action Agency for free tax prep.
- Technology Literacy & Career Center, providing one-on-one tutoring, technology training and access, and lifelong learning opportunities.

⁵² FY 2022-2025 Approved Four-Year Financial Plan Section B-Agency Descriptions, page B578
https://detroitmi.gov/sites/detroitmi.localhost/files/migrated_docs/financial-reports/FY2022-2025FourYearFinancialPlanCityCouncilSectionBAgencyDescriptions.pdf

⁵³ FY 2022-2025 Approved Four-Year Financial Plan Section B-Agency Descriptions, page B578
https://detroitmi.gov/sites/detroitmi.localhost/files/migrated_docs/financial-reports/FY2022-2025FourYearFinancialPlanCityCouncilSectionBAgencyDescriptions.pdf

⁵⁴ Ibid

- Summer Reading Program, “A Universe of Stories,” that helped children maintain reading skills over the summer. 340 Summer Reading programs were attended by 7,725 children/teens. Many programs also included a “Meet Up & Eat Up” which provided 5,991 free lunches
- “Reading Teacher in the Library” with certified reading specialists working with students in small groups and one-on-one sessions.
- Prime Time, a six-week reading, discussion and storytelling series that helps families bond.
- “Wash & Learn,” a grant funded project to expose young children to literacy activities while in neighborhood laundromats with their parents.
- Many branches serve as warming centers during the winter and cooling centers during the summer months.⁵⁵

DPL highlights: During FY 2019, there were 3.1 million visits to DPL locations, and 1.1 million visits to the DPL’s website. DPL’s 143,278 library cardholders checked out 826,983 items; librarians answered 670,965 reference questions; over 12 million hits to the website. The DPL plays a significant role in providing technology access to Detroiters by making available 1,212 public access computers and offering a wide range of free computer classes. In its role community gathering centers, the library offered 22,277 programs for children, teens, and adults. Total program attendance was 272,049.⁵⁶

Prior to the onset of the COVID-19 pandemic in March 2020, DPL was actively involved in supporting various literacy programs. Through Main Library’s Technology, Literacy and Career Center, Detroiters could acquire computer skills, receive one-on-one literacy tutoring, and use the untimed computers to complete and submit employment applications. In 2019 (the most recent number available due to COVID) there were 762 one-on-one customized and special needs tutoring “Detroit Reads!” sessions at Main Library. Several branch locations also provided similar services. The Douglass Technology Center, located on Grand River at Trumbull, offers GED tutoring career and resume assistance, and access to copiers and printers. Also, in 2019 DPL supported Detroiters applying for jobs with FCA (Fiat Chrysler Automobiles), by providing technology training, computer access for testing and application submission, and test prep books.⁵⁷

DPL is actively working to engage the community and communicate the programs and services of the library. DPL has a dedicated staff for Marketing, which includes an Assistant Director, Publications Supervisor, Public Relations Specialist, Web Manager, Print Shop Supervisor, and an Administrative Projects Specialist. DPL currently uses the following social media platforms to market its services for citizens: Facebook, Twitter, Instagram, and YouTube. DPL shares information with the City’s E-Newsletter and DPL has tagged the City of Detroit in social media posts to help promote informational and programmatic services. However, DPL has not directly engaged the Media Service department to create and post social media on DPL’s behalf. In the past, DPL has worked with the city’s Media Services Department to capture and promote content for use of the public access channels for special events and to help promote new/updated services.⁵⁸

⁵⁵ FY 2022-2025 Approved Four-Year Financial Plan Section B-Agency Descriptions, page B578
https://detroitmi.gov/sites/detroitmi.localhost/files/migrated_docs/financial-reports/FY2022-2025FourYearFinancialPlanCityCouncilSectionBAgencyDescriptions.pdf

⁵⁶ Ibid

⁵⁷ Source: Jo Anne Mondowney, DPL’s executive director.

⁵⁸ Ibid

Detroit Public Library: The Living Room of the Community

DPL Executive Director Jo Anne G. Mondowney once referred to DPL as the “living room of the city”. Ms. Mondowney has stated “The public library in many neighborhoods is like the community’s living room. It’s a gathering place”.⁵⁹ Ms. Mondowney more recently stated “We are the community’s living room. We provide opportunities for lifelong learning and access to information. We’re always able to provide varying formats including print and on-line to access information, education, and recreation.”⁶⁰ DPL is not just a collection of books organized on shelves waiting for the curious to happen by. It is where we gather to discuss important subjects, for entertainment and fun, to comfort and assist our neighbors; and of course, to read-educate. A short video Ms. Mondowney recommend is worth watching on YouTube is from the CBS Sunday Morning show on July 24, 2022, a segment entitled “Beyond books: The 21st century public library.”

In describing a typical day at DPL Main library, and on smaller scale, at the neighborhood branch libraries, you find adults in line to utilize the computers/internet to submit job applications and to apply for other services; you have teens enjoying their autonomy at the Teen Hype Center (Main Library) and children reading in their own space in the Children’s library (Main).⁶¹ Researchers, students, and tourists all round out visitors to DPL on any given day. The Library’s “Laptop to Go” program is very popular. Customers check out for 90 days, laptops that are available with Wi-Fi capabilities, integrated camera, speaker and microphone, and Microsoft Office Suite.

Tammie Jones, a United Way vice president described libraries as:

“the one place where people from an array of economic backgrounds can come and get their interests met,” ... Whether you are high-income and a voracious reader who prefers not to have your bookshelves exploding or whether you are low-income and need to find support developing your résumé, the library is a place everyone can turn to.”⁶²

DPL, in a sense, has taken on the role traditionally held by the Black Church as the place to gather to be informed of important events. As a significant number of Black church congregations in Detroit no longer resides in the city, DPL has become community centers where neighbors meet to address many concerns relevant to the community. The library branches provide a welcome safe environment for the neighborhood to keep abreast of current events that impact the community.

One misconception about libraries is the perception that the library is a cultural institution for entertainment and not an essential service to the community. One personal story conveyed by DPL staff to a local news report is that of Disa Bryant- when Disa needed a place to live, she found a home away from home at the Detroit Public Library.⁶³ Ms. Bryant said. “I was so happy to be at the library because it was so warm, like being with family”. Ms. Bryant became homeless and found hope and support at DPL. She was able to research employment opportunities while her daughter studied in a safe environment. Per Detroit library

⁵⁹ “Detroit library branches provide services beyond books. But most are still closed for now,” Detroit Free Press, by Nushrat Rahman, dated May 9, 2021. <https://www.freep.com/mosaic-story/news/local/detroit-is/2021/05/05/most-detroit-public-library-branches-still-closed-covid-19/7337423002/>

⁶⁰ “Dumas: Detroit Public Library is ‘here to stay’”, Detroit News, by Karen Dumas editorial writer, dated December 5, 2022. <https://www.detroitnews.com/story/opinion/columnists/2022/12/06/dumas-detroit-publiclibrary-is-here-to-stay/69696975007/>

⁶¹ DPL uses statistical data to determine customer satisfaction pertaining to programs and services and computer usage. DPL also submits annually statistics to the Library of Michigan for the required State Aid funding. The report includes the number of programs offered and program attendance, computer usage, number of visitors, circulation numbers, and Wi-Fi usage.

⁶² <https://unitedwaysem.org/press/she-was-homeless-until-a-detroit-library-stepped-in-to-help/> (footnote 4 and 5)

⁶³ <https://www.freep.com/story/news/local/michigan/detroit/2018/06/29/detroit-library-services/690373002/>

spokesman A.J. Funchess, “Our mission is relatively simple: to enlighten and empower people to make their way in this world... As more people move into the city — the resurgence of Detroit — there’s going to be a resurgence of Detroit’s library, too.”⁶⁴ Simply put, the mission is to help people who are struggling. Nationwide, to meet this growing need, some libraries have hired full-time counselors. Reading teacher Nikita Hopkins described the library as such: “It’s so good for the students. This is more like a community hub.”⁶⁵

History of Detroit Public Library Branches

During DPL’s history, the public library system operated up to 36 library branches and the Main Library. By the end of the 1920s, more than twenty libraries had been constructed with the help of donations, private investors, bond sales, and contributions from the City of Detroit. By 1960, eighteen libraries were either constructed or remodeled, with eleven of the eighteen occurring in the 1950s. Other buildings were later constructed in part with funds provided by the Library Service Construction Act (LSCA) after its adoption in 1964.⁶⁶

Over time, eight library branches were demolished, and seven were closed permanently.⁶⁷ DPL library branch demolitions and closures occurred primarily due to financial problems suffered by the City of Detroit since the 1980’s⁶⁸, undoubtedly due to a decline in population, tax base, and property tax revenue, which led to budget cuts.

Since 2014, DPL has operated the Main Library and 21 library branches. The next section in this report discusses the impact of the COVID-19 pandemic had on the number of DPL branches.

COVID-19 Challenges Faced by the Detroit Public Library

As previously reported earlier that the COVID-19 pandemic had a devastating impact on the operations of public libraries throughout the U.S., causing them to adapt to a new way of doing business to meet the needs of the community, the COVID-19 pandemic also severely impacted DPL’s operations, causing it to re-shape programs and services to meet the needs of a community in crisis.

On March 13, 2020, the deadly COVID-19 virus forced the closure of the Detroit Public Library system. DPL was instrumental in assisting Detroit residents with applications for unemployment benefits at the start of the pandemic. In July 2020, DPL’s courageous frontline staff boarded the Mobile Library to visit parks, schools, food distribution sites, and recreation and community centers. On September 28, 2020, DPL reopened the Main Library and six branches based on geographic locations and the ability to accommodate social distancing. In addition to the reopening of the Main Library, DPL reopened six of its largest branches—on the east side: Wilder Branch and the Jefferson Branch; on the west side: Parkman, Edison, and Redford Branch, and in Southwest Detroit— the Campbell Branch. DPL also reopened the one mobile library.

DPL’s challenges of serving the community in the pandemic have led to innovations that will result in improved services long after the health crisis is over. To connect with customers a new live chat feature

⁶⁴ <https://www.freep.com/story/news/local/michigan/detroit/2018/06/29/detroit-library-services/690373002/>

⁶⁵ Ibid

⁶⁶ LPD’s report entitled “Detroit Public Library Relationship”, dated April 26, 2021, page 8. https://detroitmi.gov/sites/detroitmi.localhost/files/2021-04/Library%20Relationship%20Report_0.pdf. This report is provided in Attachment III.

⁶⁷ Ibid

⁶⁸ “Never Yet Melted: Detroit Abandoned, and Then Tore Down, A Major Library, Complete With Books”, dated December 30, 2013. <https://neveryetmelted.com/2013/12/30/detroit-abandoned-and-then-tore-down-a-major-library-complete-with-books/>

was added to DPL’s website. DPL implemented curbside pick-up of books and activity packets. Social media and the website became the primary connection for members of the community. Facebook, Instagram, and Twitter attracted a large number of new followers. The children’s librarians recorded story times on DPL’s YouTube channel. DPL offered a wide range of virtual programs, from author talks, journaling and creative writing workshops, book clubs to artist discussions.

In addition, DPL launched an online library card for immediate 24/7 access to its digital resources. Continued to invest in the expansion of DPL’s databases and e-book and audiobook collections and begun circulating nearly 200 laptop computers for people to check out and take home for 90 days. DPL staff has become expert in virtual programming tools and have hosted many successful online programs. DPL’s Children’s Services librarians have introduced a new program that allows parents/children to request books about a particular topic or subject, and a children’s librarian personally selects appropriate titles and notifies the customer when their specially curated collection of books is ready for pick-up. Regarding COVID-19 impact on capital projects, there were no greater deferred maintenance at the branches due to the pandemic⁶⁹. DPL is proceeding with scheduled renovations and capital improvements necessary to reopen closed branches.

DPL received the following grant funds to assist with COVID- 19 related expenses⁷⁰:

| Date | Grantor | Type of Funds | Use of Funds | Amount |
|----------------|---|--|---|-----------------|
| July 2020 | IMLS, administered by the Library of Michigan | CARES (Coronavirus Aid, Relief, and Economic Security) | Purchase of environmental shields for Main Library and six branches. | \$6,800 |
| September 2020 | Midtown, Inc. | Private donation | DPL purchased personal protective equipment for the Main Library. | \$15,000 |
| November 2020 | Detroit Public Library Foundation | Non-profit donation | “Wear a Mask, Get a Mask” project that made free masks available to library users. | \$5,000 |
| 2022 | MI-83 Technology, Libraries and Communities Project administered by the Institute for Museums and Library Services (IMLS) through the Library of Michigan | American Rescue Plan Act of 2021 (ARPA) | Grant purpose: to increase libraries capacity to safely deliver services inside, outdoors, and online. DPL received an “online programming kit” which included a programming laptop, video camera and webcam. The Library also received an “outdoor programming kit,” which includes a speaker system and weather canopy. | \$3,000 |
| January 2022 | MI-83 Digital Library Connection Project | American Rescue Plan Act of 2021 (ARPA) | Grant for digital content on topics that include workforce development, job seeking skills, health, and general educational needs. DPL purchased digital content in those subject areas from OverDrive, the library’s major supplier of online resources. | \$3,625 |
| | | | Total | \$33,425 |

In addition, the Detroit Public Library has partnered with the City of Detroit’s Department of Innovation and Technology (DoIT) to develop the Detroit Public Library’s Lending Initiative. This project aims to expand the capacity and increase the effectiveness of an existing laptop lending initiative facilitated by the Detroit Public Library by (1) adding additional laptops to the existing inventory and (2) providing hotspots

⁶⁹ Source: Jo Anne Mondowney, DPL’s executive director, including Ms. Mondowney’s responses to LPD’s questions on DPL’s FY 2021-2022 proposed budget.

⁷⁰ Ibid

and tech support to residents who check out a laptop. DPL anticipates receiving \$468,840 through funding provided to the City of Detroit through the American Rescue Plan Act (ARPA) to hire a contractor to assist DPL in implementing the DPL Lending Initiative.^{71 72}

In addition to its current loaner laptops, DPL expanded its Laptops-to-Go program with an additional 300 circulating laptops and 500 Wi-Fi devices. The items were purchased through federal COVID-19 pandemic relief programs like the Emergency Connectivity Fund and the American Rescue Plan Act. Library guests will now also have assistance from a technician on-site at the main library to help check out the devices. A phone number will also be given to specifically help laptop users if they have some issues and need help troubleshooting.⁷³

Reopening of DPL Branch Libraries in the Face of COVID-19 Pandemic

The following information on DPL library branch reopenings in the face of the COVID-19 pandemic is from the Detroit Library Commission November 16, 2021 minutes:

- The overall objective of the Library’s proposed spending plan is to maintain a safe, manageable, and sustainable level of library service at accessible locations throughout Detroit. This spending plan is in keeping with our mission to enlighten and empower people by providing Diverse and Dynamic Pathways to Literacy and Learning.
- To that end we are recommending the following: Continue to provide access and a wide range of library programs and services from our current eight service points (Main Library; Campbell, Edison, Jefferson, Parkman, Redford, and Wilder branches; and the Mobile Library) and the additional reopening of eleven branch libraries beginning July 1, 2022. The reopening of these additional branches will offer the community library programs and services at a total of 17 branch locations throughout the City of Detroit. We are requesting to keep Conely, Monteith and Skillman branch libraries closed.
- The existing six branches and the additional eleven branches that will reopen starting July 1, 2022 will return to their pre-pandemic, 40-hours per week schedules. Main Library will be on a 48-hours per week schedule, including Monday hours. Sunday service hours will only be at Main Library from October through May, increasing service hours to 52-hours per week.
- The proposed configuration of branches, coupled with the availability of the Mobile Library, offers increased access to the library programs and services, and contributes to the economic base of the community. These valued services also compliment and support young people, parents, and teachers in the Detroit Public Schools Community District, especially as it relates to the availability of technology, tutorial services, and children’s and teen programming. We will continue to maintain several of the

⁷¹ Detroit Library Commission September 20, 2022 minutes, pages 15 and 16. <https://d2qp1eesgvzzix.cloudfront.net/uploads/files/commission/9-20-22-DETROIT-LIBRARY-COMMISSION-PROCEEDINGS.pdf>

⁷² In 2021, the City of Detroit was awarded \$826.7 million under President Biden’s American Rescue Plan Act (ARPA) of 2021. On June 29, 2021, Council approved a budget amendment that divided the \$826.7 million in ARPA dollars into 15 different appropriations to ensure citizens of Detroit receive the best possible benefits from these funds to alleviate the COVID-19 economic challenges Detroit residents have been experiencing since the start of the COVID-19 pandemic. The \$468,840 for the Lending Initiative will come from the ARPA-Digital Divide \$45 million appropriation of the \$826.7 million ARPA funds. (Source: LPD’s “American Rescue Plan Act (ARPA) Funds Status as of September 30, 2022”. <https://detroitmi.gov/sites/detroitmi.localhost/files/202210/September%202022%20ARPA%20Report.pdf>)

⁷³ “Detroit Public Library adds 300 laptops, 500 hotspots available for checkout”, Detroit Free Press, by Chandra Fleming, dated December 1, 2022. <https://www.freep.com/story/news/local/michigan/2022/12/01/detroit-public-library-check-out-laptops-hotspots/69692644007/>

programs and services, implemented during the pandemic including virtual reference services, online virtual programming, and computers for remote use.

- **Reopening the library system will require a substantial use of the fund balance, in the amount of \$3,062,730.** The fund balance, at the writing of this document is \$26,022,002 (emphasis added).
- The projected FY2023 estimated revenues of \$30,502,740, is an increase of approximately \$1 million above actual revenues of \$29,309,245 received in FY2021. The two major funding sources FY2023 are local property taxes as well as state aid and county revenues. Local property taxes (current property taxes, prior year property taxes, NEZ, IFT, OPRA, and personal property taxes) total \$27,634,488. State aid and county revenue total is \$2,645,309. The estimated other revenue, which includes interests and earnings on investments, is \$222,942.
- The proposed FY2023 estimated expenditures are \$33,565,470. Major sources of the expenditures are employee salaries and benefits, operation expenditures (i.e., utilities, computer systems, print and non-print material, repairs, and maintenance), pension and retiree expenditures, and debt service. The spending plan budgets a total of \$18,300,777 for salaries and benefits, \$11,193,233 in operating expenses, \$3,504,713 for pension and retiree obligations, and \$566,746 for debt service.⁷⁴

Further below in this report, DPL's use of fund balance to meet operations and necessary capital improvements will be discussed in more detail. The following information is the status of three closed DPL branch libraries from the Detroit Library Commission November 16, 2021 minutes:

- The Monteith Branch Library critical capital improvement needs include a new roof and boiler, air conditioning, electrical work, refreshing of its public spaces and additional modifications to become ADA compliant. The total cost is estimated to be over \$3.3 million.
- Following a structural assessment of the Conely Branch Library, it has been determined that significant repairs are needed to its basement floor and structural damage along the west and north walls.
- The Skillman Branch Library, adjacent to the old Hudson's site, will remain closed while major construction activities in the area continue to disrupt parking and access to the building. The completion date was pushed back, with the front portion of the building to be completed by the end of 2023.⁷⁵

The following information is an update on DPL library branch reopenings in the face of the COVID-19 pandemic is from the Detroit Library Commission September 20, 2022 minutes:

- Mrs. Mondowney reported that, to date, we have reopened nine library branches that were closed during the pandemic, bringing the total number of open library locations to seventeen. The attached document lists all open locations and their schedule of service hours. Staff will celebrate the return of regular services with open house events throughout September.
- DPL's phased in reopening of the nine library branches were as follows: open July 5, 2022: Bowen, Chandler Park, Chaney, Elmwood Park, Knapp, and Sherwood Forest. Open July 18, 2022: Franklin, and Lincoln. Open August 22, 2022: Duffield.

⁷⁴ Detroit Library Commission November 16, 2021 minutes, pages 14 and 15. <https://d2qp1eesgvzix.cloudfront.net/uploads/files/commission/11-16-21-DETROIT-LIBRARY-COMMISSION-PROCEEDINGS.pdf>

⁷⁵ Ibid, on page 15 of the minutes.

• Employee Headcount:⁷⁶

| <u>Headcount</u> | <u>August 2022</u> | <u>Headcount</u> | <u>August 2021</u> |
|----------------------|--------------------|----------------------|--------------------|
| Budgeted Positions = | 325 | Budgeted Positions = | 325 |
| Active Employees = | 207 | Active Employees = | 144 |
| Furlough Employees = | 0 | Furlough Employees = | 76 |
| Vacant Positions = | 118 | Vacant Positions = | 105 |

Historical Review of Detroit Public Library’s Financial Resources

Table 1 below shows DPL general fund revenues for FY 1975, FY 1985, and ten years (FY 2012 through FY 2021) as part of the historical review of DPL’s financial resources.

Table 1

Detroit Public Library General Fund Revenues
(in millions)

| Fiscal Year | Property Tax Levy mills | Gross Property Taxes | Less: Property Tax Captures (6) | Net Property Taxes ⁷⁷ | Pct % | City of Detroit | Pct % | State of MI ⁷⁸ | Pct % | Other Revenues ⁷⁹ | Pct % | Total Revenues | Total FTE | # of Branches plus Main Library (7) |
|-------------|-------------------------|----------------------|---------------------------------|----------------------------------|--------|-----------------|--------|---------------------------|--------|------------------------------|--------|-----------------|-----------|-------------------------------------|
| 1975 (1) | .64 | \$3.7 | n/a | \$3.7 | 34.3 % | \$5.8 | 53.7 % | \$0.0 | 0.0 % | \$1.3 | 12.0 % | \$10.8 | 610 | 32 |
| 1985 (1) | .64 | \$3.3 | n/a | \$3.3 | 21.7 % | \$2.0 | 13.2 % | \$7.2 | 47.4 % | \$2.7 | 17.7 % | \$15.2 | 382 | - |
| 2012 | 4.6307 | 31.6 | 1.9 | 29.7 | 96% | | | .3 | 1% | .9 | 3% | 30.9 | 334 | 24 |
| 2013 | 4.6307 | 31.0 | 1.7 | 29.3 | 95% | | | .3 | 1% | 1.2 | 4% | 30.8 | 344 | 24 |
| 2014 | 4.6307 | 33.8 | 1.1 | 32.7 | 95% | | | .6 | 2% | 1.1 | 3% | 34.4 (2) | 301 | 22 |
| 2015 | 4.6307 | 31.0 | 1.2 | 29.8 | 95% | | | .4 | 1% | 1.3 | 4% | 31.5 (2) | 301 | 22 |
| 2016 | 4.6307 | 33.8 | 0.4 | 33.4 | 94% | | | .5 | 1% | 1.5 | 4% | 35.3 | 307 | 22 |
| 2017 | 4.6307 | 31.1 | 1.9 | 29.2 | 93% | | | .5 | 1% | 1.7 | 5% | 31.3 | 268 | 22 |
| 2018 | 4.6307 | 29.1 | 2.5 | 26.6 | 92% | | | .5 | 2% | 1.7 | 6% | 28.9 | 300 | 22 |
| 2019 (3) | 4.6307 | 30.2 | 2.7 | 27.5 | 93% | | | .6 | 2% | 1.5 | 5% | 29.6 | 305 | 22 |
| 2020 (3) | 4.6307 | 29.7 | 3.1 | 26.6 | 94% | | | .6 | 2% | 1.2 | 4% | 28.4 | 248 | None (4) |
| 2021 (3) | 4.6307 | 31.3 | 3.5 | 27.8 | 95% | | | 1.0 | 3% | .5 | 2% | 29.3 | 124 | 7 (5) |

Source: Detroit Public Library Financial Statements

Notes to Table 1: (1) Historical data from CRC report (see footnote 19). (2) Total revenues include bankruptcy actions-restructured OPED of \$20.2 million in FY 2014. In FY 2015, Extraordinary items- settlements and write-offs offset by consideration given of \$14.4 million. (3) Starting in FY 2019, an accounting change implemented by Office of the Chief

⁷⁶ Detroit Library Commission September 20, 2022 minutes, pages 2, 6, 7 and 9. <https://d2qp1eesgvzzix.cloudfront.net/uploads/files/commission/9-20-22-DETROIT-LIBRARY-COMMISSION-PROCEEDINGS.pdf>

⁷⁷ Net Property Tax revenues include current property taxes based on total library millage of 4.63 mills (.64 mill per State law: Public Act 62 of 1933 plus 3.9943 mills approved by Detroit voters in August 2014), prior year taxes, special act property taxes from Neighborhood Enterprise Zones, Industrial Facilities Tax districts, and Obsolete Property Rehabilitation Act areas, personal property taxes, interest and penalties, less property tax captures. (“Property tax captures” represent property taxes captured by Tax Increment Financing Authorities for economic development purposes. A more detailed explanation of property tax captures is provided in the Table 2 analysis below.) Although, an accounting change that started to net tax captures from current property taxes started in 2019, net property tax revenues are shown from 2012 through 2021 for comparison purposes.

⁷⁸ The State Aid to Public Libraries Act 89 of 1977 was enacted to supplement local and federal fund sources for libraries in Michigan. It specified an allotment of \$.50 per capita. Each fiscal year, the state appropriation process establishes the amount for library state aid. The Library of Michigan, housed in the Department of Education (MDE), administers State Aid to Public Libraries (State Aid). The Statutory formula for State Aid grants is based mainly on the state’s population and paid based on per capita rates, changes in the state’s population alter the appropriation necessary to fully fund grant awards.

⁷⁹ Other Revenues include penal fines, investment earnings, gain on the sale of capital assets, and miscellaneous revenues. Property taxes interest and penalties and other taxes were combined into the property tax category beginning in FY 2018.

Financial Officer (OCFO)- Treasury nets tax captures against Current Property Tax revenues. As a result, also starting in FY 2019, “Gross” Current Property Tax revenues are no longer reflected in DPL’s annual financial statements. (4) As noted previously, on March 13, 2020, the deadly COVID-19 virus forced the closure of the Detroit Public Library system. (5) As noted previously, on September 28, 2020, DPL reopened the Main Library and six branches based on geographic locations and the ability to accommodate social distancing in the face of the COVID-19 pandemic. (6) Table 2 below shows a listing of the actual property tax captures. (7) DPL also operates one mobile library in addition to the Main Library and library branches.

LPD provides the following financial analysis regarding DPL’s ten-year financial information based on review of Table 1 above:

1. The history of the city’s General Fund support of DPL revenues have evolved over the years from over 50% primary support to zero upon implementation of a dedicated library property tax millage.⁸⁰ Forty-eight years ago, DPL annual operating budget was supported by \$10.8 million in revenues from: 1) .64 mills, a small share of property tax millage levied by Wayne County Allocation Board on behalf of the school district for school aid⁸¹; 2) General Fund contribution from the city; and 3) other donations and miscellaneous revenues.⁸² In the late 1970’s and 1980’s, DPL began receiving less General Fund contributions from the city and increased state funding. DPL received state equity funding for cultural institutions, public health, and other uses which lowered the library’s reliance on the city’s General Fund revenues. The original \$5.5 million of state equity funding appropriated for Main Library in 1977 resulted in the city’s General Fund contributions decreasing to zero the following year, and the next year revenues of two-thirds less than previous years’ General Fund contributions. The subsequent levy of a dedicated library millage, beginning in 1984 further reduced the city’s General Fund contribution down to zero, as it stands today.⁸³

The advent of a dedicated library millage garnered public support because DPL was sinking into financial distress in 1983. It was faced with the possibility of closing 22 of its branch libraries and reduced hours for the Main Library. The Library Commission recommended closing 14 of 24 libraries, as drastic measures were discussed. Public donations of over a \$1 million were sought and other funding measures were discussed, including a dedicated millage for the library.⁸⁴

⁸⁰ Citizens Research Council- WAYNE COUNTY JAIL AND DETROIT PUBLIC LIBRARY MILLAGE PROPOSALS - 1988 <https://crcmich.org/wp-content/uploads/cc0972.pdf>

⁸¹ Public Act 62 of 1933 as amended by Public Act 102 of 1975 (the property tax limitation act) Section 11(d) establishes that the county tax allocation board shall allocate tax rates within the 15-mill limit for the county, schools, and townships. The act requires that [o]f the millage allocated to a first-class school district, .64 mill shall be collected and paid by the school district to the public library commission existing in the district for services of an educational nature rendered by the library to the residents of the school district. This ‘general’ statutory requirement applies only to the Detroit School District, which is by definition the only first-class school district in Michigan. (Citizens Research Council-The Taxing Authority Of The Detroit Public Library-Sept 1990. <https://crcmich.org/wp-content/uploads/lbrarymil.pdf>). The Citizen Research Council report further states “The library mill, along with school millage (.64 mills), is collected by the city and the one mill is passed through to the library”. The City of Detroit’s Treasury Department currently collects the property tax revenue from the State perpetuity .64 mill through property tax bills and submits this property tax revenue directly to DPL. The City of Detroit’s Treasury Office stated that PA 451 of 1976 provides a process for a school district to allocate authority to collect taxes to a city by way of a resolution (MCL 380.1613, Section 1). Treasury Office has not been able to locate a historical resolution from Detroit Public Schools (DPS) on this matter but since the city also collects the DPS School Operating and School Debt millages it stands to reason that it exists. Treasury Office further indicated that while reporting is available on the collection of all millages, the distribution of the .64 mills has historically been remitted directly to the library as opposed to DPS. This could have also been established through an agreement or done for practicality purposes.

⁸² Citizens Research Council- WAYNE COUNTY JAIL AND DETROIT PUBLIC LIBRARY MILLAGE PROPOSALS - 1988 <https://crcmich.org/wp-content/uploads/cc0972.pdf>

⁸³ Ibid

⁸⁴ Ibid

The outcome of this public outcry and support resulted in a recommendation to submit to the voters on August 7, 1984, a one mill property tax to support the library, effective December 1, 1984, through November 30, 1989.⁸⁵

Before the millage proposal could be submitted to the voters, an opinion was solicited by State Representative Morris Hood, Jr. from the State Attorney General, Frank Kelly, regarding if the DPL had the authority to assess a direct tax (the original school board tax of 15 mills of which Wayne County allocates .64 mill levy for the library is a school tax and generates matching state school aid which the school district keeps).⁸⁶ On May 2, 1984, Attorney General Frank Kelly issued Opinion No. 6224-Detroit Library Commission--scheduling of election to increase tax rate limitation for library purposes.⁸⁷ In his opinion, he answered three questions posed regarding a levy for DPL: 1) Is it necessary for the Detroit Library Commission to hold an election to levy a library tax of 1/5 of one mill in addition to the .64 mills it now receives? He answered in the affirmative.⁸⁸

However, a report written by the Citizens Research Council (CRC) determined that DPL does not have taxing authority⁸⁹. The CRC report explains "Statutes that have provided funding to the Detroit Public Library taxes have done so by requiring local units that have taxing authority-the city and the school district-to pass through part of the taxes they collect. No state law provides the Detroit Public Library with the power to impose taxes".

The second question asked: "If an election is necessary, where must electors reside to be entitled to vote at the election? Is it only electors who are residents of the City of Detroit or are residents of Wayne County who do not live in the City also entitled to vote?". AG Kelly's opinion was electors residing in Detroit.⁹⁰ The last question asked was a procedural question on how to place the proposal on the ballot. The opinion was that it should follow state of Michigan election laws. As a result, the Detroit Library Commission submits its millage proposal to the Detroit City Council, which must authorize its placement on the ballot by the Detroit City Clerk and the Detroit Election Commission.

Since the first ballot proposal in 1984, The Library Commission has sought electorate approval for several millage renewals and/or millage increases.⁹¹ The current millage renewal in effect was approved by 75% of the voters on August 7, 2014.

⁸⁵ Citizens Research Council- WAYNE COUNTY JAIL AND DETROIT PUBLIC LIBRARY MILLAGE PROPOSALS - 1988 <https://crcmich.org/wp-content/uploads/cc0972.pdf>

⁸⁶Opinion No. 6224-Detroit Library Commission, issued by Attorney General Frank Kelley on May 2, 1984. <https://www.ag.state.mi.us/opinion/datafiles/1980s/op06224.htm>

⁸⁷Opinion No. 6224-Detroit Library Commission, issued by Attorney General Frank Kelley on May 2, 1984. <https://www.ag.state.mi.us/opinion/datafiles/1980s/op06224.htm>

⁸⁸ Ibid. "In answer to your first question, it is my opinion that in order for the tax levy on property within the City of Detroit to be increased, based upon its budget, for library purposes from the current level of .64 mills, the Detroit Library Commission must schedule a tax rate limitation increase election as provided in 1933 PA 62 and the qualified electors voting on the question must approve the tax rate limitation increase proposal."

⁸⁹Citizens Research Council-The Taxing Authority Of The Detroit Public Library-Sept 1990. <https://crcmich.org/wp-content/uploads/lbrarymil.pdf>

⁹⁰ 1901 LA 359, Sec. 3, as amended. The election upon the ballot question to increase the tax rate limitation for library purposes is to be conducted within the territorial boundaries of the Detroit Library Commission which are co-extensive with the City of Detroit territorial boundaries. It follows that only the registered electors of the City of Detroit are qualified to vote in such an election. 1933 PA 62, Sec. 3(3), supra, and 1954 PA 116, Sec. 635 et seq; MCLA 168.635 et seq; MSA 6.1635 et seq.

⁹¹Citizens Research Council-The Taxing Authority Of The Detroit Public Library-Sept 1990. <https://crcmich.org/wp-content/uploads/lbrarymil.pdf>

History of Detroit Public Library Tax Levy

| Date | Mills | Increase/Renewal | Term | Authorizing Entity |
|-------------------|----------|--------------------|-------------------------------------|---|
| Set by Public Act | .64 | Fixed | Permanent Levy set by state statute | Wayne County Allocation Board- Board of Education |
| Aug 1984 | 1.000 | Increase by 1 mill | 12/1/1984 through 11/30/1989 | Detroit Library Commission* |
| Nov 1990 | 1.000 | Increase by 1 mill | 7/1/1991 through 6/30/1996 | Detroit Library Commission* |
| | 1.9962 | Renewal | 7/1/1996 through 6/30/2000 | Detroit Library Commission* |
| Feb 2000 | 1.9962** | Renewal | 7/1/2000 through 6/30/2005 | Detroit Library Commission* |
| Feb 2000 | 1.0000** | Increase by 1 mill | 7/1/2000 through 6/30/2005 | Detroit Library Commission* |
| Nov 2004 | 2.9943** | Renewal | 7/1/2005 through 6/30/2015 | Detroit Library Commission* |
| Nov 2004 | 1.0000** | Increase by 1 mill | 7/1/2005 through 6/30/2015 | Detroit Library Commission* |
| Aug 2014 | 3.9943** | Renewal | 7/1/2015 through 6/30/2025 | Detroit Library Commission* |

Notes: * Subject to approval of the Detroit City Council **Rollback under the Headlee Act

As can be seen from the previous chart, DPL's current 3.9943 library mill is up for renewal for FY 2026, starting July 1, 2025. As of this report date, DPL has not indicated whether they will be seeking for a millage rate higher than the current 3.9943 mill.

2. DPL's approximate library millage of 4 mills currently generates approximately \$26 million in gross property tax revenue, which constitutes about 89% of DPL's FY 2021 total revenue sources. **If the library millage is not renewed by Detroit's registered voters by FY 2026, DPL's total revenue sources would be only about \$3 million. This would not be nearly enough to run just the Main Library, which needs over \$20 million annually to operate. As a result, without a library millage renewal in FY 2026, DPL's library system would be forced to shut down. As a result, City Council should consider passing a resolution supporting the renewal of the library millage in 2026 so that DPL can continue to operate the library system to the best of its ability to provide viable and important library services for its library patrons, including the citizens of the City of Detroit.**
3. DPL's net property tax revenue ranging from \$27 to \$33 million makes up about 92 to 96% of total revenues over the ten-year period, further emphasizing DPL's dependency on property tax revenue generated by the library mills to operate at a level of providing the best library services it can offer.
4. Unfortunately, DPL's gross property tax revenue over the ten-year period did not grow but was rather stagnant hovering around \$31 million annually. Meanwhile, property tax captures grew from \$1 million to \$3.5 million over the ten-year period, thereby creating lower net property tax revenue for DPL to operate.

Table 2 below shows DPL general fund property tax captures for eleven years (2012 through 2022) as part of the historical review of DPL's financial resources. Table 2 also shows projected property tax captures for five years (2023 through 2027).

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Table 2

Detroit Public Library General Fund Property Tax Captures

| Fiscal Year | Total Property Tax Captures | Property Tax Captures by DDA (1) | Percent of DDA Tax Capture of Total | |
|---|-----------------------------|----------------------------------|-------------------------------------|---|
| 2012 | 1,875,051 | 1,486,740 | 79.3% | |
| 2013 | 1,721,056 | 1,329,468 | 77.2% | |
| 2014 | 1,097,372 | 968,979 | 88.3% | |
| 2015 | 1,166,832 | 708,629 | 60.7% | |
| 2016 | 437,620 | 246,818 | 56.4% | |
| 2017 | 1,905,489 | 1,411,363 | 74.1% | |
| 2018 | 2,451,716 | 1,927,231 | 78.6% | |
| 2019 | 2,724,363 | 2,186,934 | 80.3% | DPL was informed by the OCFO- Treasury that its auditors had recommended that tax captures be reported as a net revenue of current property taxes. This was the first year that tax captures were not reported as an expenditure, but a reduction of current property tax revenues. |
| 2020 | 3,112,125 | 2,526,106 | 81.2% | |
| 2021 | 3,529,786 | 2,854,553 | 80.9% | |
| 2022 | 3,420,083 | 2,755,851 | 80.6% | |
| 2023 | 4,004,506 | 3,474,199 | 86.8% | Estimate provided by the OCFO Office of Budget. |
| 2024 | 4,291,586 | 3,734,764 | 87.0% | Estimate provided by the OCFO Office of Budget. |
| 2025 | 4,445,011 | 3,868,281 | 87.0% | Estimate provided by the OCFO Office of Budget. |
| 2026 | 4,565,026 | 3,972,725 | 87.0% | Estimate provided by the OCFO Office of Budget. |
| 2027 | 4,688,282 | 4,078,805 | 87.0% | Estimate provided by the OCFO Office of Budget. |
| Source: DPL's financial records for property tax captures from FY 2012 through FY 2022. | | | | |
| (1) DDA is the City of Detroit Downtown Development Authority per P.A. 197 of 1975. | | | | |

It is important to note that Appendix IV shows DPL property tax captures for fiscal years 1999 to 2021. The chart in Appendix IV also includes the State of Michigan public acts responsible for the DPL tax captures by year.

LPD provides the following financial analysis regarding DPL's ten-year financial information based on review of Table 2 above:

1. DPL general fund property tax capture is a product of tax increment financing. Tax increment financing (TIF) is a method that many communities use to finance different projects for commercial development, neighborhood revitalization, or other economic development purposes. Tax increment financing allows an established TIF authority to "capture" property tax revenue from incremental increases in value in a determined area and spend the "tax increment revenue", or a percentage of the total increased collections, to develop the area or finance a specific project. In other words, the value of any improvements to property located in a designated TIF district does not go into the overall tax base of the community, but instead is reserved for, or "captured" by, the TIF district.⁹²

In Michigan statutes that authorize TIF, the decision to develop a TIF plan rests with a municipality. A municipality is given the authority both to create a TIF authority and designate the district where the

⁹² "Tax Increment Financing in Michigan", by Drew Krogulecki, legislative analyst, from State Notes Winter 2016, Michigan Senate Fiscal Agency. <https://www.senate.michigan.gov/sfa/publications/notes/2016notes/noteswin16dk.pdf>

TIF plan will be applied. Michigan statutes specifically outline how, and for what purposes, tax increment financing may be implemented. As shown in Chart 1, there are 10 different acts that provide for the use of tax increment financing.⁹³ The public acts that are in bold represent the TIF statutes that impact DPL's property tax revenues in the form of property tax captures, according to the chart in Appendix IV.

Chart 1

| TIF Statutes in Michigan | | |
|---|--|--|
| Public Act | Statute or Amendment | Purpose of TIF |
| 197 of 1975 | Downtown Development Authority Act | Central business district improvement |
| 450 of 1980a) | Tax Increment Finance Authority Act | Economic growth and increase in property values in a municipality |
| 281 of 1986 | Local Development Financing Act | Job creation & unemployment reduction |
| 381 of 1996 | Brownfield Redevelopment Financing Act | Redevelopment of unused buildings or blighted areas |
| 280 of 2005 | Corridor Improvement Authority Act | Redevelopment of commercial corridors |
| 94 of 2008 | Water Resource Improvement Tax Increment Finance Authority Act | Water resource improvement |
| 486 of 2008 | Nonprofit Street Railway Act amendment | Promotion & financing of operations in a transit operations finance zone for a street railway system |
| 250 of 2010 | Private Investment Infrastructure Funding Act | Economic development & public infrastructure improvement |
| 530 of 2004 | Historical Neighborhood Tax Increment Finance Authority Act | Preservation of residential property values in a historic district |
| 61 of 2007 | Neighborhood Improvement Authority Act | Promotion of residential growth in a residential neighborhood |
| a) Public Act 280 of 1986 amended the Tax Increment Finance Authority Act to prevent a municipality from creating a new authority under that Act beginning January 1, 1987. | | |

Residents in a newly created TIF district will continue to pay their taxes as they normally do and will not see any change in the amount they pay compared to the amount they would pay absent the TIF district. Local governments and authorities also continue to receive a share of local property taxes from taxpayers as they normally would. However, any increase in revenue attributable to an increase in assessed property values from the base value going forward is captured by the TIF authority. The increase in valuation is multiplied by the applicable tax rate, and the result is considered the tax increment revenue available for use by the authority.⁹⁴ The revenue may be used to pay for development projects in the district or used to secure bond issues for large public expenditures. A development project could be, for example, new infrastructure, including roads or bridges; new streetlamps; the improvement, creation, or demolition of buildings; a new shopping center or stadium; parks; or water treatment facilities. The municipality and TIF authority ultimately determine how the tax increment revenue will be spent.⁹⁵

Theoretically, the captured revenue should be sufficient to pay the TIF authority's share of project costs. Once the authority receives tax increment revenue, it will spend that revenue to retire debt issued to finance projects or improve the district. The improvements and TIF spending should attract private investment to further develop the district. The district should then see an increase in assessed property values because of the improvements, generating more tax increment revenue to pay for public expenditures. The TIF plan, therefore, ideally will pay for itself while spurring development and private

⁹³ "Tax Increment Financing in Michigan", by Drew Krogulecki, legislative analyst, from State Notes Winter 2016, Michigan Senate Fiscal Agency. <https://www.senate.michigan.gov/sfa/publications/notes/2016notes/noteswin16dk.pdf>

⁹⁴ Ibid. The taxes that a TIF authority may capture depend on the statute under which the TIF authority is created. For example, when a downtown development authority is created, the State Education Tax is subject to capture under certain circumstances.

⁹⁵ Ibid

investment until it expires. The reality may be different, however, when property values decline due to economic downturns or other circumstances, or if the development does not generate the anticipated economic activity.⁹⁶

Parenthetically, given that TIF authorities (some decades old now) under State law can capture property tax revenue for economic development purposes, DPL has no rights to the TIF captures according to State law, and the amount captured is not DPL's property tax revenue; or stated simply, the amount captured is not DPL's money. This is the reason for the accounting change made in 2019 by the City to show only net property tax revenue (gross property tax revenue minus property tax captures) in the financial statements. The City determined it was misleading to show gross property tax revenue and show property tax captures as an expense when DPL had no rights to the property tax revenue captured by respective TIF authorities.

As a result, it would require a change in State law to eliminate the TIF authorities' ability to tax capture. However, some TIF legislation allow for libraries in Michigan to opt-out of tax capture, but unfortunately, do not apply to DPL at the present time. More specifically, Jay Rising, City of Detroit's CFO and Kevin Johnson, CEO, Detroit Economic Growth Corporation (DEGC) in a recent memorandum to Council Member Scott Benson⁹⁷ stated the following:

"TIF and tax abatements are governed by State law. The City has no authority to pick and choose which levies and taxing jurisdictions are exempted under the Michigan statutes that create and govern TIF plans and tax abatements to support economic development. Public libraries may exempt their taxes from certain TIF plans under certain conditions outlined in statute, but those conditions are not present today for DPL.⁹⁸

"For background, in 2013 in anticipation of the LCA (Little Caesars Arena), the DDA (Downtown Development Authority) amended its TIF plan to add the area north of I-75 (TID-8), extend the duration, and otherwise provide for the support for the land contributions and TIF bonds for the arena. All taxing jurisdictions were provided notice of the proposed amendments and, under the DDA act at the time⁹⁹, they all had the opportunity to "opt out" of the to be added area within 60 days following the public hearing. The library attempted to opt-out after the deadline and was therefore ineffectual. However, as an accommodation to the library, the DDA entered into a tax sharing agreement allowing all tax increment revenues generated in TID-8 to be "shared" with the library, with the library receiving 100%.¹⁰⁰ (LPD note: According to OCFO Office of Treasury, DPL under the tax sharing agreement collected on average approximately \$184,000 in property tax revenue annually from FY 2019 through FY 2022 from the TID District 1-8 (i.e., 2013 Expansion Area under LCA project).)

In 2014, the library's millage was up for renewal and the ballot language included certain language purporting to limit the capture of tax increment revenues by DEGC entities to 5%. City of Detroit Corporation Counsel issued a legal opinion providing that the language was unenforceable as it attempts to supersede state law.¹⁰¹

⁹⁶ "Tax Increment Financing in Michigan", by Drew Krogulecki, legislative analyst, from State Notes Winter 2016, Michigan Senate Fiscal Agency. <https://www.senate.michigan.gov/sfa/publications/notes/2016notes/noteswin16dk.pdf>

⁹⁷ "TIF Capture and Tax Abatements", Jay B. Rising, CFO and Kevin Johnson, CEO, DEGC, dated October 19, 2022. Attachment V represents a copy of this memorandum.

⁹⁸ Ibid

⁹⁹ Ibid. The "DDA Act at the time" reference: DDA Act 197 of 1975, MCL 125.1653, Section 3(3).

¹⁰⁰ Ibid. Appendix VI represents a copy of the Interlocal Agreement Regarding Tax Capture Sharing between DPL and DDA.

¹⁰¹ Ibid. Appendix VII represents a copy of the legal opinion issued by City of Detroit's Corporation Counsel dated February 9, 2018, and City Council's waiver of the attorney client privilege on this legal opinion.

In late 2016/early 2017, amendment to the DDA act gave libraries additional opt-out rights. However, due to the language of the legislation, DPL was not able to exercise that opt out when the DDA last amended its plan in 2017 as State Treasurer and Mayoral consent would have been required according to a legal opinion issued by City of Detroit Corporation Counsel.¹⁰² (It should be noted that the amendment to the DDA act **does not apply to the Brownfield Redevelopment Act**. The BRA authorities maintain their ability to capture library taxes.)

In addition, Section 3(3) of the DDA Act was further amended to exempt library taxes levied before January 1, 2017, from capture when the applicable downtown development authority **has no outstanding obligations or other protected obligations (each, as defined in the DDA Act, and referred to herein, together, as “Obligations”)**. Such taxes are automatically exempt unless a library and downtown development authority enter into an agreement to allow for the capture of all or a portion of the taxes. According to records of the DDA and the Municipal Securities Rulemaking Board (the “MSRB”) – which regulates and provides access to information on municipal securities – **the DDA has outstanding Obligations** (footnote 2). **While any Obligations remain outstanding, taxes levied for Library purposes are not exempt under the current DDA Plan.**¹⁰³ (emphasis added)

Parenthetically, Table 2 above shows DPL general fund property tax captures from 2012 through 2027. Table 2 also shows that up to 87% of these tax captures represent DDA property tax captures, which help to support the repayment of outstanding DDA bonds. As mentioned previously, DDA property tax captures cannot be eliminated if there are outstanding DDA bonds.

In addition, eliminating DDA tax captures would cause undue hardship to the outstanding DDA bonds. According to a legal representative of the DEGC, with respect to the outstanding DDA bonds, the DDA is unable to enter into additional tax sharing agreements with the library or any other taxing jurisdiction that would exempt some or all those tax increment revenues from capture because those revenues have been pledged to the repayment of the DDA bonds and DDA bond documents include negative covenants preventing the DDA from any such agreements. If Detroit’s registered voters approve a library millage renewal by 2026, any tax sharing agreement entered by DPL and DDA would have to ensure that the repayment of outstanding DDA bonds is not hindered.

¹⁰² “TIF Capture and Tax Abatements”, Jay B. Rising, CFO and Kevin Johnson, CEO, DEGC, dated October 19, 2022. Attachment V represents a copy of this memorandum. Appendix VIII represents a copy of the legal opinion issued by City of Detroit’s Corporation Counsel dated May 8, 2017. This legal opinion was not a privileged and confidential memorandum. Corporation Counsel’s legal opinion references PA 506 of 2016, which amended Section 3(3) of the 197 of 1975 DDA Act and speaks to the requirement of State Treasurer and Mayoral consent to enable DPL to opt out when the DDA last amended its plan in 2017 for the Detroit Pistons project.

¹⁰³ Appendix VIII represents a copy of the legal opinion issued by City of Detroit’s Corporation Counsel dated May 8, 2017. Footnote 2 of this memorandum indicates the following regarding DDA’s outstanding obligations in the form of bonds: “See, e.g., the 2017 annual continuing disclosure statement of the DDA filed with the MSRB, dated January 19, 2017, with respect to the DDA’s 1996C Bonds, 1998A Bonds, 1998B Bonds and the 2014A MSF Bonds (all, as defined in the 2017 annual continuing disclosure statement, and all of which remain outstanding as of the date of this Opinion). The 2014A MSF Bonds were issued by the Michigan Strategic Fund (the “MSF”) to provide financing for the DDA, for which the DDA is obligated, for the Red Wings arena project (referred to in the 2014A Bonds documents as the “Events Center Project”). See, also, reports on EMMA, the Electronic Municipal Market Access website of the MSRB, emma.msrb.org, regarding DDA bonds and Bonds issued by the Michigan Strategic Fund to finance DDA projects. These references and the list of DDA obligations herein are not intended to be exhaustive of outstanding DDA Obligations, but to provide evidence of outstanding DDA Obligations for purposes of this Opinion.” In addition, according to DDA’s annual financial statements as of June 30, 2021, the DDA issued in December 2018 \$287.4 million in Series 2018A bonds to refund the Series 2014 bonds (for the LCA construction project) and Series 2017 bonds (for the Detroit Pistons relocation construction project). These bonds will be repaid primarily through Catalyst Development Project tax revenue captured by the DDA, and they mature in 2049.

2. Understandably so, representatives from DPL's Library Commission have in recent years expressed consternation regarding the negative impact of property tax captures, which divert incremental property taxes from DPL to TIF Authorities such as the DDA and BRA, on DPL's property tax revenues. As Table 2 above shows, from 2017 through 2027, there is significant growing trend in property tax captures based on anticipated increases in the City of Detroit's property taxable values, especially in the downtown area (Table 2 above shows the growing trend in the DDA property tax captures, which is the lion share-up to 87%, of DPL's total property tax captures). Library Commissioners have even suggested that the Council consider not approving economic development projects involving TIFs that capture the library millage. Unfortunately, State law does not allow Council to singularly exempt DPL from property tax capture and vote to approve a property tax capture impacting other taxing jurisdictions, such as the City of Detroit, Wayne County, and Detroit Public Schools.

Notwithstanding that TIF captures cannot be eliminated unless there is a change in State law, or as long as DDA bonds are outstanding, City Council painstakingly and seriously deliberate over the cost/benefits of the TIF projects that come before them for approval to ensure the benefits outweigh the costs¹⁰⁴, which benefits include the retention and creation of more jobs, redevelopment of vacant properties, redevelopment of obsolete properties, creation of mixed-use projects including new housing units and commercial development, creation of affordable housing, etc. All projects must demonstrate that "but for" this incentive the project will not occur, and that the City will receive a net benefit from the investment. DEGC underwrites all projects and completes a fiscal impact analysis to determine if a project meets these qualifications.

One key point is that there is no decrease in DPL's property tax revenue due to TIFs. For instance, with many TIFs, it is quite the contrary since in many cases (outside of DDA capture districts), the properties are City owned, or owned by another government entity such as DPS, thereby generating zero taxes, until the ownership changes hands. Even with a TIF, new taxes are generated in these instances. But even when privately owned property is being redeveloped under a TIF project, in most cases, the property is blighted or environmentally challenged and is generating very little taxes before it is redeveloped.

Although, the duration of TIF projects can last up to 30 years, DPL can benefit from higher property taxable values surrounding the redeveloped TIF areas during the duration of the TIF project. Where a TIF project involves large real property (construction of new commercial and industrial buildings or rehabilitation of existing commercial and industrial buildings), DPL could realize substantially higher property tax revenue when the TIF project expires.

3. Recognizing the negative impact tax incentives and tax captures have on DPL and the Detroit Public Schools, City Council passed a resolution sponsored by Council President Mary Sheffield in April 2022 urging a change in State law to exclude the Detroit Public Schools and the Detroit Public Library from tax abatements and tax captures. Attachment IX represents a copy of this resolution. But as of the date of this report, there does not appear that any such legislation is being considered by the Michigan State Legislature.
4. One way for DPL to overcome the negative impact of property tax captures is to consider asking voters to approve a higher library millage. As mentioned previously, the current library millage of approximately 4 mills generates about \$26 million in gross property taxes annually. A library millage rate of 6 mills would generate about \$39 million in gross property taxes annually. Of course, it would

¹⁰⁴ "Costs to the City" associated with TIF economic projects are costs of any city services (police, fire, public works, general services, etc.) provided by the City on behalf of the TIF project.

be up to DPL's Library Commission to determine if the voters in the City of Detroit would have the appetite for paying more in property taxes based on a larger library millage rate. If seeking a higher millage is deemed feasible by DPL's Library Commission, it should seek legal counsel on the ability to raise its library millage beyond the current 4 mills within the 15-mill limit established by Public Act 62 of 1933, as amended by Public Act 102 of 1975 (see footnote 72 above for more details).

5. Meanwhile, the outstanding City of Detroit Local Development Finance Authority (LDFA) TIF bonds were paid off as of June 30, 2021. The level of DPL property tax revenue LDFA formerly captured to help pay off the LDFA bonds will eventually inure to the benefit of DPL. According to the OCFO Office of Treasury, LDFA captured approximately \$120,000 from the DPL millage in 2021.

Like the various TIF legislation that allow for tax captures, there are several tax incentives or tax abatements offered by the State of Michigan that reduces DPL's property tax revenue.

1. A tax abatement is designed to incentivize investment by reducing tax payments for a company. Tax abatements can attract investment, increase employment, catalyze research and technology development, and drive improvement to less developed areas. Tax abatements can raise the overall economy by stimulating economic growth and tax revenue (after the expiration of the tax holiday/incentive period). Unlike grants or loans, which can help with need for immediate capital, a tax abatement is a way of offsetting or abating property and other taxes as an incentive to come to a city or expand existing operations within the city. Tax abatements allow business owners to use that savings to invest back into the business for a defined period.¹⁰⁵
2. The types of tax abatements, also called "special act property tax legislation", that can reduce DPL's property tax revenue are as follows:
 - Obsolete Property Rehabilitation Act, PA 146 of 2000, as amended; abatement term up to 12 years
 - Commercial Rehabilitation Act, PA 210 of 205, as amended; abatement term up to 10 years
 - Neighborhood Enterprise Zone Act, PA 147 of 1992, amended; abatement term up to 15 years
 - Industrial Facilities Exemption, PA 198 of 1974, as amended; abatement term up to 12 years
 - New Personal Property Exemption, PA 328 of 1998, as amended; abatement term up to unlimited term (however, terms have been limited to 12 years under the Mayor Duggan administration)
 - Commercial Facilities Exemption, PA 255 of 1078, as amended; abatement term up to 12 years
 - Michigan Renaissance Zone Act (Michigan Strategic Fund Designated Zone), PA 376 of 1996; abatement term up to 15 years
 - Next Michigan Development Act, PA 275 of 2010/Renaissance Zones PA 376 of 1996; abatement term up to 10 years

Attachment X provides more information on the types of tax abatements listed above as provided by the DEGC.

3. These economic development tools (TIFs/tax abatements) enable developments that would not be constructed but for the approved TIF and tax abatements. This "but for" test confirms that without that approval, the subject development will not move forward. No new revenue would be unlocked by the resulting development – whether partially abated revenues during the abatement term or, more significantly, the revenues paid on the development after the abatement expires.¹⁰⁶

¹⁰⁵ DEGC's website under the "Advantages" tab.

¹⁰⁶ "TIF Capture and Tax Abatements", Jay B. Rising, CFO and Kevin Johnson, CEO, DEGC, dated October 19, 2022. Appendix V represents a copy of this memorandum.

In urban areas like Detroit that face development challenges due to issues such as environmental conditions created by prior uses of the property, aging infrastructure, decaying or obsolete buildings, these economic development tools can “level the playing field” with developing exurban areas and direct development back into urban core areas. Without these tools, Detroit would lose the opportunity for jobs-generating economic development activity, as the properties would remain vacant. Thus, the fiscal impact to the City of Detroit of losing these developments would not only be future incremental property taxes, but also the incremental income taxes from both the construction jobs and the ongoing jobs once the development opens for business.¹⁰⁷

Using a similar review process when reviewing TIF projects that involve property tax captures, City Council painstakingly and seriously deliberates over the cost/benefits of the tax abatement/incentive projects to ensure the benefits outweigh the costs¹⁰⁸, which benefits include the retention and creation of more jobs, redevelopment of vacant properties, redevelopment of obsolete properties, creation of mixed-use projects including new housing units and commercial development, creation of affordable housing, etc. All projects must demonstrate that “but for” this incentive the project will not occur, and that the City will receive a net benefit from the investment. DEGC underwrites all projects and completes a fiscal impact analysis to determine if a project meets these qualifications.

As with TIF property tax captures, unfortunately, State law does not allow Council to singularly exempt DPL from a tax abatement and vote to approve a tax abatement impacting other taxing jurisdictions, such as the City of Detroit, Wayne County, and Detroit Public Schools.

4. Fortunately, DPL can receive the same level of property tax revenue or more during the term of a tax abatement, and substantially more property tax revenue after the tax abatement expires. Two examples follow:
 - In September 2022, City Council approved an Obsolete Property Rehabilitation PA 146 12-year tax abatement for the 411 Piquette, LLC redevelopment project. For the library, on an annual basis, existing property taxes: \$1,800; new property taxes after tax incentive: \$1,814; new taxes without tax incentive (when it expires): \$19,247. Attachment XI contains a copy of LPD’s report on this project.
 - In October 2022, City Council approved an Industrial Facilities Exemption PA 198 12-year tax abatement for the Orange Construction, LLC redevelopment project. For the library, on an annual basis, existing property taxes: \$0; new property taxes after tax incentive: \$4,377; new taxes without tax incentive (when it expires): \$8,754. Attachment XI contains a copy of LPD’s report on this project.
5. Chart 2 below shows the number of economic development projects with expiring abatements, estimated library millage collections in 2022, and estimated library millage collections post abatement¹⁰⁹:

¹⁰⁷ “TIF Capture and Tax Abatements”, Jay B. Rising, CFO and Kevin Johnson, CEO, DEGC, dated October 19, 2022. Appendix V represents a copy of this memorandum.

¹⁰⁸ “Costs to the City” associated with tax abatement economic projects are based on a DEGC cost/benefit economic impact program to provide a prorated share of the City’s budget to provide City services, based on the number of new employees or residents, and the size of the business impacted by the tax abatement, plus the reduced property tax revenue due to the type of tax abatement.

¹⁰⁹ Provided by the DEGC.

Chart 2

| Year | Number of Projects with Expiring Abatements (1) | Estimated Library Millage Collections: 2022 | Estimated Library Millage Collections: Post Abatement |
|--------------|---|---|---|
| 2021 | 7 | \$2,761 | \$7,508 |
| 2022 | 8 | \$8,139 | \$47,305 |
| 2023 | 12 | \$24,624 | \$80,949 |
| 2024 | 7 | \$39,407 | \$74,526 |
| 2025 | 14 | \$137,116 | \$352,709 |
| 2026 | 9 | \$34,738 | \$179,937 |
| 2027 | 16 | \$21,929 | \$130,226 |
| Total | 73 | \$268,714 | \$873,160 |

Note: (1) The types of tax abatements that are expiring are Industrial Facilities Exemption, PA 198s, Obsolete Property Rehabilitation Act, PA 146s, Commercial Rehabilitation Act, PA 210s, and Commercial Facilities Exemption, PA 255s.

As can be seen from Chart 2 above, by 2027, DPL will receive a substantial increase in property tax revenues when several tax abatements expire.

Table 3 below shows DPL general fund revenues, expenses, net income (loss), and fund balance for ten years (FY 2012 through FY 2021) as part of the historical review of DPL’s financial resources. FY 2022 is also provided.

Table 3

Detroit Public Library General Fund Revenues, Expenses, Net Income (Loss), and Fund Balance
(in millions)

| Fiscal Year | Total Revenues (1) | Salaries & Benefits | Contractual Services (2) | Capital Outlay (3) | Other Expenses (4) | Total Expenses | Net Income (Loss) | Fund Balance (5) | Total FTE | # of Branches plus Main Library |
|-------------|--------------------|---------------------|--------------------------|--------------------|--------------------|----------------|-------------------|------------------|-----------|---------------------------------|
| 2012 | 30.9 | 26.2 | 2.9 | 1.4 | 3.5 | 34.0 | (3.1) | 18.9 | 334 | 24 |
| 2013 | 30.8 | 23.5 | 2.9 | 3.2 | 4.2 | 33.8 | (3.0) | 4.7 | 344 | 24 |
| 2014 | 34.4 | 23.8 | 3.5 | 0.7 | 4.0 | 32.0 | 2.4 | 8.0 | 301 | 22 |
| 2015 | 31.5 | 19.2 | 3.1 | 1.4 | 3.1 | 26.8 | 4.7 | 17.1 | 301 | 22 |
| 2016 | 35.3 | 18.7 | 3.1 | 1.4 | 4.2 | 27.4 | 7.9 | 25.2 | 307 | 22 |
| 2017 | 31.3 | 19.3 | 3.2 | 2.4 | 4.0 | 28.9 | 2.4 | 27.3 | 268 | 22 |
| 2018 | 28.9 | 18.6 | 3.1 | 2.6 | 5.1 | 29.4 | (0.5) | 27.0 | 300 | 22 |
| 2019 | 29.6 | 20.2 | 3.5 | 2.7 | 5.3 | 31.7 | (2.1) | 24.7 | 305 | 22 |
| 2020 | 28.4 | 19.7 | 3.6 | 4.8 | 5.2 | 33.3 | (4.9) | 18.8 | 248 | None |
| 2021 | 29.3 | 13.4 | 2.5 | 1.8 | 4.6 | 22.3 | 7.0 | 25.8 | 124 (7) | 7 (8) |
| 2022 | 33.3(6) | 16.5 | 2.9 | 3.3 | 4.8 | 27.5 | 5.8 | 31.6 | 172 (7) | 7 (8) |

Source: Detroit Public Library Financial Statements

Notes for Table 3:

(1) The revenue sources making up total revenues are depicted in Table 1 above.

- (2) Contractual Services include security and cleaning services for the Main Library and DPL library branches.
- (3) Capital Outlay represent monies spent on DPL print and non-print material used for circulation, or, needed capital improvements primarily in the form of renovations at the library branches.
- (4) Other Expenses include supplies, rent, utilities, insurance, communications, debt service, and miscellaneous expenses.
- (5) See in section below for a general fund unassigned fund balance analysis.
- (6) For FY 2022, DPL's total revenues include \$30.4 million from operations and \$2.9 million from an insurance recovery due to the significant storm event in June 2021.
- (7) The FY 2021 and FY 2022 total FTE numbers are based through the month of May for those respective fiscal years.
- (8) DPL also operates one mobile library in addition to the Main Library and library branches

LPD provides the following financial analysis regarding DPL's ten-year financial information based on review of Table 3 above:

1. Over the ten-year period, DPL's total revenues averaged \$32.6 million annually for the first five years, reaching a high of \$35.3 million in FY 2016. But in the last five years, DPL's total revenues average dropped to \$29.5 million annually, reaching a low of \$28.4 million in FY 2020, primarily due to the stagnant growth in gross property tax revenue and rising property tax captures, as depicted in Table 1 above. This means that DPL had limited resources to operate 22 branches (the Main Library and 21 neighborhood branches) with around 300 FTEs.
2. DPL experienced net losses in FY 2012 and FY 2013 when it operated 24 branches (the Main Library and 23 neighborhood branches) with limited resources. Therefore, DPL was forced to close two neighborhood branches in 2014 and reduce the number of FTEs to right-size the library system. This led to a string of net income results for four years from FY 2014 through FY 2017, and DPL basically broke even in FY 2018 when the number of FTEs increased by 32.
3. DPL's high personnel, capital outlay, and other expenses costs, coupled with slightly declining limited resources, generated net losses in FY 2019 and FY 2020. DPL paid for an unusual high amount of capital outlay expenditures (\$4.8 million) in 2020 to cover \$2.9 million in capital improvements at the Jefferson and Chaney library branches and at the Main Library. \$1.74 million was also spent in FY 2020 on print and non-print material that was used in circulation.
4. The closing of the DPL library system on March 20, 2020, due to the COVID-19 pandemic, coupled with limited reopenings of the Main Library and six library branches during FY 2021, resulted in a large reduction of expenses, primarily due to huge layoffs and furloughs, which generated a sizable net income of \$7 million in FY 2021, and increased DPL's general fund unassigned fund balance by the same amount.
5. During the ten-year period, pre-COVID-19, it appears that DPL felt compelled to operate 22 branches with around 300 FTEs with limited resources and high costs to provide the best library services it could for its library patrons, including residents of the City of Detroit, even if it meant dipping into its general fund balance to do so. However, to operate 22 branches with limited resources and growing property tax captures, DPL is compelled to deficit spend and use fund balance at times, to maintain operations. This mode of operation is unsustainable for DPL to survive operationally in the long run. If total revenues do not grow substantially in the future, DPL would have to seriously examine providing library services with fewer branches.
6. For FY 2022, DPL ended up with a net income of \$5.8 million, consisting of \$2.9 million from operations and \$2.9 million from an insurance recovery due to significant storm event on June 25, 2021. The positive operational results are from again just operating the Main Library and six library branches post-COVID. However, DPL's salaries and benefits went from \$13.4 M for FY 2021 to \$16.5 M for

FY 2022 due to an increase in FTEs with the anticipation of reopening 11 branches starting in FY 2022. The reopening of DPL library branches will have to be monitored to see if there will be sufficient revenues coming in to sustain these branches operationally.

Table 4 below shows DPL's unassigned general fund balance for ten years (FY 2012 through FY 2021) as part of the historical review of DPL's financial resources. The audited unassigned general fund balance for FY 2022 is also provided.

Table 4
Detroit Public Library Unassigned General Fund Balance Analysis
(in millions)

| Fiscal Year | Unassigned General Fund Balance (in millions) | Contributing Factors to Unassigned General Fund Balance |
|-------------|---|---|
| 2012 | \$18.9 | Fund balance decreased by \$1.5 M. FTEs reduced by 116, due to declining revenues. DPL branches reduced from 27 to 24 branches (including Main Library) due to cost cutting measures. |
| 2013 | 4.7 | Fund balance decreased by \$14.2 M; drop primarily due to \$3.2 M capital outlay and \$8.9 M in prior year adjustment- derived from an overstatement of Due from Other government activity. |
| 2014 | 8.0 | Fund balance increased by \$3.3 M due to cost cutting/streamlining services. By 2014, DPL branches reduced from 24 to 22 branches (including Main Library) and FTEs went from 334 to 344, then reduced to 301, a 43 FTE year-over-year decrease. In addition, \$660,335 was spent in capital outlays in 2014 (related to library print and non-print material purchased for circulation). |
| 2015 | 17.1 | Fund balance increased by \$9.1 M primarily due to positive operation results, issuance of bonds- \$10.8 M issuance of bonds in 2015 is from the B and C Notes associated with the Plan of Adjustment (POC) bankruptcy settlements, and POC extraordinary item (page 36 of 2015 DPL annual financial statements). \$1.4 M was spent on capital outlays: \$1.2 M spent on print and non-print material used for circulation and \$200 K spent on minor renovations at Redford and Douglass branches. |
| 2016 | 25.2 | Fund balance increased by \$8.1 M primarily due to impact of POC bankruptcy settlements and positive operational results from higher delinquent property tax collections; from the auctions of several commercial buildings; and from an increase in the Renaissance Zone credit. \$1.4 M was spent on capital outlays- print and non-print material used for circulation. |
| 2017 | 27.3 | Fund balance increased by \$2.1 M primarily due to positive operational results. Cost cutting measures continued, FTEs decreased from 307 to 268, a decrease of 39 due to a hiring freeze. \$2.4 M was spent on capital outlays- \$1.4 M was spent on print and non-print material and \$1 M spent on renovations to the Edison branch. The Edison library branch suffered a water main-break and completely flooded the building- insurance claim filed. |
| 2018 | 27.0 | Fund balance decreased by \$230,000 primarily due to negative operational results. The number of DPL branches went from 24 to 23 starting in 2013, however, the number of FTEs increased by 32 in 2018, going from 268 FTEs in 2017 to 300 in 2018. \$2.6 M was spent in capital outlays: \$1.1 M was spent on capital improvements due to water damage at the Skillman branch; and renovation of the Franklin library branch; and \$1.5 M was spent on print and non-print material used in circulation. |
| 2019*** | 24.7 | Fund balance decreased by \$2.3 M primarily due to \$2.7 M in capital outlays. The Library spent \$1.3 M completing the Franklin library branch renovations, started Phase 1 of the Jefferson library branch renovations, completed the Skillman library branch repairs, and purchased a new Mobile Library. In addition, the Library spent \$1.3 M in print and non-print material used in circulation. In addition, for the first time, the tax capture total of \$2.7 M exceeded the budgeted amount by \$1.2 M which also reduced fund balance. |
| 2020*** | 18.8 | Fund balance decreased by \$5.9 M primarily based on \$4.8 M in capital outlays and \$3.1 M in captured taxes. In addition, \$836 K in receivables were written-off causing a reduction in revenues. Capital outlays: completed renovations at the Jefferson branch, new roof on the Cass Ave. side of the Main Library, refurbished one of the chillers at Main Library, and replaced a HVAC system at the Chaney Branch. The total amount spent for those projects was \$2.9 M. Approximately, \$1.7 M was spent on print and non-print material used in circulation. |
| 2021*** | 25.8 | Fund balance increased by \$7 M primarily due to positive operations originating from branch closures due to COVID-19 restrictions. By FY 2021, FTEs dropped by 57, from 305 in 2019 to 248 in 2020; decrease of 124 FTEs, from 248 in 2020 to 124 in 2021, again due to branch closures from COVID-19 restrictions. \$1.7 M was spent on capital outlays. During FY 2021, the Library spent appx. \$500 K on various capital improvements within the branches while they were closed. In addition, the Library spent \$1.1 M in print and non-print material that was used in circulation. |

| | | |
|---------|------|---|
| 2022*** | 31.6 | This is the audited fund balance as of June 30, 2022. Fund balance increased by \$5.8 M primarily due to positive operations originating from branch closures due to COVID-19 restrictions and from an insurance recovery. However, FTEs increase by 48, from 124 to 172. \$3.3 M was spent on capital outlays. According to DPL, an estimated \$2 M will be needed to replace the two 500-ton chillers and additional equipment needed for proper cooling for the Main Library. The chillers are at their end of useful lives and are currently operating at 50% capacity. |
| | | Source: Detroit Public Library Financial Statements and DPL's CFO |
| | | Note: *** City of Detroit Accounting change made in 2019 by the City of Detroit nets tax captures against current property tax collections. Tax captures were previously recorded as an expenditure. |

LPD provides the following financial analysis regarding DPL's ten-year financial information based on review of Table 4 above:

1. Over the ten-year period, DPL has had to use a significant amount of fund balance, approximately \$10 million, on print and non-print material for circulation¹¹⁰. On average DPL spent almost \$1.3 million annually on print and non-print material during eight years of the ten-year period under review. Apparently, DPL replenishes the Main Library and library branches with new materials and collections on an ongoing basis, which is a considerable expense.
2. Over the ten-year period, DPL has had to use fund balance on numerous occasions to fund capital improvements at the Main Library and neighborhood branches. DPL spent approximately \$9 million on capital improvements during eight years of the ten-year period under review.
3. As a result, DPL spent a total of approximately \$19 million from fund balance on print and non-print material and capital improvements during eight years of the ten-year period under review. Meanwhile, DPL operated the Main Library, 21 library branches, and one mobile library with limited resources to provide the best library services it could for its library patrons, which consisted primarily of Detroit residents. Even though in February 2009 the registered voters of the City of Detroit approved a bond authorization up to \$97 million for museums, libraries, recreation, and other cultural institutions (voters at the time were told up to \$25 million would be used for the libraries), no general obligation bonds have been sold for DPL since 2009. If DPL had general obligation bond dollars from the City to fund these capital improvements, and possibly to fund the print and non-print material which may be classified as capital assets during this ten-year period, DPL would have been in a much better position financially to provide even more robust library services at the Main Library and library branches and avoid deficit spending as depicted in Table 3 above.
4. In addition, due to the limited growth in DPL's main revenue source, property tax revenue, over the ten-year period, property tax captures in any given year can reduce property tax revenue to the point where DPL is forced to use some its fund balance to purchase print and non-print material or provide capital improvements at the Main Library or library branches. However, as explained previously, it would require a change in State law to eliminate property tax captures, or they cannot be eliminated if there are outstanding DDA bonds.
5. Meanwhile, as of June 30, 2022, DPL's unassigned general fund balance (surplus) is \$31.6 million, which is 115% of total FY 2022 DPL general fund expenditures. Although, this is an extremely healthy

¹¹⁰ Print sources include books, magazines, newspapers, and catalogues. These items are printed on paper using ink and often have images drawn on them in color or black & white. They are available in many different formats including hard copy and electronic versions. Non-print sources include videos, films, CDs, and DVDs. These items use electrical energy to capture an image that can then be displayed or played for the user. Source: AuthorsCast article entitled "What are print and non-print materials?", by Jerry Owens. <https://authorscast.com/what-is-print-and-nonprint-materials>

fund balance percentage,¹¹¹ it is misleading given that DPL must often use some of its fund balance to fund major expenditures (capital improvements, print and non-print material, operating shortfalls, etc.), which can exhaust huge chunks of fund balance in any given year.

Detroit Public Library's Capital Improvement Program and Needs

Traditionally, DPL participates in the preparation of the Capital Agenda, the city's Five-Year Capital Improvement Plan as required by City Charter.¹¹² The Capital Agenda is the city's five-year capital improvement plan inclusive of all agencies whose funds are subject to appropriation by City Council. It is the basis for determining projects to be funded with General Obligation Bond (GOB) proceeds.

DPL capital improvement plan over the years included various improvements to its Main and branch libraries. Some projects are long standing deferred capital maintenance due to a lack of available funding. For many years, DPL has funded capital improvements from its operating millage and/or fund balance due to the lack of General Obligation Bond funding. Attachment XII represents the most recent Capital Agenda document for DPL.

Some of DPL buildings are over 100 years old, with the average age being 57. Most buildings require extensive repairs and/or upgrades. Regular and timely maintenance will allow DPL to utilize its facilities to its fullest extent and to meet its mission to provide quality services to the community.

Table 5 below represents DPL's FY 2022-2026 five-year capital plan.

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¹¹¹ The Government Finance Officers Association's (GFOA) best practice on unreserved general fund balances is that general purpose governments maintain at a minimum an unrestricted general fund balance of no less than 2 months of regular general fund operating revenues or regular general fund operating expenditures. Two months is 17% of 12 months.

¹¹² Article 8, Sec. 8-202, (2a) Capital Agenda of the City of Detroit Charter. Under Sec. 8-202, (1) of the City Charter, the Mayor submits a proposed Capital Agenda to City Council by November 1 of every even year for consideration and approval. **It is important to note that Mayor Duggan's proposed 2024-2028 Capital Agenda submitted to Council on November 1, 2022, did not include a five-year capital improvement plan for DPL.** Duggan Administration's rationale for not including DPL's capital needs in the proposed Capital Agenda is because DPL is a separate legal entity from the City and does not hold or manage any City capital assets. LPD feels DPL's five-year capital improvement needs should be included in the proposed Capital Agenda since DPL is a discretely presented component unit of the City of Detroit's Annual Comprehensive Financial Report since City Council is responsible for approving the DPL's annual budget. Also, as previously mentioned in this report, by the end of the 1920s, more than twenty libraries had been constructed with the help of donations, private investors, bond sales, and contributions from the City of Detroit. LPD will be appealing to City Council for a re-inclusion of DPL's five-year capital improvement plan in the proposed 2024-2028 Capital Agenda.

Table 5

Detroit Public Library FY 2022-2026 Five-Year Capital Plan

| PROJECT NAME | PROJECT DESCRIPTION | COST | IMPROVEMENT TYPE | PROJECT PERIOD | FUNDING SOURCE |
|--------------------------------------|---|-------------|----------------------|----------------|-----------------------|
| Service Building roof replacement | Replace existing aged roof | \$940,000 | Program Replacement | FY2022 | Funds from Operations |
| Redford Branch foundation repair | Resolve leak in building foundation southeast wall | \$100,000 | State of Good Repair | FY2022 | Funds from Operations |
| Sherwood Forrest branch improvements | <ul style="list-style-type: none"> • Replace north and west windows • New LED lighting | \$90,000 | Program Replacement | FY2022 | Funds from Operations |
| Bowen Branch improvements | <ul style="list-style-type: none"> • Rebuild east wall to provide access to east door for entrance • Install first floor ADA restroom • Tuck point windows • Install east entrance parking lot | \$200,000 | Program Replacement | FY2023 | Funds from Operations |
| Hubbard Branch improvements | Reorganize and renovate interior | \$105,000 | State of Good Repair | FY2024 | Funds from Operations |
| Chase Branch improvements | Reorganize and renovate interior, install new windows | \$170,000 | State of Good Repair | FY2024 | Funds from Operations |
| Parkman Branch interior lighting | New interior lighting | \$25,000 | Program Replacement | FY2024 | Funds from Operations |
| Parkman Branch new elevator | Install an elevator to go to the second and third floors | \$900,000 | Program Replacement | FY2025 | Funds from Operations |
| Main Branch window repair | <ul style="list-style-type: none"> • Repair with active seals for all the windows in the north wing • Tuck point all the windows in the south wing • Repair the stack restrooms and convert one for employee use | \$90,000 | State of Good Repair | FY2022 | Funds from Operations |
| Main Branch exterior facade | <ul style="list-style-type: none"> • Install new roof north and south wings and connector • Foundation repair, wall separation and water damage repair | \$1,270,000 | State of Good Repair | FY2023 | Funds from Operations |
| Main Branch exterior facade | Cass side marble wall repair Complete exterior tuck pointing Power washing | \$3,500,000 | State of Good Repair | FY2024 | Funds from Operations |

| | | | | | |
|---------------------------------------|---|--------------------|---------------------|--------|-----------------------|
| Main Branch new elevator | • New Woodward Elevator. The original Woodward elevator is beyond repair. | \$900,000 | Program Replacement | FY2025 | Funds from Operations |
| Main Branch Woodward entrance | Complete restoration of Woodward entrance including original exterior doors | \$800,000 | Program Replacement | FY2026 | Funds from Operations |
| Total Proposed Five-Year Capital Plan | | <u>\$9,090,000</u> | | | |

Source: DPL's proposed five-year, FY 2022-2026, capital plan.

DPL has spent over \$3.5 million in operating funds to make necessary and critical capital improvements¹¹³, pre-Covid and post-Covid, that were recorded in the 2022 through 2026 Capital Agenda. DPL's FY 2022-2026 five-year capital plan totals \$9.1 million in projects that will maintain the current infrastructure and does not include any new construction or expansion plans. These projects are anticipated to be paid for with funding from operations (millage/fund balance) denoting there is no anticipated or scheduled General Obligation Bond sale from the Capital Agenda on behalf of DPL. In FY 2022, City Council approved \$2 million in General Fund surplus dollars to replace the chillers at the Main Library; this amount was later amended to \$4 million for total project costs. According to the OCFO, the City's General Services Department is in the process of transferring the \$4 million to DPL for this capital improvement project.

General Obligation Bonds provide municipalities with the ability to maintain regular capital improvements to existing infrastructure and provide funding for new facilities with the repayment of debt over a period of years thus reducing the stress on annual operating budgets. DPL's lack of General Obligation Bond funding over the years has severely hampered their ability to properly maintain their facilities to their highest and best use. The Detroit community deserves well maintained library facilities, and the city should utilize all resources available to assist DPL in this effort.

The last General Obligation Bonds sold for DPL was in August 2001 for \$3.5 million, over 20 years ago. This sale was from a 1997 voter authorization of \$7.5 million (the library received \$4 million of bond proceeds from a 1999 bond sale). The library also received over the years \$1.96 million in investment earnings on bond proceeds in fiscal years 2003 and 2005. As mentioned previously, the city's electorate authorized in February 2009 an amount up to \$97 million for capital projects for Museums, libraries, recreation, and other cultural institutions.¹¹⁴ Although the city is permitted to sell up to this amount for any of the purposes listed in the ballot proposal, internal Budget allocations set aside \$25 million for library improvements.¹¹⁵ No bond funds have been sold for the library under this authorization.¹¹⁶ Of the \$97 million bond authorization, there is a remaining unused amount of \$21 million as of June 30, 2022,¹¹⁷ of which some could be used for DPL's capital improvement needs in a future bond sale.

As a result, DPL's critical funding from operations/fund balance is needed for capital projects – building renovations, and infrastructure issues. DPL has no other option but to use fund balance to pay for needed improvements to provide the most safe and welcoming services to library patrons. DPL has no access to other capital funding, and it cannot incur capital debt without the City doing it on DPL's behalf. In the past, DPL has sought funding from other sources such as: the American Library Association (ALA) and the Public Library Association (PLA) for capital projects. However, these capital projects are costly and

¹¹³ DPL's FY 2022 Six-Year Capital Plan.

¹¹⁴ City of Detroit Annual Comprehensive Financial Report, Note 7 Long-Term Debt- June 30, 2021

¹¹⁵ City Council Letter dated July 14, 2008, contained within City Council Legislative Division Analysis dated July 18, 2008.

¹¹⁶ City of Detroit Annual Comprehensive Financial Report, Note 7 Long-Term Debt- June 30, 2022.

¹¹⁷ Ibid

beyond the scope of any ALA or PLA grant opportunities. It is important to note that DPL does not have dedicated staff to seek support for DPL programs and capital improvements from grants and foundations. To date, DPL have not received assistance from the Office of Development and Grants but would welcome their assistance in the future.

As indicated in Table 5 above, DPL admirably feels compelled to use funds from operations, primarily from fund balance, to make capital improvements that would bring the Main Library and several library branches to a “state of good repair” or that would make necessary “program replacements” to keep the Main Library or library branches functional, based on limited funds available. Unfortunately, this could be more of a “band-aid” approach than fully addressing the needs of the library infrastructure.

Therefore, DPL needs to conduct a Capital Needs Assessment (CNA) to determine the full cost of necessary capital improvements at the Main Library and library branches that address significant deferred maintenance, existing deficiencies, and material building code violations that affect the property’s use and its structural and mechanical integrity. The assessment should include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives... The CNA should include a projection of recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per unit per year basis.¹¹⁸

Furthermore, a CNA most likely will provide a long-term capital needs perspective, maybe up to 20 years. Therefore, a CNA would help DPL to predict down the road future capital needs and costs to show how much should be set aside on an ongoing basis to offset future costs. To be effective, a CNA would be a collaboration of existing DPL building professionals with elevator, mechanical, and exterior consultants.¹¹⁹

A CNA could also help DPL determine what it would take financially to bring the library system’s Main Library and library branch infrastructure to become a 21st century library system, based on suggestions provided in Attachment II.

As a result, a CNA conducted by DPL should further make the case why the City should use future GOB proceeds to help with DPL’s capital improvement needs to enable the library system to provide viable and sustainable library services to its library patrons, especially the citizens of the City of Detroit.

considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per unit per year basis.¹²⁰

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¹¹⁸ Report from the Ohio Housing Finance Agency “Capital Needs Assessment and Expected Useful Life Table” finalized October 9, 2012. <https://www.commerce.wa.gov/wp-content/uploads/2016/11/hfu-capital-needs-useful-life-2013.pdf>

¹¹⁹ “The Good, the Bad and the Ugly: Doing a Capital Needs Assessment”, by W.B. King, September 2013. <https://cooperatornews.com/article/the-good-the-bad-and-the-ugly>

¹²⁰ Report from the Ohio Housing Finance Agency “Capital Needs Assessment and Expected Useful Life Table” finalized October 9, 2012. <https://www.commerce.wa.gov/wp-content/uploads/2016/11/hfu-capital-needs-useful-life-2013.pdf>

collaboration of existing DPL building professionals with elevator, mechanical, and exterior consultants.¹²¹

A CNA could also help DPL determine what it would take financially to bring the library system’s Main Library and library branch infrastructure to become a 21st century library system, based on suggestions provided in Attachment II.

As a result, a CNA conducted by DPL should further make the case why the City should use future GOB proceeds to help with DPL’s capital improvement needs to enable the library system to provide viable and sustainable library services to its library patrons, especially the citizens of the City of Detroit.

Future Projections/Outlook for the Detroit Public Library

Table 6 below shows Scenario 1, which is a four-year future projection/outlook for DPL based on the City of Detroit’s FY 2023-2026 Four-Year Financial Plan. Scenario 1 assumes that for FY 2023-2026, DPL will operate 18 branches (Main Library and 17 library branches).

Table 6
Estimated Detroit Public Library Revenues-Scenario 1 (in millions)

| Fiscal Year | Estimated Property Tax Levy mills | Estimated Property Taxes- Net | Pct % | City of Detroit (1) | Pct % | Estimated State of MI ¹²² | Pct % | Estimated Other Revenues (2) | Pct % | Estimated Contribution from DPL's Fund Balance (3) | Pct % | Estimated Total Revenues (4) | Total FTEs (5) | # of Branches plus Main Library |
|---------------------|-----------------------------------|-------------------------------|-------|---------------------|-------|--------------------------------------|-------|------------------------------|-------|--|-------|------------------------------|----------------|---------------------------------|
| 2022 ¹²³ | 4.6307 | 26.2 | 82 % | 4.0 | 13 % | .7 | 2% | .9 | 3% | None | None | 31.8 | 325 | 7 (6) |
| 2023 | 4.6307 | 27.8 | 83 % | | | .7 | 2.1 % | 2.0 | 6% | 3.1 | 9.2 % | 33.6 | 325 | 18 |
| 2024 | 4.6307 | 28.1 | 83 % | | | .7 | 2% | 2.1 | 6.2 % | 3.0 | 8.8 % | 33.9 | 325 | 18 |
| 2025 | 4.6307 | 28.8 | 83 % | | | .7 | 2% | 2.1 | 6.1 % | 3.0 | 8.7 % | 34.6 | 325 | 18 |
| 2026 ¹²⁴ | 4.6307 | 29.4 | 82 % | | | .7 | 2% | 2.2 | 6.1 % | 3.5 | 9.8 % | 35.8 | 325 | 18 |

Source: City of Detroit FY 2023-2026 Four-Year Financial Plan.

Notes for Table 6:

(1) City Council approved \$2 million in FY 2022 for DPL’s Main Library HVAC-chillers capital project budgeted in GSD- Fund 4533; it was later increased by a \$2 million budget amendment for total project cost. According to the OCFO, GSD (General Services Department) of the City of Detroit is in the process of transferring the \$4 million to DPL for this capital improvement project.

(2) Estimated Other Revenues include renaissance zone tax credits, penal fines, sales and charges for services, investment earnings, and misc. revenues. Property taxes interest and penalties and other taxes were combined into the property tax category in FY 2018.

¹²¹ “The Good, the Bad and the Ugly: Doing a Capital Needs Assessment”, by W.B. King, September 2013. <https://cooperatornews.com/article/the-good-the-bad-and-the-ugly>

¹²² The State Aid to Public Libraries Act 89 of 1977 was enacted to supplement local and federal fund sources for libraries in Michigan. It specified an allotment of \$.50 per capita. Each fiscal year, the state appropriation process establishes the amount for State Aid. The Library of Michigan, housed in the Department of Education (MDE), administers State Aid to Public Libraries (State Aid). The Statutory formula for State Aid grants is based mainly on the state’s population and paid based on per capita rates, changes in the state’s population alter the appropriation necessary to fully fund grant awards.

¹²³ Public Act 84 of 2021 contained a one-time appropriation of \$500,000 in the MI supplemental budget for an enhancement grant awarded to the Detroit Public Library to cover various maintenance and repair projects. On November 8, 2021, USAC (Universal Service Administrative Fund Company) notified DPL that its Emergency Connectivity Funding application had been approved in the amount of \$319,550.

¹²⁴ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

(3) As mentioned previously, for FY 2023, DPL plans to reopen eleven branch libraries to offer the community library programs and services at a total of 17 branch locations throughout the City of Detroit, and at the Main Library, with assistance of the one mobile library. DPL plans to keep Conely, Monteith and Skillman branch libraries closed. As a result, the four-year 2023-2026 financial projection/outlook assumes that the Main Library and 17 library branches will be operational. Based on this level of operations, there will be a shortfall of approximately \$3 million each year since total expenditures will exceed total revenues by that amount. DPL estimates using \$3 to \$3.5 million annually from DPL's unassigned general fund balance (surplus) funds to meet projected shortfalls in operating and capital needs and provide a balanced budget.

(4) For FY 2023-2026, Estimated Total Revenues equal Estimated Total Expenditures per the FY 2023-2026 Four-Year Financial Plan. For FY 2022, Estimated Total Expenses of \$27.8 M plus \$4 M for Main Library's HVAC-chillers project equals \$31.8 M for FY 2022 Estimated Total Revenues.

(5) Total FTEs represent budgeted number of FTEs.

(6) As noted previously, on September 28, 2020, DPL reopened the Main Library and six branches based on geographic locations and the ability to accommodate social distancing in the face of the COVID-19 pandemic.

LPD's comments/observations regarding Scenario 1, which are primarily from LPD's One-page Financial Fact Sheet for DPL (Attachment I):

1. DPL's plans to reopen 11 library branches starting in FY 2023 is admirable but will be costly to the DPL because the following will be needed:
 - a. Facility repairs including roof replacements and replacing HVAC systems at some of the reopened 11 Library branches and replacing an elevator at Main Library.
 - b. The return of 27 furloughed employees to previous positions and the filling of 95 positions to operate the reopened branches.
 - c. Increased spending on other DPL operational services such as more cleaning and security services, office supplies and equipment purchases to operate the reopened branches.
 - d. As mentioned earlier, the need to spend \$3.1 million from DPL's unassigned general fund balance to provide a balanced budget in FY 2023 because of the reopened branches. As of June 30, 2021, DPL's unassigned general fund balance (surplus) is at approximately \$26 million.
 - e. However, as mentioned previously, DPL has reopened nine library branches as of this report date. So, DPL may not need to reduce fund balance by the full \$3.1 million amount as projected.
 - f. In addition, with the reopening of the 11 Library branches, DPL's administration anticipates funding shortfalls of \$3.0 million in FY 2024, \$3.0 million in FY 2025, and \$3.5 million in FY 2026. If future funding shortfalls at this rate are covered by DPL's unassigned general fund balance to maintain balanced budgets, the unassigned general fund balance (i.e., rainy-day fund) of \$26 million will be depleted in almost nine years.
 - g. It is quite clear that the DPL needs an additional dedicated funding source to sustain operations in the future, or face cutting services to do so.
 - h. Although, the City of Detroit has given the DPL general fund surplus dollars for capital improvements in the past (for example, the City plans to provide the DPL \$4 million in FY 2022 to repair the Main Library's HVAC/Chiller system), the DPL cannot rely on receiving City general fund dollars in the future given the City's own financial challenges.

Table 7 below shows Scenario 2, which is a four-year future projection/outlook for DPL based on the City of Detroit's FY 2023-2026 Four-Year Financial Plan with updated financial information from the OCFO and DPL. Scenario 2 assumes that for FY 2023-2026, DPL will operate 18 branches (Main Library and 17 library branches). In addition, Scenario 2 assumes some increases in DPL's net property taxes. Also, Scenario 2 assumes a huge reduction in DPL pension expenses based on the latest actuarial report for the City of Detroit's General Retirement System.

Table 7

Estimated Detroit Public Library Revenues-Scenario 2 (in millions)

| Fiscal Year | Property Tax Levy mills | Estimated Property Taxes-Net (1) | Pct % | Estimated State of M | Pct % | Estimated Other Revenues (2) | Pct % | Estimated Contribution from DPL's Fund Balance | Pct % | Estimated Total Revenues | Estimated Total Expenses (3) | Est. Surplus | Total FTEs | # of Branches plus Main Library |
|---------------------|-------------------------|----------------------------------|-------|----------------------|-------|------------------------------|-------|--|-------|--------------------------|------------------------------|--------------|------------|---------------------------------|
| 2022 | 4.6307 | 29.0 | 95 % | 1.0 | 3.3 % | .5 | 1.6 % | None | None | 30.5 | 27.5 | 3.0 (4) | 325 | 7 |
| 2023 | 4.6307 | 28.6 | 85 % | .7 | 2.1 % | 2.0 | 6% | 2.3 | 6.8 % | 33.6 | 33.6 | | 325 | 18 |
| 2024 | 4.6307 | 28.9 | 83 % | .7 | 2% | 2.4 | 6.9 % | None | None | 32.0 | 31.5 | 0.5 | 325 | 18 |
| 2025 | 4.6307 | 30.0 | 84 % | .7 | 2% | 2.4 | 6.7 % | None | None | 33.1 | 32.2 | 0.9 | 325 | 18 |
| 2026 ¹²⁵ | 4.6307 | 30.9 | 82 % | .7 | 2% | 2.4 | 6.1 % | None | None | 34.0 | 33.4 | 0.6 | 325 | 18 |

Source: DPL's annual financial statements as of June 30, 2022 for the FY 2022 numbers; City of Detroit FY 2023-2026 Four-Year Financial Plan; and DPL's Library Commission's October 18, 2022 minutes where DPL's proposed FY 2024 budget was approved by the Library Commissioners. (Note: Mayor Duggan's proposed FY 2024 budget for the City of Detroit presented to City Council on March 7, 2023, for consideration could reflect different numbers for DPL's proposed FY 2024 budget. But usually, the Mayor's numbers align with the numbers for DPL's proposed budget approved by the Library Commissioners.)

Notes for Table 7:

- (1) Estimated Property Taxes-Net for FY 2022 is based on DPL's annual financial statements as of June 30, 2022. Estimated Property Taxes-Net for FY 2023-2026 are based on revised revenue assumptions from the September 2022 Revenue Estimating Conference for Estimated Property Taxes-Net.
- (2) Estimated Other Revenues go up \$400,000 starting in FY 2024 based on DPL estimates per Library Commission's October 18, 2022 minutes.
- (3) Estimated Total Expenses for FY 2024-2026 are based on the figures in the FY 2023-2026 Four-Year Financial Plan less \$2.4 million since starting in FY 2024, DPL's ten-year General Retirement System legacy pension contribution expense schedule of \$2.5 million per year per the Plan of Adjustment from bankruptcy concludes this year in FY 2023. Beginning in FY 2024, DPL will only be responsible for an annual legacy pension contribution expense of \$100,000. Attachment XIII shows the Estimated Total Expenses calculations for Scenario 2. Attachment XIV shows the applicable pages from the June 30, 2021 GRS actuarial report showing DPL's pension contribution expense going from \$2.5 million down to \$100,000 starting in FY 2024.
- (4) According to DPL's June 30, 2022 annual financial statements, DPL ended up with a \$3 million surplus from operations. Also as of June 30, 2022, DPL ended up with a \$2.9 million Other Financial Resource revenue from an insurance recovery related to the significant storm event that hit Detroit on June 25, 2021.

LPD's comments/observations regarding Scenario 2:

1. With Estimated Property Tax-Net revenue and Estimated Other Revenues increasing based on notes (1) and (2) for Table 7 above, coupled with the huge reduction in DPL pension contribution expense based on note (3) for Table 7 above, it appears that DPL will only need to use \$2.3 million from unassigned general fund balance for just FY 2023. For FY 2024-2026, DPL could end up with surpluses, with almost a \$1 million surplus in FY 2026.
2. If DPL's unassigned general fund balance of \$31.6 million as of June 30, 2022 is only reduced by \$2.3 million in FY 2023, leaving a balance of \$29.3 million, this fund balance could be used solely for necessary capital improvements at the Main Library and library branches as depicted in Table 5 above. If the \$9.1 million in capital improvements based on Table 5 above is paid for using fund balance, then the remaining amount in fund balance further reduces to \$20.2 million. If the City of Detroit were to issue General Obligation Bonds in the future on behalf of DPL for necessary capital improvements, the

¹²⁵ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

fund balance would not be reduced as much and could last even longer for DPL and help ensure a stronger financial footing for DPL operations.

3. Based on this analysis, it appears that DPL should strongly consider continuing just operating 18 branches (Main Library and 17 library branches) to minimize the usage of DPL’s fund balance and strengthen its financial condition to become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL’s library services.
4. However, at the point where DPL’s Net Property Taxes revenue stops growing, or when operating expenses, such as salaries and benefit, utilities, etc., continue to grow annually due to inflation, DPL would have to reduce expenditures by reducing the number of branches it operates to maintain a balanced budget.
5. If DPL can maintain a balanced budget from its own resources, the City may be more inclined to provide a general fund subsidy to DPL for needed capital improvements, such as those depicted in Table 5 above, given that DPL’s revenue streams are unlikely to grow enormously in the future based on past trends.

Table 8 below shows Scenario 3, which is a four-year future projection/outlook for DPL based on the City of Detroit’s FY 2023-2026 Four-Year Financial Plan with updated financial information from the OCFO and DPL. Scenario 3 assumes that for FY 2023, DPL will operate 18 branches, and for FY 2024-2026, DPL will operate 20 branches (Main Library and 19 library branches) based on DPL’s proposed FY 2024 budget that was approved by the Library Commissioners on October 22, 2022. In addition, Scenario 3 assumes some increases in DPL’s net property taxes. Also, Scenario 3 assumes a huge reduction in DPL pension expenses based on the latest actuarial report for the City of Detroit’s General Retirement System.

Table 8

Estimated Detroit Public Library Revenues-Scenario 3 (in millions)

| Fiscal Year | Property Tax Levy mills | Estimated Property Taxes-Net | Pct % | Estimated State of MI | Pct % | Estimated Other Revenues | Pct % | Estimated Contribution from DPL’s Fund Balance | Pct % | Estimated Total Revenues (1) | Total FTEs | # of Branches plus Main Library |
|---------------------|-------------------------|------------------------------|-------|-----------------------|-------|--------------------------|-------|--|-------|------------------------------|------------|---------------------------------|
| 2022 | 4.6307 | 29.0 | 95 % | 1.0 | 3.3 % | .5 | 1.6 % | None | None | 30.5 | 325 | 7 |
| 2023 | 4.6307 | 28.6 | 85 % | .7 | 2.1 % | 2.0 | 6% | 2.3 | 6.8 % | 33.6 | 325 | 18 |
| 2024 | 4.6307 | 28.9 | 83 % | .7 | 2% | 2.4 | 6.9 % | 2.9 | 8.3 % | 34.9 | 325 | 20 |
| 2025 | 4.6307 | 30.0 | 84 % | .7 | 2% | 2.4 | 6.7 % | 2.5 | 7.0 % | 35.6 | 325 | 20 |
| 2026 ¹²⁶ | 4.6307 | 30.9 | 82 % | .7 | 2% | 2.4 | 6.1 % | 3.0 | 9.8 % | 37.0 | 325 | 20 |

Source: DPL’s annual financial statements as of June 30, 2022 for the FY 2022 numbers; City of Detroit FY 2023-2026 Four-Year Financial Plan; and DPL’s Library Commission’s October 18, 2022 minutes where DPL’s proposed FY 2024 budget was approved by the Library Commissioners. (Note: Mayor Duggan’s proposed FY 2024 budget for the City of Detroit presented to City Council on March 7, 2023, for consideration could reflect different numbers for DPL’s proposed FY 2024 budget. But usually, the Mayor’s numbers align with the numbers for DPL’s proposed budget approved by the Library Commissioners.)

¹²⁶ FY 2026 Property Taxes assumes approval of a renewal millage by the voters; forecast assumes no Headlee reductions.

Notes for Table 8:

(1) Estimated Total Revenues equal Estimated Total Expenses as calculated in Attachment XIII for Scenario 3. These Estimated Total Expenses are based on the figures in Scenario 2 plus the additional cost amount for DPL to operate 20 branches starting in FY 2024.

LPD's comments/observations regarding Scenario 3:

1. Based on Attachment XIII, it will cost DPL additionally about \$3.5 million a year starting in FY 2024 to operate 20 branches to pay for higher operational expenses, such as salaries and benefits, contractual services, maintenance, utilities, etc., and possibly for more capital improvements.
2. Even with higher Estimated Property Taxes-Net revenue, and with a huge reduction in pension contribution expense, DPL would still need to use unassigned general fund balance ranging from \$2.5 million to \$3 million a year from FY 2024-2026 to maintain balanced operations. This equates to deficit spending.
3. \$2.7 million is the average usage of DPL's fund balance over the FY 2023-2026 four-year period. If DPL had to contribute \$2.7 million annually from its fund balance totaling \$31.6 million as of June 30, 2022 to maintain balanced operations, it would fully deplete its fund balance in about 12 years. The fund balance could be depleted even sooner if it had to be used to cover necessary capital improvements such as those depicted in Table 5 above on top of being used to balance operations.
4. Scenario 3 would put DPL's future financial condition in jeopardy, and at some point over the next decade would require DPL to reduce cost by operating a lower number of branches and reduce operating expenses, such as salaries and benefits, contractual services, utilities, etc.
5. If it is deemed important for DPL to operate 20 branches to provide more accessible citywide library services, it would need a new dedicated revenue stream of approximately \$3.5 million a year, with a cost multiplier of about 2 to 4 percent annually to keep up with inflation.
6. If the City agrees to provide a \$3.5 million annual subsidy, plus a multiplier, to DPL, then DPL's unassigned general fund balance of \$31.6 million as of June 30, 2022 is only reduced by \$2.3 million in FY 2023, leaving a balance of \$29.3 million, and this fund balance could be used solely for necessary capital improvements at the Main Library and library branches as depicted in Table 5 above. If the City of Detroit were to issue General Obligation Bonds in the future on behalf of DPL for necessary capital improvements, the fund balance could last even longer for DPL and help ensure a stronger financial footing for DPL operations.

Detroit Public Library Relationship and Governance

The relationship between the City of Detroit, the Detroit Library Commission, and the Detroit Board of Education is completely established by the State of Michigan. As an independent municipal corporation, the library handles its own hiring, purchasing, and internal planning. Conversely, State law places the responsibility of budgeting and accounting in the hands of the City of Detroit. Ownership, maintenance, and governance of the Detroit Public Library's collections, operations, and properties are entirely handled by the Library Commission. The Detroit Board of Education only appoints the commissioners, while the City has the authority to approve/disapprove of expenditures only during the budget process but cannot control day to day spending.

In addition, according to Section 9-504 of the 2012 Detroit City Charter, the City “may” contribute City dollars to the Library Commission for the operation of DPL’s libraries within the City. In the past, the City has contributed general fund dollars and issued bonds to help construct DPL branch libraries or pay for capital improvements. Only the City of Detroit has taxing authority to create library millages for DPL, if approved by a vote of Detroit’s citizens. The Library Commission does not possess taxing authority.

The Detroit Board of Education has no obligation to provide financial resources to DPL. Historically, the Detroit Board of Education has not contributed any dollars to DPL for operational or construction of library purposes.

Any attempt to exercise control over DPL’s operations, spending practices, or governance generally would require State legislative action. The State will have to decide whether the financial operations of the library are of greater concern than the historical recognition that libraries are an integral part of the education system, which is under the purview of the State.^{127 128 129} More detailed information on DPL’s relationships is provided in LPD’s report entitled “Detroit Public Library Relationship”, dated April 26, 2021, which is provided in Attachment III.

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¹²⁷ LPD’s report entitled “Detroit Public Library Relationship”, dated April 26, 2021, pages 4-5. Attachment III represents a copy of this report.

¹²⁸ “The history of the financial support of the Detroit Public Library is a complex web of “afterthought” legal opinion[s]. Laws were passed regularly, usually not mentioning the Library, and legal opinions were often needed to decide how the new laws affected the Library. It seems that each fiscal avenue was tried, until some catastrophe happened, then a new route was formulated.” Robert Croneberger (Former Library Deputy Director).

¹²⁹ Given that DPL has made requests for funding and resources to address their operations and capital needs, Council Member Scott Benson has advocated for a restructuring of the governance structure of DPL, such as providing City appointment authority on the Library Commission, with the goal of providing the City a greater role in the administration of DPL and give the City greater comfort in providing significant public capital investment in the library system’s property. As stated previously in this report, any change in the governance structure of DPL would require State legislative action.

Types of Public Library Governance

| Types of Library Governance | | | | |
|--|--|--|--|--|
| Type | Description | Governance | Example | Annual Budget |
| Associations | Independent privately controlled organizations (501c3) | Authorized by state law. Not a government entity. Trustees of the library acted as the association | New York state and Vermont has several Association libraries. | - |
| Public- Municipal | Authorized and funded by the municipality. | Governing Body appointed by the municipality. | Royal Oak Public Library | Estimated \$3.1M for FY2023 |
| | | | Denver Public Library | \$52.7 million |
| School District/Joint School District, Special or Consolidated District Public libraries | Authorized and funded by the school district | Authorized under state law. Governing body determined by the school district | Van Dyke Public Schools Library. Any Intermediate School District in Michigan. | unknown |
| Non-profit ¹³⁰ | Independent agency, funded through contributions | 501c3 organizations. ¹³¹ Authorized by state law. Can be a government entity ¹³² | The People's Law Library ¹³³ | unknown |
| Private | Owned and operated by private individuals or entities | Academic University libraries (not state U) are included in this category, | The Harvard Library ¹³⁴ | Annual budget is estimated at \$250 million |
| For Profit Corporation | Operates municipal and local libraries under contract | Decision-making independent of municipality/county government | Library Systems & Services ¹³⁵ | Operates 75 libraries in multiple states- annual revenues of \$37.5M |

There are over 15,000 libraries in the US and local governments spend over \$12 billion annually on their libraries.¹³⁶ It is difficult to ascertain the type of library system unless you look at how the library was created. All except for private and for-profit libraries are public entities and operate with a purpose of providing services to their respective constituents. The Detroit Public Library does not neatly fall into one of these categories. As mentioned in the previous section, DPL is an independent organization authorized by the state, governed by a library commission that is appointed by the Detroit School Board. City charter requires its budget to be approved by City Council. This type of governance presents its own unique challenges.

¹³⁰ There are 1,340 libraries whose legal structure is a "nonprofit". In several states, nonprofit libraries are so embedded in the ecosystem that our sector has forgotten to distinguish them from libraries that are units of government (i.e., districts or municipal departments). https://www.everylibrary.org/coming_revenue_crisis

¹³¹ 26 CFR 1.501(c)(3)-1: Organizations organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals. Rev. Rul. 55-319, 1955-1 C.B. 119, holds that a wholly owned State instrumentality may, under certain circumstances, qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

¹³² Government entities, however, cannot possess a disqualifying regulatory power. (Ability to levy taxes, pass ordinances, police, etc.) not an integral part of state or municipal government.

¹³³ The People's Law Library (PLL) is a legal information and self-help website maintained by the Thurgood Marshall State Law Library, a court-related agency of the Maryland Judiciary, and supported by Maryland's non-profit legal services providers, Maryland pro bono attorneys, and the legal academic community

¹³⁴ <https://library.harvard.edu/visit-about/about-harvard-library>. Established in 1638, it is oldest library system in the United States and the world's largest academic library. Borrowing privileges cost between \$450 and \$850 for access ranging from six months to a year. Overseers' Committee To Visit The Harvard Library and the Library Board is the governing body of the library.

¹³⁵ <https://fair.org/home/a-for-profit-company-is-trying-to-privatize-as-many-public-libraries-as-they-can/> Eventually, the whole community pays the price if we let our libraries be taken over by for-profit corporations.

¹³⁶ <https://www.marketplace.org/2021/07/20/public-libraries-investment-well-worth-it/>

The closest library structure to DPL's structure appears to be the Cleveland Public Library structure. In comparison to DPL, the Cleveland Public Library is also an independent entity with a seven-member Board of Library Trustees who are appointed by the Cleveland Municipal School District (CMSD) Board of Education. Where the two entities significantly differ is in governance: the Cleveland Library Board of Trustees is responsible for all financial and budgetary policies. Budgetary procedures are established by the Library's Fiscal Officer and the implementation of policies/procedures is the responsibility of the Library's Executive Director and Fiscal Officer. The Board of Library Trustees annually approve appropriations and any subsequent amendments. The Library is fiscally independent of the Cleveland Municipal School District Board of Education, although the Board serves in a ministerial capacity as the taxing authority for the Library and issues all tax-related debt on behalf of the Library. Under GASB (Government Accounting Standards Board) accounting rules, the Library is considered a related organization of the Board of Education. Although the Library's budget is submitted both to the CMSD Board and the Cuyahoga County Budget Commission, this is merely a perfunctory action required under state law. The CMSD Board cannot alter the budget nor provide input to the budget. Likewise, the county receives all the library budgets in the district for the distribution of state aid; they also can not alter the Library's budget.¹³⁷

Another library system that closely resembles DPL is the Denver Public Library; it is an independent agency of the city with an estimated annual budget of \$52 million.¹³⁸ It consists of a Central library and 25 branch libraries. Its major difference from DPL is in its governance structure. Denver Public Library is similarly governed by an eight-member Library Commission; however, whereas Denver's Library Commission is appointed by the Mayor, Detroit's Library Commission is appointed by an entity outside of city government, Detroit School Board. DPL's unique governance structure has the disadvantage of introducing additional stress on operations of the library, especially in times of crisis, as two controlling entities (Detroit School Board/Detroit Library Commission and the City of Detroit) focus may not be in alignment.

The state of New York decided to realign the governance structure of its libraries state-wide to ensure legal and financial viability.¹³⁹ What New York determined was that one specific governance structure provided for a more stable funding and thus operations of its libraries. It developed a toolkit to provide technical aspects of stabilizing library funding and governance structures. New York state mandated that every public library is required to develop a community based long range plan which must include strategies for viability both financial and governance. This proved to be a catalyst to motivate many associations and municipal libraries to become truly independent and to seek direct public tax support and direct public representation. Many libraries in New York state were created as private, not-for-profit corporations but later rechartered to become municipal libraries to seek public support (tax levy). What New York found was Public Library Districts governance was the best approach to assure continue viability of public libraries.¹⁴⁰ Both Associations and Municipal governance structures had drawbacks: Associations lacked public representation and Municipal governance was prone to cutting library funding in times of financial distress.¹⁴¹ Also considered were those unserved areas that utilized library services but remained untaxed;

¹³⁷ "Control and management of the Library is governed by Sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer." Cleveland Public Library, Annual Comprehensive Financial Report, For the Year Ended December 31, 2021.

¹³⁸ https://www.denvergov.org/files/assets/public/auditor/documents/audit-services/audit-reports/2020/denver-public-library-financial-processes_june2020.pdf

¹³⁹ <https://www.nysl.nysed.gov/libdev/libs/pldtools/toolkit/index.html/> New York Toolkit- Strategies to assure your library's legal and financial stability.

¹⁴⁰ Ibid. Statistical data show libraries that have a public vote on their trustees and their budgets are better funded than those that do not.

¹⁴¹ Also, reference: https://www.everylibrary.org/coming_revenue_crisis

it recommended that these areas merge and consolidate into districts. Utilizing the toolkit, New York found the following; 1) Funding levels should be determined by local needs; 2) Increase Autonomy- library boards elected by the public have more control over library operations than those appointed by cities, townships, or village boards; 3) Accountability – libraries that have their trustees approved by public vote are more accountable to the public- communities have ownership of library budgets; 4) Simplified funding- ensures basic operations of libraries are secured; 5) Elimination of unserved populations and the equalizing of investment in the library; 6) Bonding authority- the board of public library districts have the ability to place bonding proposals on the ballot for capital projects; 7) State Support- New York’s Board of Regents adopted a formal policy that encourages libraries to become public library districts; and 8) Experience – since 1999 nearly sixty 60 new public library districts have been created within New York State.¹⁴²

Another entity focused on addressing challenges to public libraries funding and governance was the International City/County Management Association (ICMA). It initiated a Public Library Innovations grant program that served as a catalyst for connecting libraries with other local government and community partners.¹⁴³ It found that there were barriers to innovation in the current library structure that prevented libraries from fully supporting community needs: 1) Structural- library management not connected to the strategic priorities of local government; 2) Attitude- are library services necessities or amenities- local government officials often believe libraries are discretionary, not a core service; and 3) More pressure to fund libraries locally. The grant awarded nine jurisdictions- nationwide, funding so they could engage their public libraries in innovative projects that addressed important community issues of literacy, public safety, environmental sustainability, cultural diversity, and economic development. The lessons learned from the ICMA grant program provide insight on how any community can leverage the assets of its public library to address strategic priorities; expand their services; promote cooperation among constituents with just a modest financial incentive.¹⁴⁴ The results from these projects demonstrate that when libraries are actively involved in important and strategic issues, local governments have more assets and capabilities to address community concerns.¹⁴⁵

Changing public perception is another obstacle for public libraries. Some common myths are that technology made public libraries obsolete; library millages only need to be voted on once and last, it is the state’s responsibility to fund public libraries.¹⁴⁶ Stronger marketing efforts and community outreach should help to educate the public on the benefits and services of the library and its importance to the community.

Public libraries are economic engines for their communities.¹⁴⁷ The role of public libraries has shifted from a passive activity of reading and education to active community engagement. The current expanded level of services that public libraries provide to meet the needs of the community places it in an optimum position to spur economic development. Public libraries can build a community’s capacity for economic activity and self-sufficiency.¹⁴⁸ Public libraries can assist communities in moving from a manufacturing base to high tech service industries. A community’s resilience in the face of economic downturns is dependent on its ability to diversify. The public library is a key partner in providing internet access, computerized training and maintaining community connections. Investment in libraries benefits individuals and makes cities stronger by 1) Impacting literacy rates- literacy rates and mean education level are both indicators of economic development; 2) Improving quality of life- attracting new resident and visitors contribute to the

¹⁴² <https://www.nysl.nysed.gov/libdev/libs/pldtools/toolkit/index.html/> New York Toolkit- Strategies to assume your library’s legal and financial stability.

¹⁴³ https://icma.org/sites/default/files/302161_MaximizeYourPublicLibrary.pdf

¹⁴⁴ Ibid

¹⁴⁵ Ibid

¹⁴⁶ <https://www.webjunction.org/documents/webjunction/advocacy-in-action/common-public-library-funding-myths.html>

¹⁴⁷ <https://blog.pressreader.com/libraries-institutions/role-libraries-play-in-economic-development>

¹⁴⁸ <https://www.urban.org/sites/default/files/publication/46006/1001075-Making-Cities-Stronger.PDF>

safety and stability of a neighborhood. Studies show when a library is located in a commercial district, there's a so-called halo effect of spending at nearby establishments; 3) Create jobs- Libraries are sources of employment as well as providing assistance with job searches; 4) Service for the Disabled- empowers them to succeed in other areas of their life as it helps levels the playing field.¹⁴⁹ Andrew Carnegie thought libraries were the best tool for social change, that still holds true today.¹⁵⁰

Recommendations Regarding the Detroit Public Library

This report provides recommendations that seek more collaboration between the City of Detroit and DPL to make DPL stronger financially and become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL's library and social services.

1. City of Detroit should strongly consider affirming its commitment to DPL's participation in the city's General Obligation Bond Program to minimize DPL's usage of its unassigned general fund balance for needed capital improvements at the Main Library and library branches.
2. The City should strongly consider selling General Obligation Bonds on behalf of DPL that have been authorized by the electorate but unissued to date, up to an amount previously agreed to by City officials. If the amount of eligible authorization has been utilized for other city purposes, then the City will commit to placing before the electorate a separate ballot proposal for the Library's capital improvement program in amount mutually agreed upon by DPL and City officials.
3. All future voter authorization for General Obligation Bonds for DPL should be placed on the ballot as a separate proposal, dedicated for DPL use only.
4. The City should recognize that DPL is an integral component of economic development in the city of Detroit and should be included in the decision- making, planning process.
5. The City should encourage a stronger relationship between DPL, city departments, and external agencies for the overall benefit of the community.
6. The City should reinstate DPL's five-year capital improvement plan in the proposed 2024-2028 Capital Agenda since DPL is a discretely presented component unit of the City of Detroit's Annual Comprehensive Financial Report since City Council is responsible for approving the DPL's annual budget. This would help to ensure DPL is included as a priority in the City's capital improvement decisions over the next five years.
7. DPL should strongly consider providing a comprehensive Capital Needs Assessment (CAN) for all DPL property (Main Library, branches, resource center, etc.) that addresses capital improvements and deferred maintenance needs to ascertain the full and true costs of these needs to better plan for DPL's future capital improvement projects. A CNA could also help the City and DPL determine what it would take financially to bring the library system's Main Library and library branch infrastructure to become a 21st century library system, based on suggestions provided in Attachment II. A CNA should further make the case why the City should use future General Obligation Bond proceeds to help with DPL's capital improvement needs to enable the library system to provide viable and sustainable library services to its library patrons, especially the citizens of the City of Detroit.
8. DPL's Library Commission should strongly reconsider its approval of DPL's proposed FY 2024 budget so that it operates only up to 18 branches (Main Library and 17 library branches) to maintain balanced operations and to minimize the usage of DPL's fund balance and strengthen its financial condition to become a more viable library system for its library patrons, especially for the citizens of Detroit who rely on DPL's library services.
9. If it is deemed important for DPL to operate 20 branches to provide more accessible citywide library services, it would need a new dedicated revenue stream of approximately \$3.5 million a year, with a

¹⁴⁹ <https://www.urban.org/sites/default/files/publication/46006/1001075-Making-Cities-Stronger.PDF>

¹⁵⁰ <https://www.marketplace.org/2021/07/20/public-libraries-investment-well-worth-it/>

cost multiplier of about 2 to 4 percent annually to keep up with inflation. The City should consider making it a priority to subsidize DPL to help enable the library system to provide valuable services to improve the quality of life of the citizens of Detroit. The City should also consider subsidizing DPL so it can minimize its usage of fund balance.

10. DPL in conjunction with the Mayor's Office, Law Department, Lansing lobbyist and State Treasurer's office should develop any required revisions to state statute with regards to tax levies, tax captures and the library's ability to opt out.
11. City Council should consider passing a resolution supporting the renewal of the library millage in 2026 so that DPL can continue to operate the library system to the best of its ability to provide viable and important library services for its library patrons, including the citizens of the City of Detroit. The resolution should also include if Detroit's registered voters approve a library millage renewal by 2026, any tax sharing agreement entered by DPL and DDA would have to ensure that the repayment of outstanding DDA bonds is not hindered.
12. If seeking a higher millage is deemed feasible by DPL's Library Commission, it should seek legal counsel on the ability to raise its library millage beyond the current 4 mills within the 15-mill limit established by Public Act 62 of 1933, as amended by Public Act 102 of 1975 (see footnote 72 above for more details).
13. If City Council approves a transformational Brownfield for the estimated \$1.5 billion District Detroit project, this economic development could significantly increase the property values in the downtown area. City Council should then consider passing a resolution urging the DDA to enter into a property tax revenue sharing agreement with DPL to improve the financial condition of DPL. Before entering into this agreement, the DDA will conduct an analysis to ensure that the level of property taxes captured even with this agreement in place will continue to properly support the repayment of any outstanding DDA bonds.
14. The OCFO- Office of Grants should collaborate with DPL on grant and philanthropic opportunities available to the library.
15. DPL should work with HRD and City Council staff to explore the use of Community Block Grant funds for eligible community centered projects.¹⁵¹
16. The City should connect DPL with the Communication and Media Services Department to develop a multi-platform media campaign- cable, print, digital and social media to educate the public about DPL services.
17. The Duggan Administration and City Council need to collectively determine if a restructuring of the governance structure of DPL, such as providing City appointment authority on the Library Commission, would give the Mayor and City Council greater comfort in providing a City subsidy to DPL and in providing significant public capital investment in the library system's property. As stated previously, any change in the governance structure of DPL would require State legislative action.

Conclusion

For 160 years, DPL has provided very important library and educational services to the citizens of Detroit. But like libraries throughout the U.S., DPL has faced financial challenges.

Remarkably, DPL has provided a myriad of necessary library services and social programs, especially for the most vulnerable in the City of Detroit with limited funds. Over the last ten years, DPL has used limited resources to provide the best library services possible for its library patrons, but at minimal levels. This was exacerbated by the COVID-19 pandemic.

¹⁵¹ DPL has not worked with the City's Housing and Revitalization Department to receive CDBG dollars for DPL programs; nor has DPL sought CBDG dollars directly from HUD.

Additionally, DPL has felt compelled to deficit spend and use fund balance (“rainy day fund”) to make necessary capital improvements and address deferred maintenance to keep library branches open and accessible to the public. But this mode of operation is unsustainable for DPL to survive operationally in the long run. If total revenues do not grow substantially in the future, DPL will have to seriously examine providing library services with fewer branches.

Meanwhile, it is imperative for DPL’s library millage of approximately 4 mills be renewed in 2026 so that DPL can continue to operate as a much-needed library system in Detroit. The City of Detroit should be supportive in this effort.

The City of Detroit can become a stronger partner with DPL to provide viable library and social services. Ideally, DPL needs another steady revenue source and future general obligation bond dollars to truly run a functional and viable library system for its library patrons, especially for the citizens of Detroit who rely heavily on the library for educational and social services.

Lastly, the City and the philanthropic community should make DPL a high priority that it deserves to become a strong library system for decades to come.

Attachments

cc: Auditor General’s Office

Jay Rising, CFO

John Naglick, Chief Deputy CFO/Finance Director

Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director

Steven Watson, Deputy CFO Budget Director

Jo Anne G. Mondowney, DPL Executive Director

Antonio Brown, DPL CFO

Gail Fulton, Mayor’s Office

Attachment I

LPD's One-Page Library Financial Fact Sheet

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TO: Honorable City Council

FROM: David Whitaker, Director *DW*
Legislative Policy Division Staff

DATE: May 17, 2022

RE: A One-page Financial Fact Sheet for the Detroit Public Library

As requested by Council Member Scott Benson, attached is a one-page financial fact sheet for the Detroit Public Library prepared by the Legislative Policy Division that can be shared with the public at City Council's Evening Community meeting in District 3 on Tuesday, May 17, 2022.

Please let us know if we can provide anymore assistance.

Attachment

Financial Fact Sheet on the Detroit Public Library

Prepared by the Detroit City Council Legislative Policy Division

How the Detroit Public Library is funded

- For FY 2023 (starting July 1, 2022, and ending June 30, 2023), approximately 83% of the Detroit Public Library (DPL)'s \$33.6 million budget will be funded by \$27.8 million in property tax revenue.
 - DPL's property taxes are based on 4.63 mills (\$4.63 on each \$1,000 of taxable value).
 - Of that 4.63 mills, 3.9943 mills were approved by City of Detroit voters in 2014 until 2025.
 - **The 3.9943 mills will be up for renewal in 2025!**
 - Of that 4.63 mills, 0.64 mills are collected by the Detroit school district and paid to the DPL in perpetuity per State law.
- For FY 2023, the remaining 17% of DPL's \$33.6 million budget, or approximately \$5.8 million, will be funded by **\$3.1 million from DPL's fund balance to provide a balanced budget in FY 2023**, State-Aid provided by the State of Michigan, and Library fees such as printing and guess passes.

How DPL's funding sources will be spent

- For FY 2023, \$33.6 million in DPL's funding sources will be spent on the following:
 - \$21.5 million for employee salaries and benefits.
 - \$12.1 million on DPL's operations, including contractual services, operating supplies, operating services (includes property insurance costs for the Library system), equipment acquisition, fixed charges (debt service payments on pension debt related to the City's bankruptcy; note: DPL's employees belong to the City's General Retirement System), and Other Expenses.

DPL's financial challenges

- In the beginning of COVID-19, all 21 DPL branches closed for public service on March 14, 2020. Six of the DPL's branches and the Mobile Library reopened in September 2020 for limited service.
- DPL's mission is to enlighten and empower people by providing diverse and dynamic pathways to literacy and learning. To help better achieve this mission moving forward, for FY 2023, beginning July 1, 2022, the DPL plans to reopen 11 Library branches that were temporarily closed during the pandemic. The reopening of the 11 Library branches is admirable but will be costly to the DPL because the following will be needed:
 - Facility repairs including roof replacements and replacing HVAC systems at some of the reopened 11 Library branches, and replacing an elevator at Main Library.
 - The return of 27 furloughed employees to previous positions and the filling of 95 positions to operate the reopened branches.

- Increased spending on other DPL operational services such as more cleaning and security services, office supplies and equipment purchases to operate the reopened branches.
- **As mentioned earlier, the need to spend \$3.1 million from DPL's fund balance to provide a balanced budget in FY 2023 because of the reopened branches.**
- **In addition, with the reopening of the 11 Library branches, DPL's administration anticipates funding shortfalls of \$3.1 million in FY 2024, \$3.0 million in FY 2025, and \$2.8 million in FY 2026. If future funding shortfalls at this rate are covered by DPL's fund balance to maintain balanced budgets, its fund balance (i.e., rainy-day fund) of \$25.8 million as of June 30, 2021, will be depleted in almost nine years!**
- **It is quite clear that the DPL needs an additional dedicated funding source to sustain operations in the future, or face cutting services to do so.**
- Although, the City of Detroit has given the DPL general fund surplus dollars for capital improvements in past (for example, the City provided the DPL \$4 million in FY 2022 to repair the Main Library's HVAC system), the DPL cannot rely on receiving City general fund dollars in the future given the City's own financial challenges.
- **Meanwhile, since 2015, DPL primarily has faced declining property tax revenue (its main source of revenue) annually due to Detroit's population losses, lower taxable values due to reassessments and blight, and the impact of the pandemic on collections.**
 - Since FY 2015, DPL's property tax revenue was \$27.5 million in FY 2015; \$31.1 million in FY 2016; \$31.1 million in FY 2017; \$29.1 million in FY 2018; \$27.5 million in FY 2019; \$26.6 million in FY 2020; \$27.8 million in FY 2021; \$26.2 million in FY 2022 (estimated); and \$27.8 million in FY 2023 (estimated).
 - DPL's property tax revenue has been impacted by the approval of projects that use Tax increment Financing (TIF) administered by the Downtown Development Authority (DDA) and the Detroit Brownfield Redevelopment Authority (DBRA) and various State authorized tax abatements.
 - City Council takes great pain to ensure economic development projects cannot occur but for the use these tax incentives.
 - **It's also important to understand that it requires a change in various State laws to stop projects from receiving tax incentives. In addition, the DPL cannot opt out DBRA TIFs by State law and cannot opt out of DDA TIFs if there are outstanding DDA bonds, which are secured by TIF property tax revenue.**
 - Unfortunately, DPL related tax captures have grown since FY 2016: \$1.13 million in FY 2016; \$1.91 million in FY 2017; \$2.5 million in FY 2018; \$2.7 million in FY 2019; \$3.1 million in FY 2020; \$3.5 million in FY 2021; \$3.3 million in FY 2022 (estimated), and \$3.4 million in FY 2023 (estimated).
 - Fortunately, DPL property tax revenue can increase when tax incentives expire, and when taxable values increase in areas located outside of areas where projects are receiving tax incentives due to these projects.

Attachment II

Recommended Standard Program Template for Components of a 21st Century
Library

Components of a 21st Century Library

The following pages represent a Standard Program Template, using a non-specific library district as an example, which illustrates the use of the methodology in programming a 21st century library.

The Strategic Goals are executed through Services, Programs and Activities. These Activities require a set of Spaces. Components will bring the customer experience to life.

The relationship of the Components to each other will create purposeful and meaningful experiences for the customer.

These spaces are activated by Enablers: staff, collections, technologies and special equipment will serve as the tools to enable a positive customer experience.

| STRATEGIC GOAL | ACTIVITIES | COMPONENTS |
|----------------|------------|------------|
|----------------|------------|------------|

COMMUNITY & CULTURE

LIMITLESS LEARNING

BUSINESS & CAREER

SOCIAL & GOVERNMENT

Performances
 Children's Plays
 Birthday Party's
 Pick-Up Games
 Zumba Class
 Crossfit Classes
 Game Night
 Cooking Classes
 Art Making
 Gardening
 Car Shows
 Show and Tell
 Movies on the Lawn
 Festivals
 Informal Collaboration
 Idea Boards/Box
 Meditation
 Happiness Project
 Reflection
 Mindfulness
 Yoga Classes
 Lectures
 Cooking Classes
 Recipe Share
 Art Making
 Pottery Throwing
 Parenting Workshops
 Rehearsing for Life
 Aerial Practice
 Hands on Exploration
 Storytelling in the Round
 Family Readiness
 Early Lit Education
 Summer Camps
 Homework Help
 Summer Reading
 Coding Classes
 Gaming Center

WELCOME AREA

- WELCOME DESK
- SELF- CHECK
- HOLDS
- INFO STATION
- RETURNS

POPULAR COLLECTIONS

- BOOK BROWSING

VIBRANT CAFE

- HEALTHY SNACKS
- COFFEE
- DEMONSTRATIONS

BOOKSTORE

- LOCAL GOODS
- USED BOOKS/DVDS

COMMUNITY GALLERY

- COMMUNITY ART
- PATRON MATERIALS

LIVING ROOM

- COLLECTIONS
- EQUIPMENT

MULTI-PURPOSE ROOM

- PERFORMANCES
- TALENT SHOWS
- MUSIC SHOWS

QUIET ROOM

- FOR X # OF PEOPLE

STUDY ROOMS

- MOBILE COMPUTERS

TELEPHONE ROOMS

MAKERS SPACE/ DIY

- 3D PRINTERS
- VINYL CUTTERS
- CNC ROUTER
- ARDUINO

TECH ARTS LAB

- RECORDING BOOTH
- SOUND MIXING STATION
- VIDEO EDITING
- GREEN SCREEN

| STRATEGIC GOAL | ACTIVITIES | COMPONENTS |
|----------------|------------|------------|
|----------------|------------|------------|

COMMUNITY & CULTURE

LIMITLESS LEARNING

BUSINESS & CAREER

SOCIAL & GOVERNMENT

- Technology Training
- Language Classes
- Studying
- Researching
- Writing
- Recording
- Music
- Filming
- Graphics
- Printing
- Resume Writing
- Job Searching
- Client Meeting
- Career Specialist
- Skyping
- Town Hall Meetings
- Debates
- Voter Registration
- Teen Engagement
- Free Meeting Space
- Conversation Circles
- Community Fairs
- Marketing Classes
- Millennial Engagement
- Informal Collaboration
- Social Awareness
- Government Info
- Partner Meeting
- Citizenship Information
- Safe Meeting Ground
- Voting Place
- Local Politician Visits
- Passport Services
- Civic Clubs
- Social Services
- Volunteering

MEETING ROOMS

COMPUTER CLASSROOM

- TRAINING ROOMS
- DEMONSTRATIONS
- PRINTING LAB

DEDICATED TO AGES

- TODDLERS PLAY SPACE
- JUVENILE SCRIBBLE STATION
- TWEEN SHARING
- TEEN GAMING
- POETRY SLAM
- COMEDY NIGHT
- YOUTUBE
- ADULTS BOOK CLUB
- VOLUNTEER GROUPS
- WORKSHOPS/ HOW-TO'S
- SENIORS DIGITAL LITERACY MEET-UPS
- PERFORMING SINGING
- ROLE PLAY BUILDING
- TEACHING HOMEWORK HELP

CALL CENTER

- TRAINING ROOMS
- DEMONSTRATIONS
- PRINTING LAB

BUSINESS & CAREER CENTER

- RESUME WRITING
- VIDEO CONFERENCING
- CONSULTATION ROOMS

SOCIAL SERVICE CENTER

- CONSULTATION ROOMS
- MEETING ROOMS
- INFORMATION SESSIONS

POP-UPS

CULINARY KITCHEN

TINKERING GARAGE

GARDENS

ART TRUCK

| SPACE | LARGE | SMALL |
|--|------------------------|------------------------|
| Welcome Station | 1,500 SqFt | 900 SqFt |
| <ul style="list-style-type: none"> • WELCOME DESK • SELF-CHECK • HOLDS • INFO STATION • RETURNS | | |
| Popular Collections | 1,000 SqFt | 1000 SqFt |
| <ul style="list-style-type: none"> • BOOK BROWSING | | |
| Vibrant Cafe | 750 SqFt | 500 SqFt |
| <ul style="list-style-type: none"> • HEALTHY SNACKS • COFFEE • DEMONSTRATIONS | | |
| Bookstore | 500 SqFt | 500 SqFt |
| | | |
| Community Gallery | 1,000 SqFt | 200 SqFt |
| <ul style="list-style-type: none"> • COMMUNITY ART • PATRON MATERIALS | | |
| Living Room | 1,500 SqFt | 1,000 SqFt |
| <ul style="list-style-type: none"> • COLLECTIONS • EQUIPMENT | | |
| Multi-Purpose Room | | |
| <ul style="list-style-type: none"> • PERFORMANCES • TALENT SHOWS • MUSIC SHOWS | | |
| Quiet Room | 600 SqFt | 600 SqFt |
| <ul style="list-style-type: none"> • DETERMINE # OF PEOPLE | | |
| Study Rooms | 50-200 SqFt (6) | 50-200 SqFt (2) |
| | | |
| Telephone Room | 25 SqFt (4) | 25 SqFt (1) |
| | | |
| Makers Space | 500 SqFt | 250 SqFt |
| <ul style="list-style-type: none"> • 3D PRINTERS • VINYL CUTTERS • CNC ROUTER • ARDUINO | | |
| Tech Arts Lab | 500 SqFt | 250 SqFt |
| <ul style="list-style-type: none"> • RECORDING BOOTH • SOUND MIXING STATION • VIDEO EDITING • GREEN SCREEN | | |

| SPACE | LARGE | SMALL |
|--|---|---|
| Meeting Rooms | 100 SqFt - 400 SqFt | 100 SqFt - 400 SqFt |
| <ul style="list-style-type: none"> • 25 SF/PERSON | <ul style="list-style-type: none"> • # OF ROOMS | <ul style="list-style-type: none"> • # OF ROOMS |
| Computer Lab | 1,500 SqFt | 800 SqFt |
| <ul style="list-style-type: none"> • TRAINING ROOMS • DEMONSTRATIONS • PRINTING LAB • 30 SF/PERSON | <ul style="list-style-type: none"> • # OF ROOMS • # OF PEOPLE | <ul style="list-style-type: none"> • # OF ROOMS • # OF PEOPLE |
| Early Childhood Play | 1,000 SqFt | 600 SqFt |
| <ul style="list-style-type: none"> • PLAY SPACE • MESSY SPACE | | |
| Education Space | 750 SqFt | 400 SqFt |
| <ul style="list-style-type: none"> • STEAM ACTIVITIES | | |
| Storytelling | 1,500 SqFt | 500 SqFt |
| <ul style="list-style-type: none"> • 20 SF/PERSON | | |
| Homework Help | 800 SqFt | 400 SqFt |
| <ul style="list-style-type: none"> • 30 SF/PERSON | | |
| Children | 1,500 SqFt | 600 SqFt |
| <ul style="list-style-type: none"> • DESTINATION FEATURE • ACTIVITY SPACE • MESSY SPACE | | |
| Tween | 800 SqFt | 300 SqFt |
| | | |
| Teen | 1,500 SqFt | 750 SqFt |
| <ul style="list-style-type: none"> • GAMING ROOM • MAKERS STATION • HANG-OUT SPACE | | |
| Adult | 750 SqFt | 400 SqFt |
| <ul style="list-style-type: none"> • BOOK CLUB/CLUB ROOMS • WORKSHOPS | | |
| Language Center | 5,000 SqFt | 2,000 SqFt |
| <ul style="list-style-type: none"> • TRAINING ROOMS • DEMONSTRATIONS • PRINTING LAB | | |
| Business & Career Center | 4,000 SqFt | 1,000 SqFt |
| <ul style="list-style-type: none"> • RESUME WRITING • VIDEO CONFERENCING • CONSULTATION ROOMS | | |
| Social Service Center | 600 SqFt | 200 SqFt |
| <ul style="list-style-type: none"> • CONSULTATION ROOMS • MEETING ROOMS • INFORMATION SESSIONS | | |

Programmatic Considerations

Special Considerations

During the design process the following questions should be considered: How does the space support activities to create desired outcomes? What are the tools, spaces, and conditions that foster desired outcomes? How do the tools—collections, technology, equipment, furnishings, and the look and feel of the space—enable positive user experiences?

Service Points

Consider Service Points as any touch-point in the library that enables a user to achieve their goals. Service Points may be expert-assisted or self-directed. Consider the function of the Service Point, and design to achieve those transactional goals.

Collections

Consider designing to prioritize program and activity space over space dedicated to collections. This may require the design team and client to verify collections quantities at each iteration of the design process. The Library should develop a Collections Philosophy to help guide the design team.

Technology and Equipment

Consider the plethora of technology and equipment that a public library now houses. Consider special electrical and ventilation requirements.

Primary Program Spaces

Welcome Station

A place that is inviting, approachable on all sides, and full of information or someone who knows where to find it!

Popular Collections

A dedicated area for browsing the popular collection and offering serendipitous discovery in a store-like atmosphere.

Vibrant Cafe

A place to casually meet, converse, and/or have solitary time to relax.

Bookstore

An area where books and other related material can be sold. This area can be a partnership or sell goods made by community members.

Community Gallery

A museum-like open area that gives locals and traveling artists a place to display, giving visitors a new reason to come every time the show changes!

Living Room

A vibrant place for all members of the community to come together. It promotes intergenerational interaction, exchange and connections.

Multi-Purpose Room

A large open room with varying program functions. This space can be used by other members of the community for after hour activities.

Quiet Room

A peaceful place to look for books, study, or work with reduced noise.

Study Rooms

Rooms or spaces with varying types of seating that promote group collaboration or solitary studying.

Telephone Room

Designated room(s) for telephone conversations and video conferencing.

Makers Space

A space for messy projects where users can work together, alone, or with librarians on special projects, with easy access to tools and supplies.

Tech Arts Lab

A room or area dedicated to digital arts. The space will be equipped with the latest technology and printers.

Meeting Rooms

Open and Closed Spaces that can be used to varying types of meetings, both formal and informal.

Computer Lab

A dedicated room that supports digital learning and exploring in groups or individually and can also facilitate classes.

Areas Dedicated To Age Groups

Early Childhood Play

A place for Early Literacy development, interactive learning and play.

Education Spaces

Thoughtful spaces and rooms that promote multiple styles of learning for all different ages.

Storytelling

A fun, creative space that promotes lecture-like seating for youth, but still allows them to have room to stand, dance and roam.

Children's Computers

A dedicated space that supports digital learning and exploring for children.

Homework Help

A place where children and teens can get personal assistance from librarians or tutors.

Tween Area

A dedicated area to bridge the gap between childhood and teenagers, giving a place for tweens to hang out, play games, study and teach.

Teen Space

A dedicated area for teens to escape the chaos of younger age groups. This is a place for them to hang out, play games, study and teach.

Adult

A cleaner, quieter, more sophisticated area designed for a mature audience that is similar to a traditional library setting.

Spaces to Support Strategic Goals

Language Center

A dedicated area of the library for English as a Second Language. A combination of meeting rooms, classrooms, and open spaces.

Business & Career Center

A space that resembles an office-like structure for entrepreneurs, job seekers, and upcoming or recent graduates.

Social Services Center

A more privatized meeting space for individuals or family counseling/guidance on social and government issues.

Destination Features

Pop-ups

Carts or smaller mobile units that can be used for multiple functions such as a store, cafe or makers station. Pop-ups are a great tool to prototype alternate service models.

Culinary Kitchen

A space/room dedicated to culinary study. This can be anything from a fully functioning culinary kitchen to a mobile culinary demo cart.

Tinkering Garage

A place for hands-on activities that explore art/science and encourage tinkering, curiosity and creative thinking.

Garden

An outdoor space that invites relaxation, community gathering and sustainable living.

Art Trucks

Mobile trucks that have been reconfigured for art-related events, both inside and outside the truck, that can be set up anywhere in town.

Attachment III

LPD's Report entitled "Detroit Public Library Relationship", dated April 26, 2021

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 26, 2021

RE: **Detroit Public Library Relationship**

Councilmember Scott Benson requested for the Legislative Policy Division to compile a comprehensive historical report of the relationship between the City of Detroit and the Detroit Public Library (DPL), as well as, identify who owns DPL's assets, in addition to determining Detroit Public Schools Community District's (DPSCD) role in the operations and governance of DPL.

Background

The Detroit Public Library system is the second largest library in the State of Michigan and the twentieth largest in the United States in terms of the number of volumes held. DPL offers over 7.5 million volumes and more than 800 public access computers at its Main Library, 8 mobile libraries, and 21 neighborhood branches. All of the volumes are owned by the Library Commission.

There are a total of 29 buildings that are either still functioning as libraries or were at some point a functioning library. According to the Assessor's office most recent data available, 18 of those 29 libraries are owned by the Library Commission, 7 are privately owned and 4 are owned by the City through Planning and Development Department (PD&D) of the Detroit Building Authority (DBA) and the Water & Sewage Department¹. As of today, the mobile libraries and 7 of the 22 library branches are open, and 15 are temporarily closed due to Covid-19 restrictions and other funding difficulties².

¹ The public library at 10100 E. Jefferson was the Hurlbut Library which according to reports was created to house the personal collection of Chauncey Hurlbut a leader of the Detroit Board of Water Commissioners and father of Water Works Park. In 1874, the Detroit Board of Water Commissioners purchased the 56-acre site which includes the location of the Hurlbut Library.

² See Appendix A (Compiled by Historic Designation Advisory Board, HDAB using parcel data from the Assessor's Office (last updated Dec 1, 2020)

Establishing the Detroit Public Library

The State of Michigan authorized in its 1835 State Constitution, for the establishment of Libraries. At that time, legislators decided that penal fines³ levied as a punishment for a violation of the criminal penal code, or a violation against the state. The penal fines would be placed into a library fund to finance the creation and operation of libraries. The county treasurer was to disburse funds collected from penal fines to libraries located in its county. This law remains in the current Michigan Constitution, under Article VIII, section 9. Presently, only 12 states use penal fines to fund libraries and Michigan is the only state to constitutionally mandate the use of penal fines for that purpose.

Article VIII, section 9 of the Michigan constitution states: “The legislature shall provide by law for the establishment and support of public libraries which shall be available to all residents of the state under regulations adopted by the governing bodies thereof. All fines assessed and collected in the several counties, townships and cities for any breach of the penal laws shall be exclusively applied to the support of such public libraries, and county law libraries as provided by law.”

The Board of Education was established by the City of Detroit’s mayor, Douglass Houghton, in 1842. Houghton served as its president and recorder, with two inspectors from each of the six education wards across the City constituted the Board⁴. It became the mission of the school board to establish a public library as an extension of the education system. That same year, the board petitioned the State to allow a property tax to fund its operation and to authorize the election of the board of education. Soon after, the Governor signed Special Act 70 of 1842 called “An Act relative to free schools in the city of Detroit”, which recognized the establishment of the Detroit Board of Education, provided for a tax to fund the school board, authorized the board to establish a library, and declare penal fines as the rightful property of the newly created Detroit Board of Education⁵.

Section 12 of Act No. 70 of 1842 states: “The board of education shall establish a district library and for the increase of the same, the common council are authorized annually to lay a tax on real and personal property within said city, of a sum not exceeding two hundred dollars, which tax shall be levied and collected in the same manner as the moneys raised to de-fray the general expenses of said city.”

More than 20 years later, after fighting for and finally receiving a sufficient amount of penal fine revenue in 1860, the Detroit Board of Education opened the first Detroit Public Library in a small room of the Capitol High School on Griswold Street in 1865. The high school had been converted from the old State Capitol Union Building in 1863.

There is a misconception that Local Act 233 of 1869⁶ provided for the establishment of the Detroit Public Library. This is inaccurate. Special Act No. 70 of 1842⁷, in fact, provided for the establishment of the Detroit Public Library. LPD supposes this discrepancy extends from an article written by Citizens

³ The term “Penal Fine” comes from the “**Penal code**” of Michigan laws that denote criminal laws and their punishment as defined by Black’s Law Dictionary (11th ed. 2019). Generally, “penal” is used for criminal laws – laws for the protection of the state as a whole.

⁴ The Detroit Historical Society: <https://detroithistorical.org/learn/encyclopedia-of-detroit/detroit-public-library>

⁵ Section 12 of Special Act No. 70 of 1842 from the e-book **Acts of the Legislature of the State of Michigan (Passed at the Annual Session of 1842)** published by the State of Michigan, page 696-700

<https://play.google.com/books/reader?id=aDg4AAAIAAJ&printsec=frontcover&pg=GBS.RA2-PA112> & “Parnassus on Main Street; a History of the Detroit Public Library: Woodford, Frank B. (Frank Bury), 1903-1967: Free Download, Borrow, and Streaming.” *Internet Archive*, Detroit, Wayne State University Press, 1 Jan. 1965, archive.org/details/parnassusonmains0000wood/page/64/mode/2up.

⁶ See Appendix D: Local Act 233 of 1869

⁷ See Appendix B: Special Act No. 70 of 1842

Research Council of Michigan⁸ in 1990, which states DPL was established by LA 233 of 1869 and others have subsequently referenced it mistakenly. Additionally, DPL was established 4 years before the 1869 Act was passed.

In 1873, the Board of Education petitioned the State legislature again, this time, to authorize a bond sale of \$150,000 to fund a new library building, which was granted. The Detroit Board of Estimates approved a \$125,000 bond sale for the Board of Education in 1874 to build a new library in Centre Park at the dismay of City Council. A 50-year lease for the Centre Park Branch was signed and its construction was completed in 1877. The Centre Park Library was demolished in 1931 in order to build what is now, the Skillman Branch.

The library remained under the control of the Detroit Board of Education until 1881, when its governance authority was transferred to the Library Commission. Governance was transferred to the Commission because the Board of Education was expanding the public school system causing the need for library system to be overlooked. Local Act 314 of 1881⁹, authorized the creation of the Library Commission for the purpose of managing the library, including all funds, property, and employees connected to it, as well as, to provide for a property tax of a fifth of a mill to fund maintenance expenses.

Local Act 314 of 1881 stated, “ The Board of Education shall establish and maintain a district library: Provided, that the said Board of Education may, in its discretion, elect a Board of Commissioners of the Public Library of Detroit, to which it may transfer the care and custody of the funds and property of such district library...and it shall make annual reports to the Board of Education of the condition of the library and its funds...Such board shall be known as the Detroit Library Commission...A special library tax of one-fifth of one mill on the dollar on property assessed for City purposes shall be levied each year with the other City taxes and paid over to said Commission...Such commission may appoint, remove, and otherwise control all persons employed in such Library, and fix their compensation from time to time, in their discretion...”

In its transfer of authority, the only continuing power of the Board of Education over the governance of the library is appointing the Board of Library Commissioners¹⁰, which consists of 7 members, with the president of the Board of Education acting as ex-officio. The Commissioners continue to be the sole governing body of the public library system today.

In 1902, Detroit voters approved another library bond sale of \$500,000 to fund a new main library building. Proceeds from that bond sale, along with a \$750,000 donation in 1910 from Andrew Carnegie, a library philanthropist, was used to build the main library on Woodward Ave., and seven smaller branches. The main library was completed in 1921.

By the end of the 1920s, more than twenty libraries had been constructed with the help of donations, private investors, bond sales, and contributions from the City of Detroit. By 1960, eighteen libraries were either constructed or remodeled, with eleven of the eighteen occurring in the 1950s. Other buildings were later constructed in part with funds provided by the Library Service Construction Act (LSCA) after its adoption in 1964.

DPL's Legal Definition

It is important to determine how a library is established, in order, to determine the manner in which a library can function. There are 6 different types of libraries recognized by the State of Michigan,

⁸ Queller, Robert L. “The Taxing Authority of the Detroit Public Library.” *CRCMich, Citizens Research Council of Michigan*, Sept. 1990, cremich.org/wp-content/uploads/librarymil.pdf.

⁹ See Appendix C: Local Act of the State Legislature 314 of 1881 amended Local Act 233 of 1869 “The Free School Act”, and the 1869 Act amended Special Act No. 70 of 1842, “An Act Relative to Free Schools in the City of Detroit, which authorized a free education system in the City.”

¹⁰ Local Act 359 of 1901, as amended by LA 390 of 1903

including: City, Village, Township¹¹, District¹², County¹³, and School District Libraries¹⁴. Each type has its own set of rules of establishment, governance, funding acquisition, and budget policies.

Below is an excerpt of a chart from the State of Michigan’s website, which currently lists DPL as a “city library.” However, based on the information LPD has obtained, DPL is not a “city library” because it was not created by a local petition, ordinance, resolution, or charter provision.

| Location | Library Class | Type | Total Population Served |
|------------------------------|------------------------|----------|-------------------------|
| Dearborn Public Library | Class 6: Serve 50,000+ | City | 98,153 |
| Detroit Public Library | Class 6: Serve 50,000+ | City | 713,777 |
| Farmington Community Library | Class 6: Serve 50,000+ | District | 90,112 |
| Flint Public Library | Class 6: Serve 50,000+ | District | 102,434 |

*Clipped from Michigan.gov pdf called “Michigan Public Libraries by Governance and Class Size”¹⁵

As stated before, Special Act No. 70 of 1842 provided for the establishment of a “district library” by the Detroit Board of Education. However, DPL is not a “district library,” as currently defined as a joint library system comprised of multiple municipalities under “the District Library Establishment Act” of 1989 (MCL 397.171).

According to DPL, the Detroit Public Library does not fit any of the aforementioned types due to its unique establishment under Local Act No. 70 of 1842. Established as a district library, in 1881 the State under Local Act 314 provided for the creation of the Library Commission to manage and operate the library. The Library Commission was incorporated by an amendment to the 1881 law under Local Act 359 of 1901¹⁶.

Detroit Public Library’s Relationship with the City of Detroit

As previously mentioned, Local Act 359 of 1901¹⁷ amended Local Act 314 that established the Library Commission in 1881, to provide for the incorporation of the Detroit Library Commission. This amendment made DPL an independent municipal corporation that can acquire land, construct library buildings, and maintain those buildings. Act 359 of 1901 was amended by Local Acts 390 of 1903 and Local Acts 460 of 1905, which made the library’s budget subject to City Council’s approval.

Local Act 460 of 1905 states: “It shall be the duty of the Detroit Library Commission to transmit to the common council through the city controller, on or before the first day of February in each year, or at such time or times as the common council of the City of Detroit may by ordinance prescribe for the submission of annual estimates, an estimate of the amount of money said commission may deem necessary for the proper maintenance of the public libraries of the City of Detroit, during the fiscal year next ensuing, which estimate shall, as far as practicable, be made in detail, specifying the amounts required for books, magazines and other publications, for salaries of employees, repairs, new buildings, additions to library buildings, fuel, supplies, and general current expenses, together with an estimate of the revenues to be derived during the fiscal year next ensuing, from sources other than taxation. So much of the said estimate as the common

¹¹ City, Village, Township Libraries Act, PA 164 of 1877 (MCL 397.201, 397.210a)

¹² The District Library Establishment Act, PA 24 of 1989 (MCL 397.171, 397.176) amended PA 164 of 1955

¹³ County Library Act, PA 138 of 1917 (MCL 397.301)

¹⁴ Section 1451 of the School Code of 1976 (MCL 380.1451)

¹⁵ https://www.michigan.gov/documents/libraryofmichigan/FY2019_Michigan_Public_Libraries_by_Governance_and_Class_Size_669948_7.pdf

¹⁶ According to Michigan Attorney General, Frank Kelley opinion #6224 written in 1984, “The Detroit Library Commission (commission), as a body corporate, was established as a separate municipal corporation to administer the Detroit Public Library.”

¹⁷ Act 314 of 1881 established DPL. Local Act 359 of 1901 superseded Act 314 of 1881.

council and the board of estimates of the City of Detroit shall approve shall be levied and collected the same as other city taxes of the said city; Provided, however, that the amount so approved, together with the revenues to be derived from other sources than taxation, except gifts, grants, devises, bequests, fines for breach of the penal laws of the State and funds from other than public sources, shall not be less than one-fifth of a mill on the dollar on property assessed for city purposes. It shall be unlawful for the said Detroit Library Commission to pay out or agree to pay out any object or objects disallowed by the said common council or board of education.”

In 1909, the State of Michigan passed a law, that stated it would no longer enact local acts, where a general act was possible. This led to the adoption of PA 26 of 1921¹⁸, which clarified the aforementioned Local Acts of 1901, 1903, and 1905. PA 126 of 1921, mandated that library commissions in cities with a population of more than 250,000, must have the library budget prepared and approved in the same manner as other city departments¹⁹. Due to the population requirement, Detroit was the only city affected by this provision.

Furthermore, PA 126 of 1921 was amended by PA 185 of 1947²⁰, which strengthened the scope of services the City of Detroit must provide to the Library Commission.

PA 185 of 1947, Section 5 states: “All payrolls, bills, accounts and claims of every character against the library commission after having been duly audited and approved by the commission, ... shall be transmitted to the city controller, who shall endorse thereon his approval or disapproval. When so endorsed with approval the controller shall draw his warrant or warrants on the city treasurer in payment therefor.”

Additionally, the Courts have identified libraries as an integral and instrumental part of the education system, the Court has also recognized that the educational system is the direct purview of the State. In *Bird v Board of Education of City of Detroit*, 154 Mich. 584118 N.W. 606 (1908) the Court determined:

“In our opinion the very purpose of the amendment was but a new grant of power.’ ‘Education in Michigan belongs to the state. It is no part of the local self-government inherent in the township or municipality, except so far as the Legislature may choose to make it such. The Constitution has turned the whole subject over to the Legislature.”

Also, State law does not require municipalities to provide any appropriations to the public library. However, the 2012 Detroit City Charter allows the City to contribute from its general fund appropriations to the library, in accordance with Section 9-504 of the Detroit City Charter.

Section 9-504 of the 2012 Detroit City Charter states: “The City may make appropriations to, and exercise its power in aid of, the Detroit Library Commission for the operation of libraries within the City.”

DPL and Property Taxes

In 1933, Article X, Section 21 of the 1908 State Constitution was amended, to place a 15-mill limitation on property taxes (.15 cents for every \$10 of property value at that time) for any one year. This limitation was a response to tax delinquencies during the Great Depression causing a substantial number of foreclosures²¹. A 1963 constitutional amendment increased the limit to 18 mills, if approved by residents of the City of Detroit.

¹⁸ MCL 397.401-397.405

¹⁹ PA 62 of 1933 (MCL 397.201 – 397.205)

²⁰ PA 185 of 1947 (MCL 387.405), amended Act 26 of 1921

²¹ <https://crcmich.org/wp-content/uploads/rpt295.pdf>

1963 Michigan Constitution Article IX, 6 Section states: "...the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized... separate tax limitations for any county... and for school districts therein, the aggregate of which shall not exceed 18 mills on each dollar of such valuation, may be adopted and thereafter altered by the vote of a majority of the qualified electors of such county voting thereon... These limitations may be increased to an aggregate of not to exceed 50 mills on each dollar of valuation, for a period of not to exceed 20 years at any one time..."

The City of Detroit is exempt from the 15 mill limitation because it is a Home Rule City governed by a charter with its own millage limitations²². However, the library is not exempt since it is defined as an independent municipal corporation that operates separately from the City.

A report written by Citizens Research Council determined DPL does not have taxing authority²³; while, the Michigan Attorney General, Frank Kelley in 1984²⁴ stated that Local Act 460 of 1905:

"[a]uthorizes a special library tax of not less than one-fifth of a mill to be levied upon property assessed for city purposes, taking into account certain other sources of support..."

The Attorney General further explained:

"As a local unit, the Detroit Library Commission may seek within the 15 mill limitation additional allocation, based upon its budget, from the Wayne County Allocation Board. 1933 PA 62, *supra*, § 11(e). The right to any additional levy over .64 mills depends upon a favorable election to increase the tax rate limitation."

Public Libraries' most stable and indispensable source of funding is its dedicated millage. Currently, approximately 89% of the library's budget is funded by 4.63 mills per \$1,000 in taxable property value. Of that 4.63 mills, 3.9943 mills was approved by voters in 2014 until 2025, and .64 mills is collected and paid by the school district to the Library Commission in perpetuity²⁵. The remaining 11% of the budget is funded by grants, fundraisers, revenues from library's assets, applicable penal fines²⁶, shared taxes, state aid as a sole member of the Detroit Library Cooperative²⁷, federal aid through the federal Library Services and Technology Act (LSTA).

Millage revenue has been hindered by several laws enacted by the State Legislature. The Headlee Act of 1978 and Proposal A passed by voters in 1994, severely limited local government revenue from property taxes by limiting the growth of state equalized value and taxable value of properties, respectively. Millage Revenue for the library is further impacted by the approval of projects that use Tax Incremental Financing (TIF)²⁸ administered by the Detroit Downtown Development Authority (DDA)²⁹.

DPL's Retirement Services Provided by the City of Detroit

The State of Michigan enacted PA 339 in 1927, which mandated the establishment of a retirement system

²² The Home Rule City Act, PA 279 of 1909, MCL 117.1 et seq., gives the City of Detroit the authority to establish a charter and set reasonable taxes.

²³ Queller, Robert L. "The Taxing Authority of the Detroit Public Library." *CRCMich, Citizens Research Council of Michigan*, Sept. 1990, crcmich.org/wp-content/uploads/librarymil.pdf.

²⁴ Mich. Op. Atty Gen. 297 (Mich.A.G.) Opinion No. 6224.

²⁵ MCL 211.211, Section 11(4) County tax allocation board; powers and duties in determining tax rates

²⁶ MCL 600.8379, Public Act 236 of 1961

²⁷ PA 89 of 1977 (MCL 397.551) formed by an agreement between two or more libraries upon approval by the state legislative council. DPL has been a Library Cooperative since 2005.

²⁸ MCL 125.4303

²⁹ MCL 125.4203

for library workers. The act required the Library Commission to submit a retirement plan for employees of the library to City Council or, if no plan was submitted by the commissioners, the City would place the library workers on the same retirement plan as the employees of the City³⁰. Today, the City of Detroit continues this practice by administering retirement contributions for library workers under the General Retirement System (GRS). According to *Public Act 339 of 1927*

Section 1 States: “The legislative body of any incorporated city of 250,000 or more, where free public libraries have been or may hereafter be established is hereby authorized, upon the application and recommendation of the local library board or commission or body duly authorized by law to maintain free public libraries in such city, to establish a system of retiring allowances for the employees of such libraries which system shall be based upon the principle that there shall be accumulated, year by year, a reserve fund sufficient to provide the agreed annuity at the time of retirement. Upon the establishment of such system, the local legislative body shall raise by taxation each year a sum which will provide an adequate reserve fund.”

Section 6 States: In lieu, however, of formulating any plan under the foregoing sections of this act the library board and the local legislative body may, by concurrent resolution, adopt and put into effect for the employees of the library any plan which may have been, or may hereafter be, adopted for the employees of the city.

Conclusion

The relationship between the City of Detroit, the Library Commission, and the Detroit Board of Education is completely established by the State of Michigan. As an Independent municipal corporation, the library handles its own hiring, purchasing, and internal planning. Conversely, State law places the responsibility of budgeting and accounting in the hands of the City of Detroit. Ownership, maintenance, and governance of the Detroit Public Library’s collections, operations, and properties are entirely handled by the Library Commission. The Board of Education only appoints the commissioners, while the City has the authority to approve/disapprove of expenditures during the budget process, but cannot control day to day spending.

The most noteworthy revelation in compiling DPL’s history is DPL not fitting any of the six types of libraries defined by State law and Michigan’s website mistakenly identifying DPL as a city library. Both of these assertions are inconsistent with the language found in the 1842 law that established DPL, which uses the term “district library,” before it was defined by State law more than a century later.

Any actions taken in regards to the operation, funding, or control over the Detroit Public Library would have to be done by the State legislature. The State will have to decide whether the financial operations of the library are of greater concern than the historical recognition that libraries are an integral part of the education system, which is under the purview of the State.

If there are any other questions or concerns, please do not hesitate to call upon LPD.

³⁰ MCL 38.701 – 38.706 City library employees' retirement system; establishment.

Appendix A (Compiled by HDAB)

Using parcel data from the Assessor's Office (last updated Dec 1, 2020)

Analysis of Detroit Public Library Branch Buildings

| Name | Address | Status | Ownership | Historic |
|------------------------|-----------------------------|--------------------|---------------------|-----------------|
| Campbell Branch | 8733 W. Vernor | Open | Private | |
| Edison Branch | 18400 Joy Rd | Open | Library Commission | |
| Jefferson Branch | 12350 E. Outer Dr | Open | P&DD care of DBA | |
| Main Branch | 5201 Woodward | Open | Library Commission | Yes |
| Parkman Branch | 1766 Oakman | Open | Library Commission | |
| Redford Branch | 21200 Grand River | Open | Library Commission | |
| Wilder Branch | 7140 E. Seven Mile | Open | Library Commission | |
| Butzel Branch | 2025 E. Grand Blvd | Demolished | N/A | |
| Lothrop Branch | W. Warren and W. Grand Blvd | Demolished | N/A | |
| Mark Twain Branch | 8500 Gratiot | Demolished | N/A | |
| Monnier Branch | 13600 Grand River | Demolished | N/A | |
| Osius Branch | Gratiot and Burns | Demolished | N/A | |
| Schoolcraft Branch | Davison and Lumkin | Demolished | N/A | |
| Scripps Branch | Scripps Park | Demolished | N/A | |
| Walker Branch | 10720 Mack | Demolished | N/A | |
| Bowen Branch | 3648 W. Vernor | Closed (temporary) | Library Commission | Yes |
| Chandler Park Branch | 12800 Harper | Closed (temporary) | P&DD care of DBA | |
| Chaney Branch | 16101 Grand River | Closed (temporary) | Library Commission | |
| Chase Branch | 17731 W. Seven Mile | Closed (temporary) | P&DD care of DBA | |
| Conely Branch | 4600 Martin | Closed (temporary) | Library Commission | Yes |
| Douglass Branch | 3666 Grand River | Closed (temporary) | Library Commission | |
| Duffield Branch | 2507 W. Grand Blvd | Closed (temporary) | Library Commission | Yes |
| Elmwood Park Branch | 550 Chene | Closed (temporary) | Private | |
| Franklin Branch | 13651 E. McNichols | Closed (temporary) | Library Commission | Yes |
| Hubbard Branch | 12929 W. McNichols | Closed (temporary) | Library Commission | |
| Knapp Branch | 13330 Conant | Closed (temporary) | Library Commission | Yes |
| Lincoln Branch | 1221 E. Seven Mile | Closed (temporary) | Library Commission | |
| Monteith Branch | 14100 Kercheval | Closed (temporary) | Library Commission | Yes |
| Sherwood Forest Branch | 7117 W. Seven Mile | Closed (temporary) | Library Commission | |
| Skillman Branch | 121 Gratiot | Closed (temporary) | Library Commission | Yes |
| Ginsburg Branch | 91 Brewster | Closed (permanent) | Private | Yes |
| Gray Branch | 1117 Field | Closed (permanent) | Private | Yes |
| Hosmer Branch | 3506 Gratiot | Closed (permanent) | Private | Yes |
| Hurlbut Branch | 10100 E. Jefferson | Closed (permanent) | Water & Sewage Dept | Yes |
| Richard Branch | 9876 Grand River | Closed (permanent) | Library Commission | Yes |
| Utley Branch | 8726 Woodward | Closed (permanent) | Private | |
| Williams Branch | 20845 Fenkell | Closed (permanent) | Private | Yes |

*8 mobile libraries are open outside Chase, Conely, Douglass, Duffield, Elmwood Park, Franklin, Knapp, and Sherwood Forest Branches

Appendix B

Special Act No. 70 of 1842, Section 12

from Acts of the Michigan Legislature e-book, published by the State of Michigan

[No. 70.]

AN ACT relative to free schools in the city of Detroit.

City of Detroit one school district.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the State of Michigan,* That the city of Detroit shall be considered as one school district, and hereafter all schools organized therein, in pursuance of this act, shall, under the direction and regulations of the board of education, be public and free to all children residing within the limits thereof, between the ages of five and seventeen years, inclusive.

Election of school inspectors.

SEC. 2. In lieu of the school inspectors now required to be elected in said city, there shall be twelve school inspectors, to be elected in the manner following: At the next annual charter election, there shall be elected in each ward of said city, two school inspectors, one of whom shall hold his office for two years, and the other for one year; and, at every annual election thereafter, there shall be elected in each ward, one school inspector, who shall hold his office for two years. No school inspector shall be entitled to receive any compensation for his services.

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common council of the city of Detroit may fill the same, until the next annual election, when, if such vacancy happen in the first year of the term of said office, the electors of the proper ward may choose a suitable person to fill the remainder of such term: *Provided*, the city clerk shall give notice of such vacancy prior to such election, as may be required in other cases. In cases of vacancy.

SEC. 4. Every person elected to the office of school inspector, who, without sufficient cause, shall neglect or refuse to serve, shall forfeit to the board of education, for the use of the library, the sum of ten dollars, to be recovered in an action of debt in some competent court: *Provided*, no person shall be compelled to serve two terms successively; and the said board shall make all necessary rules and regulations relative to its proceedings, and punish by fine, not exceeding five dollars for each offence of any member of the board, who may, without sufficient cause, absent himself from any meeting thereof, to be collected as they may direct. Fine for neglect or refusal to serve. Power to fine.

SEC. 5. The school inspectors, together with the mayor and re-^{Disposition of property.} recorder of said city, (who are declared to be ex-officio school inspectors,) shall be a body corporate, by the name and style of "The board of education of the city of Detroit," and, in that name, may be capable of suing and being sued, and of holding or selling and conveying real and personal property, as the interest of said common schools may require; and shall also succeed to, and be entitled to demand, all moneys and other rights belonging to, or in possession of, the board of school inspectors, or any member thereof, or of any school district board, or any member thereof, or any real and personal property or other rights, of any such district in said city, and the clear proceeds of all such property which may come into the possession of said board, as last aforesaid, shall be accounted for and distributed among the several persons of whom the same may have been collected, in such manner as the said board may deem just and proper.

SEC. 6. The board of education, (eight members whereof may ^{Eight members form a quorum.} form a quorum,) may meet from time to time at such place in said city as they may designate; the mayor shall be president of the board, and shall preside at all meetings thereof, but in case of his absence, or the absence of the recorder, a majority of the inspectors present

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at any meeting, may choose one of their number president *pro tempore*.

Clerk. SEC. 7. The clerk of said city shall be *ex-officio* clerk of said board, and shall perform such duties as the board of education may reasonably require. In case of the absence of said clerk, or for any other cause, the board may choose some suitable person to perform his duties, either as principal or deputy clerk.

The recorder. SEC. 8. The recorder of said city shall be entitled to a seat at the meeting of said board, for the purpose of deliberation, and of acting on committees, but shall have no vote therein, except when the mayor shall be absent, in which case he shall act as president.

General powers. SEC. 9. The board of education shall have full power and authority, and it shall be their duty, to purchase such school houses, and apply for and receive from the county treasurer or other officer, all moneys appropriated for the primary schools and district library of said city, and designate a place where the library may be kept therein. The said board shall also have full power and authority to make by-laws and ordinances relative to taking the census of all children in said city between the ages of five and seventeen years: relative to making

all necessary reports and transmitting the same to the proper officers, as designated by law, so that said city may be entitled to its proportion of the primary school fund; relative to visitation of schools; relative to the length of time schools shall be kept, which shall not be less than three months in each year; relative to the employment and examination of teachers, their powers and duties; relative to regulation of schools and the books to be used therein; relative to the appointment of necessary officers, and prescribe their powers and duties; relative to any thing whatever that may advance the interest of education, the good government and prosperity of common schools in said city, and the welfare of the public concerning the same.

Jurisdiction. SEC. 10. The mayor's court shall have jurisdiction of all suits wherein said board may be a party, and of all prosecutions for violation of said by-laws and ordinances.

Annual Statement. SEC. 11. The said board shall annually, in the month of February, publish in some newspaper of the city, a statement of the number of schools in said city; the number of pupils instructed therein

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the year preceding; the several branches of education pursued by them, and the expenditures for all things authorized by this act, during the preceding year.

SEC. 12. The board of education shall establish a district library, ^{District library.} and for the increase of the same, the common council are authorized annually to lay a tax on the real and personal property within said city, of a sum not exceeding two hundred dollars, which tax shall be levied and collected in the same manner as the moneys raised to defray the general expenses of said city.

SEC. 13. The common council of said city are hereby authorized, ^{Taxes for support of.} once in each year, to assess and levy a tax on all the real and personal property within said city, according to the city assessment roll of that year, which shall not exceed one dollar for every child in said city between the ages of five and seventeen years; the number of children to be ascertained by the last report on that subject, on file in the office of the clerk of the county of Wayne, or in the office of the clerk of said board of education, and certified by the president thereof, and the said tax shall be collected in the same manner as the moneys raised to defray the general expenses of said city; all such

moneys shall be disbursed and expended by the authority of said board for the support and maintainance of said schools, and for no other purpose whatever.

SEC. 14. The treasurer of said city shall be the treasurer of said ^{Treasurer.} board, unless otherwise directed by said board; he shall keep all moneys belonging to said schools separate from the moneys belonging to the corporation of said city; and he shall not pay out or expend the school moneys, without the authority of the said board.

SEC. 15. The collector of said city, when he shall have paid ^{Collector.} any school moneys to said treasurer or other person, shall take a receipt therefor, and file the same with the clerk of said board; and it shall be the further duty of the collector, when he shall have made his final return concerning the collection of said tax, to make a report to said board, stating the whole amount of school tax, the amount collected, and the amount returned by him to the common council as unpaid or uncollected.

SEC. 16. The collector and treasurer shall, before they enter on ^{Collector and treasurer give bonds.} their duties under this act, enter into such bonds to said board, and

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with such sureties as may be deemed necessary, conditioned for the faithful discharge of their duties respectively, under this act.

Acts repeal-
ed.

SEC. 17. All parts of acts, so far as they relate to the city of Detroit, inconsistent with this act, are hereby repealed; and it shall not be necessary to elect any school district officers in said city, as heretofore required by law.

SEC. 18. This act shall take effect from and after its passage.

Approved February 17, 1842.

Appendix C

Act 314 of 1881

Provided by the Detroit Public Library

ACT NO. 314

LOCAL ACTS, 1881

Sec. 2. The Board of Education shall establish and maintain a district library: Provided, That the said Board of Education may, in its discretion, elect a Board of Commissioners of the Public Library of Detroit, to which it may transfer the care and custody of the funds and property of such district library. Such Board of Commissioners shall not be members of the Board of Education, except in the cases hereinafter mentioned, and when elected shall be clothed with all powers for the management and control of the library now vested in the Board of Education, and shall consist of six members, who shall be elected by the Board, and shall hold their offices for six years, except that the members of the first Board shall be chosen for the terms of one, two, three, four, five and six years respectively. Of this Board of Commissioners the President of the Board of Education shall be a member ex-officio, and it shall make annual reports to the Board of Education of the condition of the Library and its funds. One member of such Board of Commissioners shall be elected annually in place of the member whose office expires in that year, and vacancies from any cause may be filled at any time by the Board of Education of a person or persons to fill such vacancy. Such Board shall be known as the "Detroit Library Commission," and may in that name exercise control over the Library and all funds and property connected with or belonging to it. A special library

tax of one-fifth of one mill on the dollar on property assessed for City purposes shall be levied each year with the other City taxes and paid over to said Commission. The Treasurer of the Board of Education shall be ex-officio Treasurer of said Commission, and hold moneys belonging to the library fund or to said Commission, subject to their disposal. Such Commission may appoint, remove, and otherwise control all persons employed in such library, and fix their compensation from time to time, in their discretion, and may appoint such officers as they see fit for their own business.

This act is ordered to take immediate effect.
Approved March 11, 1881.
Superseded by Local Act 359, 1901.

RECEIVED BY THE CLERK OF THE BOARD OF EDUCATION

1867

for the improvement of the highway leading from the village of Lyons, to the village of Mair, in the county of Ionia," approved March twenty-fifth, eighteen hundred and sixty-seven, be and the same is hereby repealed.

Sec. 2. That this act shall take immediate effect.
Approved February 24, 1869.

[No. 232.]

AN ACT to amend an act entitled "An act to incorporate the village of Ionia," approved February seveneenth, eighteen hundred and sixty-five.

Section amended.

Section 1. The People of the State of Michigan enact, That section two of an act entitled "An act to incorporate the village of Ionia," approved February seveneenth, eighteen hundred and sixty-five, be and the same is hereby amended so as to read as follows:

Section of act amended.

Sec. 2. The male inhabitants of said village, having the qualifications of electors under the constitution of the State, shall meet at Appleby's Hall, in said village, on the first Monday of March next, and on the first Monday of March annually thereafter, at such place as shall be provided in the by-laws of said village, and there by ballot shall elect, by plurality of votes, one person to be president of said village; and three persons shall, in like manner, be elected trustees for one year, and three for two years; and annually thereafter a president shall be elected as aforesaid, who shall hold his office for one year, and three trustees shall be elected, who shall hold their offices for two years; but if an election of president and trustees shall not be made on the day when, pursuant to this act, it ought to be made, the said corporation shall not, for that cause, be dissolved, and it shall be lawful to hold such election at any time thereafter, public notice being given, as prescribed by this act for the holding of the regular election. The president and trustees thus elected, together with three trustees whose

When election is not held on day specified.

When election is not held on day specified.

term of office is unexpired, shall constitute a village board, and a majority of the board shall constitute a quorum for the transaction of business, and a less number may adjourn from time to time. The president also shall be the chief executive officer of the village. He shall preside at the meetings of the board, and it shall be his duty to see that all the officers of said village faithfully discharge their duties; and in case of his absence or inability to serve, the trustees shall have power to elect, from their own number, a president pro tem, who shall have all the powers, and perform all the duties of president; and the president and board of trustees shall, within one week after any annual election, appoint a suitable person to perform the duties of marshal of said village for one year, unless sooner removed, as hereinafter provided; and the said marshal shall, before entering upon the duties of said office, give official bond to the people of this State, in such sum and with such securities, to be approved by the president and trustees, conditioned that he will faithfully account for, and pay over all moneys which may come into his hands, as marshal, and for the faithful performance of his official duties.

Sec. 3. This act shall take immediate effect.
Approved February 24, 1869.

[No. 233.]

AN ACT relative to free schools in the city of Detroit.

Section 1. The People of the State of Michigan enact, That the city of Detroit shall be considered as one school district, and all schools now organized and hereafter to be organized therein, in pursuance of this act, shall, under the direction and regulations of the board of education, be public and free to all children residing within the limits thereof, between the ages of five and twenty years, inclusive.

Sec. 2. The board of education of the city of Detroit shall consist of two school inspectors from each and every ward of

Election of said city, to be elected in the manner following: At every annual charter election, there shall be elected one inspector for each ward, who shall hold his office for the term of two years: Provided, That the present members of the board of education shall hold their offices for the term for which they were severally elected, and no school inspector shall receive any compensation for his services.

Vacancy in office of school inspector.

Sec. 3. In case of a vacancy in the office of school inspector, the common council of the city of Detroit may, on nomination by the mayor, fill the same until the next annual election, when, if such vacancy happen in the first year of the term of said office, the electors of the proper ward may choose a suitable person to fill the remainder of such term: *Provided*, That the clerk shall give notice of such vacancy prior to such election, as may be required in other cases.

Inspection of school.

Sec. 4. Every person elected to the office of school inspector, who, without sufficient cause, shall neglect or refuse to serve, shall forfeit to the board of education, for the use of the public library, the sum of ten dollars, to be recovered in an action of debt in some competent court; and the said board shall make and punish by fine, not exceeding five dollars for each offense, any member of the board who may, without sufficient cause, absent himself from any meeting thereof, to be collected as they may direct: *Provided*, That no person shall be compelled to serve two terms successively: *Provided, also*, That the removal of any member of the board of education from the ward for which he is elected school inspector, after such election, shall not operate to vacate his office; but notwithstanding such removal, any inspector so removing shall continue to hold his said office, and to be a member of said board: *Provided, however*, That the removal of such member shall not be from the city.

Attendance of school inspectors.

Sec. 5. The school inspectors, together with the mayor and recorder of said city, (who are declared to be *ex officio* school inspectors, having a right to a seat at the meetings of the

Body composed of

the proper officers, as designated by law, so that said city may be entitled to its proportion of the primary school fund; relative to visitation of schools; relative to the length of time schools shall be kept, which shall not be less than three (3)

board for the purpose of deliberation, but who shall have no vote therein,) shall be a body corporate, to be known and distinguished by the name and style of "The Board of Education of the city of Detroit," and in that name may be capable of suing and being sued, and of holding, and selling, and conveying real and personal property, as the interest of the said free schools may require.

Sec. 6. The board of education (a majority whereof shall form a quorum) may meet, from time to time, at such place in said city as they shall designate. They may elect one of their own number president, and in the absence of the president at any meeting, a majority of the inspectors present may choose one of their number president *pro tem*.

Sec. 7. The said board shall annually, at the first regular meeting in July, appoint a suitable person as superintendent of free schools under their control, and they shall, also, at the same meeting in July, appoint a treasurer of said board, who shall have the keeping of all moneys belonging to said schools, and said treasurer shall not pay out or expend the school moneys without the authority of said board; and said treasurer shall also be required to give bonds in such penal sum as the board shall deem necessary, for the faithful performance of his duties.

Sec. 8. The board of education shall have full power and authority, and it shall be their duty to apply for and receive from the county treasurer, or other officer, all moneys appropriated for primary schools and district library of said city, and to designate a place where the library may be kept. The said board shall also have full power and authority to make by-laws relative to said city, between the ages of five and twenty years; relative to making all necessary reports, and transmitting the same to the proper officers, as designated by law, so that said city may be entitled to its proportion of the primary school fund; relative to visitation of schools; relative to the length of time schools shall be kept, which shall not be less than three (3)

Power of board to receive moneys from county treasurer for use of primary schools and district library of said city, and to make by-laws relative to said city, between the ages of five and twenty years; relative to reports, and transmitting the same to the proper officers, as designated by law, so that said city may be entitled to its proportion of the primary school fund; relative to visitation of schools; relative to the length of time schools shall be kept, which shall not be less than three (3)

Performance month in each year; relative to the employment and examination of teachers—their powers and duties; relative to regulation of schools, and the books to be used therein; relative to the appointment of necessary officers, and prescribing their powers and duties; relative to anything whatever that may advance the interests of education, the good government and prosperity of the free schools in said city, and the welfare of the public concerning the same.

Sec. 9. The recorder's court shall have jurisdiction of all suits wherein the said board may be a party, and all prosecutions for violation of its by-laws and ordinances.

Sec. 10. The said board shall annually publish in some newspaper of the city, (or in pamphlet form,) a statement of the number of schools in said city, the number of pupils instructed therein the year preceding, the several branches of education pursued by them, and the expenditures for all things authorized by this act.

Sec. 11. The board of education shall establish and maintain a district library.

Sec. 12. The common council are hereby required, once in each year, to assess and levy a tax on all the real and personal property in the said city, according to the city assessment rolls of that year, which shall not be less than four dollars for every child in said city between the ages of five and twenty years, the number of children to be ascertained by the last report on the subject, on file in the office of the clerk of the county of Wayne, or in the office of the secretary of said board of education, and certified by the president thereof; and said tax shall be collected in the same manner as the moneys raised to defray the general expenses of the said city; and all said moneys shall be disbursed by the authority of said board for the maintenance and support of said schools, and for no other purpose.

Sec. 13. That it shall be the duty of the board of education of the city of Detroit, annually to make an estimate of the amount of taxes deemed necessary for the ensuing, or then current year, for all purposes of expenditure within the powers

of said board, which estimate shall specify the amounts required for the different objects of expense as particularly as may be, including teachers' salaries, purchase of lots, buildings, repairs, fuel, and general current expenses.

Sec. 14. That for purchasing lots, and paying for lots already purchased in said city for the use of the free schools thereof, and for erecting school-houses, with the necessary out-buildings, fixtures, and furniture on any lots now owned by said board in said city, or which said board may hereafter acquire, the said board is hereby authorized and empowered to levy and collect, in addition to all other taxes authorized by this act to be assessed and levied for school purposes in the city of Detroit, a sum not to exceed in any one year five mills on the dollar of all the taxable valuation of the real and personal property in said city; said tax, when so levied and collected as provided in section twelve of this act, shall be paid to the treasurer of said board of education, on the order of the president thereof, and shall vest in said board for the sole purposes hereinafter stated: *Provided*, That it shall be competent for the common council of the city of Detroit to issue the bonds of said city for the whole or any part of the said tax, not exceeding in any one year five mills on the dollar of the taxable valuation of the real or personal property as aforesaid, said bonds to run twenty years, but payable at any time after five years, and bearing interest at the rate of seven per cent per annum.

Sec. 15. It shall be the duty of the president of said board of education to submit, or cause to be submitted to the approval of the citizens of said city, at the meeting required by law to be held for the approval of such annual taxes voted by the common council of said city, as require such approval of a citizens' meeting, the said tax, not exceeding five mills on the dollar of the taxable valuation of the real and personal property as aforesaid; and the said citizens' meeting may, if said estimate shall be approved, determine what portion of said tax shall be levied and collected in that year, and what portion paid.

raised by the issue of the bonds of the city provided in section fourteen of this act.

Sec. 16. When the collectors of said city shall have made their final returns of the collection of taxes, the receiver of taxes of said city shall thereupon notify the secretary of said board of education, stating the whole amount of school tax provided for in this act, the amount collected, and the amount returned by them as unpaid or uncollected.

Sec. 17. The city treasurer shall, on the order of the said board, pay to the treasurer of the said board of education, the moneys accruing from the taxes provided for in this act for the support of the said free schools, taking his receipt therefor, endorsed on the back of the president's order, and also a duplicate receipt, which he shall file with the secretary of the said board.

Sec. 18. That all taxes which have been or may hereafter be assessed and levied, by the common council, under and by virtue of the authority conferred by this act, shall be set forth in the assessment roll of said city, in a separate column, apart and distinguished from all other city taxes.

Sec. 19. That said board of education may from time to time, on such term or terms of payment as they may deem proper, borrow a sum or sums of money for temporary purposes, not exceeding in all the sum of fifteen thousand [dollars] (\$15,000), for the purposes of the free schools, as specified in this act, and to issue the bonds of said board in such form, and executed in such manner as said board may direct. The bonds issued under this act shall be a charge upon all the property of said board, which shall constitute a security for the payment thereof: *Provided*, That the said board shall issue no bond for a less sum than five hundred dollars.

Sec. 20. Any non-resident paying taxes in the said school district of the city of Detroit, may send scholars to any school therein, and such persons shall for that purpose have and enjoy all the rights and privileges of a resident of said district.

Where receiver of taxes to be notified by treasurer of city of bond

When city treasurer to pay moneys to treasurer of board

Taxes to be set forth in separate column

Power of board, to borrow money and issue bonds

Bonds to be charge upon property of board

Proviso

Non-resident tax-payer to send scholars

Sec. 21. All acts or parts of acts, inconsistent with this act, ^{acts} heretofore passed, pertaining to the free schools of the city of Detroit, are hereby repealed.

Sec. 22. This act shall take immediate effect.
Approved February 24, 1869.

[No. 284.]

AN ACT to amend section one, of act number two hundred and ninety-one, of the session laws of eighteen hundred and sixty-seven, entitled "An act to incorporate the village of Hubbardston," approved March second, eighteen hundred and sixty-seven.

SECTION 1. *The People of the State of Michigan enact, That* section one, of act number two hundred and ninety-one, of the session laws of eighteen hundred and sixty-seven, entitled "An act to incorporate the village of Hubbardston," approved March second, eighteen hundred and sixty-seven, be amended so as to read as follows:

SECTION 1. *The People of the State of Michigan enact, That* boundaries all of that tract of country situated in the counties of Ionia and Clinton, State of Michigan, and described as follows, to wit: The east half, and the east half of the west half of section number twelve; the north-east quarter, and the east half of the north-west quarter of section thirteen, township eight north, of range five west; and the west half of the west fractional half of section seven; and the west half of the north-west fractional quarter of section eighteen, in township eight north, of range four west, be and the same is hereby constituted a village corporate, by the name of the village of Hubbardston.

Sec. 2. This act shall take immediate effect.
Approved February 24, 1869.

Attachment IV

DPL Property Tax Captures for Fiscal Years 1999 to 2021

Tax Captures
Fiscal Years 1999 to 2021

| Object code | Fiscal year | | | | | | | | | | | | | | | | | | | | % of total | | | | |
|------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|-----------|-----------|------------|-----------|---------------|---------------|-------|
| | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 (1) | FY2015 | FY2016 (2) | FY2017 | FY2018 | | FY2019 | FY2020 | FY2021 | TOTAL |
| 739990 | 1,169,101 | 476,930 | 0 | 0 | 0 | 0 | 52,843 | 89,268 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,218 | 186,040 | 235,180 | 349,264 | 341,329 | 99,040 | 106,133 | 131,715 | \$ 3,248,062 | 6% |
| 739991 | 0 | 804,981 | 1,191,784 | 1,612,705 | 1,389,050 | 1,526,514 | 1,486,305 | 1,932,863 | 1,377,072 | 1,723,639 | 476,361 | 1,538,862 | 1,486,740 | 1,329,468 | 1,208,546 | 708,629 | 636,074 | 1,411,363 | 1,927,231 | 2,186,934 | 2,526,106 | 2,854,553 | \$ 33,101,678 | 64% | |
| 739992 | 0 | 383,320 | 572,346 | 577,409 | 523,971 | 463,759 | 450,263 | 584,779 | 634,114 | 603,779 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$ 4,793,640 | 9% |
| 739994 | 0 | 0 | 628,302 | 766,288 | 522,350 | 449,072 | 483,594 | 798,075 | 819,841 | 780,710 | 591,336 | 877,849 | 388,311 | 391,588 | 156,984 | 272,160 | 255,474 | 144,862 | 183,156 | 438,290 | 479,866 | 543,518 | \$ 10,887,839 | 21% | |
| TOTAL TAX CAPTURES Per fiscal year | 1,169,101 | 1,665,131 | 2,392,432 | 2,956,402 | 2,435,371 | 2,439,345 | 2,420,162 | 3,191,595 | 3,476,086 | 2,711,562 | 2,314,975 | 1,354,210 | 2,454,955 | 1,875,051 | 1,721,056 | 1,436,748 | 1,166,629 | 1,126,728 | 1,905,489 | 2,453,716 | 2,724,363 | 3,112,125 | 3,529,786 | \$ 52,031,219 | 100% |

NOTE THE PUBLIC ACTS:
 P.A. 381 OF 1985 Brownfield Redevelopment Financing act
 P.A. 137 OF 1975 Downtown Development Authority
 P.A. 530 OF 2004 Tax Incremental Finance Authority
 P.A. 281 OF 1986 Local Development Financing Act

BROWNFIELD
 DDA
 Improvement Fund-General Motors TIFA
 Improvement Fund-Chrysler LDFA

In FY 2019 COD decided to net these charges against Property Taxes in object code 401100 and not report them as individual expenses. DPL does not support this move due to LACK OF TRANSPARENCY (it doesn't show TAX CAPTURES).
THE DISCUSSION IS STILL GOING ON

Source: DPL financial records.

Notes:
 (1) For FY 2014, \$1,097,372 is the final figure for property tax captures as reflected in DPL's audited FY 2014 financial statements. The \$339,376 difference between the FY 2014 figure in the above chart and financial statements appears to be due to audit adjustments. The DDA property tax capture is \$968,979, which is 88.3% of \$1,097,372, based on DDA's percentage of original total property tax captures for FY 2014.

(2) For FY 2016, \$437,620 is the final figure for property tax captures as reflected in DPL's audited FY 2016 financial statements. The \$689,108 difference between the FY 2016 figure in the above chart and financial statements appears to be due to audit adjustments. The DDA property tax capture is \$246,818, which is 56.4% of \$437,620, based on DDA's percentage of original total property tax captures for FY 2016.

Attachment V

“TIF Capture and Tax Abatements”, Jay B. Rising, CFO and Kevin Johnson, CEO,
DEGC, dated October 19, 2022



**OFFICE OF THE
CHIEF FINANCIAL OFFICER**

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Phone 313•628•2535
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OCFO@detroitmi.gov
www.detroitmi.gov

TO: Honorable Scott Benson, Council Member
FROM: Jay B. Rising, Chief Financial Officer *JBR*
Kevin Johnson, CEO, Detroit Economic Growth Corporation
DATE: October 19, 2022
RE: TIF Capture and Tax Abatements

In your memorandum dated March 31, 2022, you requested we report on the fiscal impact to the City of Detroit if the Detroit Public Library (DPL) and Detroit Public Schools Community District (DPSCD) were removed as capturable taxing jurisdictions for tax increment financing (TIF) purposes and were exempted from tax abatements. In addition, you requested that we report on the impact of such a policy change to Detroit's ability to attract and compete for future real estate development and tenancing opportunities.

TIF and tax abatements are governed by State law. The City has no authority to pick and choose which levies and taxing jurisdictions are exempted under the Michigan statutes that create and govern TIF plans and tax abatements to support economic development. Public libraries may exempt their taxes from certain TIF plans under certain conditions outlined in statute, but those conditions are not present today for DPL. As such, the question at hand is a hypothetical one.

For background, in 2013 in anticipation of the LCA, the DDA amended its TIF plan to add the area north of I-75 (TID-8), extend the duration, and otherwise provide for the support for the land contributions and TIF bonds for the arena. All taxing jurisdictions were provided notice of the proposed amendments and, under the DDA act at the time, they all had the opportunity to "opt out" of the to be added area within 60 days following the public hearing. The library attempted to opt-out after the deadline and was therefore ineffectual. However, as an accommodation to the library, the DDA entered into a tax sharing agreement allowing all tax increment revenues generated in TID-8 to be "shared" with the library, with the library receiving 100%.

In 2014, the library's millage was up for renewal and the ballot language included certain language purporting to limit the capture of tax increment revenues by DEGC entities to 5%. City of Detroit Corporation Counsel issued a legal opinion providing that the language was unenforceable as it attempts to supersede state law.

In late 2016/early 2017, amendment to the DDA act gave libraries additional opt-out rights. However, due to the language of the legislation, DPL was not able to exercise that opt out when the DDA last amended its plan in 2017 as State Treasurer and Mayoral consent would have been required according to a legal opinion issued by City of Detroit Corporation Counsel.

Before a TIF plan or tax abatement is in effect, taxing jurisdictions receive revenues based on the value of the property prior to the construction of redevelopment-related improvements that increase the property value being taxed. Under a TIF plan, as the taxable value of the property increases, the incremental taxes can be captured to offset certain costs associated with economic development activities. Depending on the TIF authorizing statute, the captured increment taxes can be used for costs within the approved TIF plan area that include, but are not limited to, infrastructure improvements, environmental remediation, property acquisition, revitalization of vacant and

underutilized properties, rehabilitation of historic buildings, assets, and facades and business recruitment and retention programs. Captured incremental taxes can also be used to finance debt service such as the issuance of bonds.

Separately, tax abatements enable redevelopment by reducing taxes that would otherwise have to be paid on account of the improvements. Because the taxes paid on the value of the land before redevelopments are not abated or captured, taxing jurisdictions see no reduction of what they collected prior to the abatement. Over time, they receive more revenues than they would have if the abatement were never approved.

These economic development tools enable developments that would not be constructed but for the approved TIF and tax abatements. This “but for” test confirms that without that approval, the subject development will not move forward. No new revenue would be unlocked by the resulting development – whether partially abated revenues during the abatement term or, more significantly, the revenues paid on the development after the abatement expires.

In urban areas like Detroit that face development challenges due to issues such as environmental conditions created by prior uses of the property, aging infrastructure, decaying or obsolete buildings, these economic development tools can “level the playing field” with developing exurban areas and direct development back into urban core areas. Without these tools, Detroit would lose the opportunity for jobs-generating economic development activity, as the properties would remain vacant. Thus, the fiscal impact to the City of Detroit of losing these developments would not only be future incremental property taxes, but also the incremental income taxes from both the construction jobs and the ongoing jobs once the development opens for business.

Attachment VI

Interlocal Agreement Regarding Tax Capture Sharing between DPL and DDA

INTERLOCAL AGREEMENT
REGARDING TAX CAPTURE SHARING

THIS INTERLOCAL AGREEMENT REGARDING TAX CAPTURE SHARING (hereinafter referred to as the "Agreement") is made as of January 21, 2014, by and between the DETROIT PUBLIC LIBRARY, a Michigan public body corporate (hereinafter "Library") and the CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY, a Michigan public authority and body corporate organized and existing under Act No. 197 of the Public Acts of 1975, as amended (hereinafter "DDA").

WHEREAS, the DDA was established in 1976 by ordinance of the City of Detroit (the "City") pursuant to Act No. 197 of the Public Acts of 1975, as amended ("Act 197") with the statutory purpose of, among other things, halting property value deterioration and encouraging economic growth in the downtown business district of the City; and

WHEREAS, the DDA currently captures tax increment revenues, as defined in Act 197, within its Development Area No. 1 (the "Development Area") pursuant to its Tax Increment Financing and Development Plan for Development Area No. 1 (as amended through date hereof, the "DDA Plan"); and

WHEREAS, the Library is a taxing jurisdiction levying ad valorem property taxes within the Development Area; and

WHEREAS, on June 26, 2013, the DDA board of directors approved amendments to the boundaries of the DDA downtown district to include the area depicted in Exhibit 1 and legally described in Exhibit 2, known for purposes of tax assessment, collection and disbursement as "DDA TIF District 1-8" (hereinafter, the "2013 Expansion Area"); and

WHEREAS, on June 26, 2013, the DDA board of directors also approved certain amendments to the DDA Plan (as so amended, the "DDA 2013 Plan"), which amendments include, among other things, the expansion of the Development Area to include the 2013 Expansion Area; and

WHEREAS, on September 5, 2013, the DDA held public hearings required under MCL 125.1653(2) regarding the DDA 2013 Plan, including the expansion of the downtown district and the Development Area to include the 2013 Expansion Area); and

WHEREAS, on December 20, 2013, the Detroit City Council adopted an ordinance to expand the DDA downtown district to include 2013 Expansion Area and an ordinance to adopt the 2013 DDA Plan; and

WHEREAS, pursuant to MCL 125.1664(4), the DDA may enter into agreements with taxing jurisdictions to share a portion of the captured assessed value of a district; and

WHEREAS, as an accommodation to the Library, at the Library's request, the DDA has agreed to share the captured assessed value of the 2013 Expansion Area as described in this Agreement; and

WHEREAS, it is the intent of the parties that from and after the effective date of the

DDA 2013 Plan, all of the Library Millages (as defined below) captured by the DDA from real and personal property in the 2013 Expansion Area shall be shared with and remitted to the Library; and

WHEREAS, the parties desire to execute this Agreement to document the parties' agreement with respect to the disposition of tax increment revenues attributable to the Library Millages (as defined below) in the 2013 Expansion Area.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties do hereby agree as follows:

1. The above recitals are incorporated into this Agreement as if set out word for word.
2. From and after the effective date of the DDA 2013 Plan, the DDA shall share with the Library tax increment revenues captured from the 2013 Expansion Area in the amount equal to 100% of the amount of such captured tax increment revenues attributable to Library Millages collected from real and personal property within the 2013 Expansion Area (the "Library Captured Revenues"). For purposes of this Agreement, "Library Millages" mean all of the Library's assessments and millages including, without limitation: 1) the Library's existing millages (currently totaling 4.6307 mills) and any renewals thereof; 2) any new additional Library millages (including, without limitation, millages levied to restore Headlee rollbacks) and any renewals thereof; and 3) any debt millages levied on behalf of the Library. The DDA shall submit a request to the City Treasurer that the Library Captured Revenues be paid directly to the Library at such times and in such manner consistent with the disbursement of other ad valorem property taxes of the Library and collected by the City. In the event that the City Treasurer refuses to comply with such request, promptly upon receipt from the City Treasurer of the Library Captured Revenues shall remit the Library Captured Revenues to the Library.
3. Promptly following receipt of same, DDA shall provide the Library with copies of any accounting of the Library Captured Revenues that it receives from the City including but not limited to the taxable value of the 2013 Expansion Area, the initial assessed value (as defined in Act 197) of the 2013 Expansion Area, and the Library Captured Revenues showing the collections of ad valorem real and personal property taxes and specific local taxes (as defined in Act 197) from all real and personal property within the 2013 Expansion Area. Further, the DDA shall reasonably cooperate with any request for such information made by the Library to the City.
4. In consideration of the sharing of Library Captured Revenues as provided in this Agreement, the Library agrees to continue to provide public library programs and services related to small business development and literacy.
5. The Library acknowledges and agrees that this Agreement shall not modify or affect the capture by the DDA of any ad valorem property taxes assessed by the Library in the Development Area other than those assessed within the 2013 Expansion Area.
6. The Library may use the Library Captured Revenues remitted to the Library pursuant to this Agreement for all library purposes authorized by law.

7. This Agreement shall not be amended except by a written amendment duly approved and executed by the DDA and the Library.
8. This Agreement shall inure to the benefit of, and be binding upon, the parties and all of their respective heirs, administrators, executors, personal representatives, successors and assigns.
9. This Agreement (including the validity, construction, interpretation, and administration of this Agreement) shall be governed by the laws of the State of Michigan. This Agreement shall be enforceable in a court of competent jurisdiction.
10. The DDA and the Library shall each in good faith defend the validity of this Agreement.
11. This Agreement may be executed in counterparts, each of which shall be considered equally authentic and together shall be deemed to be one in the same document.
12. By signing below, the representatives of the DDA and the Library hereby represent and warrant that this Agreement has been duly approved and that they are authorized to execute this Agreement on behalf of their respective party.
13. This Agreement, including the exhibits hereto, contains all the promises, agreements, conditions, representations and understandings between the parties hereto, and supersedes any prior agreements or understandings between those parties, with respect to the subject matter of this Agreement. There are no other promises, agreements, conditions, representation or understandings, either oral or written, between the parties, other than those set forth in this Agreement or provided for herein, with respect to the subject matter of this Agreement. The parties acknowledge that they are not relying upon any oral or other representations in entering into this Agreement and that this Agreement is the final and exclusive repository of all terms and conditions of their Agreement and shall be the sole instrument in ascertaining the terms and conditions making up their Agreement.
14. The DDA and the Library agree that the parties shall have all remedies available at law or equity for any breach of this Agreement.
15. This Agreement is expressly contingent upon, and shall become effective upon the last to occur of, the following: (i) execution by the parties' authorized signatories, (ii) approval of the Detroit Library Commission, (iii) approval of the DDA board of directors, and (iv) approval by the City of Detroit, including the City of Detroit's Emergency Manager (to the extent required by law), of the amendments of the DDA downtown district boundaries to include the 2013 Expansion Area, and the DDA 2013 Plan.
16. This Agreement shall be and remain in effect at all times that the DDA is authorized to capture any tax increment revenues within the 2013 Expansion Area under the DDA 2013 Plan (including any extensions or other amendments of the DDA 2013 Plan adopted from time to time).

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the Library and the DDA, by their authorized officers and representatives, have executed this Agreement.

DETROIT PUBLIC LIBRARY

By: Jo Anne G. Mombourne
Name: Jo Anne G. Mombourne
Title: Executive Director
Date: January 21, 2014

CHERYL K. WRIGHT-BLESSETT
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Jul 14, 2015
ACTING IN COUNTY OF Wayne

Approved as to form:

Rebecca A. Navin
Rebecca A. Navin, Esq.
Counsel to DDA

**CITY OF DETROIT DOWNTOWN
DEVELOPMENT AUTHORITY**

By: Atanasios Pappas
Name: ATANASIOS PAPPAS
Title: Authorized Agent
Date: 1/23/14

By: Brian Hildwick
Name: Brian Hildwick
Title: Authorized Agent
Date: 1/23/14

City of Detroit Downtown Development Authority
Exhibit B to Section 102

EXHIBIT 1

DDA District & DDA Development
Area No. 1 - 2013 Expansion

DDA DISTRICT 2013 EXPANSION AREA

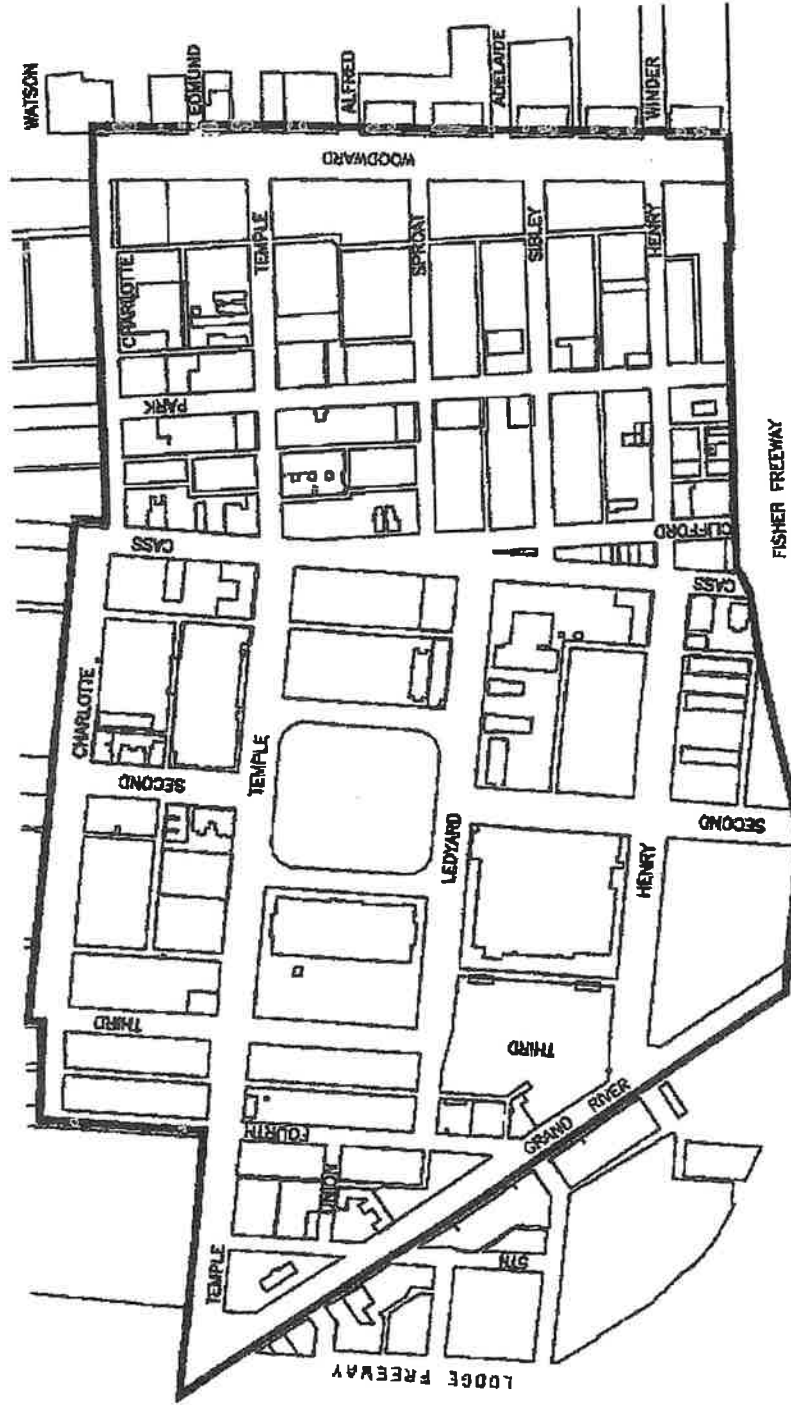


EXHIBIT 2

Legal Description of 2013 Expansion Area

Beginning at the north right of way line of the Fisher Freeway North Service Drive and the east right-of-way line of Woodward Avenue; then north along Woodward Avenue to a point on the north right-of-way line of Charlotte Street and its extension thereof; then west along Charlotte to the west right-of-way line of Fourth; then south along Fourth to the north right-of-way line of Temple; then west along Temple to the west right-of-way line of Grand River; then southeast along the west right-of-way line of Grand River to the north line of the Fisher Freeway Service Drive; then east along the north line of the Fisher Freeway Service Drive to the point of beginning.

Attachment VII

Legal opinion issued by City of Detroit's Corporation Counsel dated February 9, 2018, and City Council's waiver of the attorney client privilege on this legal opinion

RESOLUTION

RESOLVED, that in order to promote a thorough discussion of all issues regarding the legal effect of limiting language included in the Detroit Public Library's 2014 millage renewal proposition, the Detroit City Council hereby waives the attorney client privilege on the Law Department's memorandum dated February 9, 2018, entitled *Detroit Public Library – claim of .5% cap on the capture of TIF revenue*.



CITY OF DETROIT
LAW DEPARTMENT

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PRIVILEGED AND CONFIDENTIAL MEMORANDUM

To: Hon. City Council of Detroit
From: C. Raimi, deputy corporation counsel *CWR*
Re: Detroit Public Library – claim of .5% cap on capture of TIF revenue
Date: February 9, 2018

Introduction

We have been asked whether the last sentence of Proposal L, which was a Detroit Public Library (“Library”) operating millage renewal proposition formally approved by the City of Detroit City Council on July 29, 2014 (and earlier approved in concept on May 6, 2014), and approved by the voters within the City of Detroit, Michigan on August 5, 2014, operates as a limitation on the aggregate capture of tax increment revenues derived from that millage by the various tax increment finance authorities created by the City under state law and administered by the Detroit Economic Growth Corporation (the “TIF Captures”).

Proposal L reads:

“Shall the tax limitation on taxable property for operating and maintaining the Detroit Public Libraries, be renewed for up to 3.9943 mills (\$3.9943 on each \$1,000.00 of taxable value) for 10 years (July 1, 2015 to June 30, 2025). This renewal combines two millages that voters approved on November 2, 2004, which expire June 30, 2015. 3.9943 mills will raise estimated revenue of \$37,700,000 the first year, if approved, levied, and 100% collected. Of this, 5% may be captured by the tax increment authorities under the Detroit Economic Growth Corporation, as required by state law.” (emphasis added)

The 5% reference was presented in an informational matter, rather than as a substantive part of the proposal and certainly not as a legally binding cap. As shown below, any purported cap would be preempted by state law. Moreover, neither of the City Council Resolutions of May 6, 2014 and July 29, 2014 (which approved the ballot question language) makes any reference to any

purported 5% limitation. For those reasons and those stated below, the 5% reference has no legal effect on the TIF Captures.

State Law Preemption

Further, the 5% reference cannot operate as a limitation because it would contradict state law, and, in the case of the City of Detroit Downtown Development Authority (the "DDA"), would directly conflict with the terms of a contract entered into by the DDA and the Library earlier in 2014 with respect to the DDA's right and ability to capture tax increment revenues from the Library millage (including renewals thereof) other than in the 2013 Expansion Area referenced in that agreement.

Article VII, Section 22 of the Michigan Constitution of 1963 provides that the electors of each city can adopt or enact resolutions and ordinances relating to its municipal concerns, property and government, "subject to the constitution and law."

The phrase "subject to the constitution and law" has been addressed in the courts, and generally means that any ordinances adopted by a municipality cannot contract Michigan constitutional or state law. It is reasonably assumed here that the City meets any relevant definition of a municipality.

See People v. Llewellyn, 401 Mich. 314 (1977). (A municipality is precluded from enacting an ordinance if 1) the ordinance is in direct conflict with the state statutory scheme, or 2) if the state statutory scheme pre-empts the ordinance by occupying the field of regulation which the municipality seeks to enter, to the exclusion of the ordinance, even where there is no direct conflict between the two schemes of regulation.).

Llewellyn also elaborates on a four-pronged analysis for determining whether state law preemption exists and should control.

1. Where state law expressly provides that the state's authority to regulate in a specified area of the law is to be exclusive. Noey v Saginaw, 271 Mich 595; 261 NW 88 (1935).
2. An examination of legislative history. Walsh v River Rouge, 385 Mich 623; 189 NW2d 318 (1971).
3. The pervasiveness of the state regulatory scheme may support a finding of pre-emption. Grand Haven v Grocer's Cooperative Dairy Co, 330 Mich 694, 702; 48 NW2d 362 (1951).
4. The nature of the regulated subject matter may demand exclusive state regulation to achieve the uniformity necessary to serve the state's purpose or interest.

The imposition of such a qualification in Proposal L, having been approved by City Council and approved by the electors, is tantamount to enactment by the City of a municipal ordinance. However, this circumstance is unique, in that the renewal of a millage has not been codified as an

ordinance of the City, and the case law does not address the approval of local ballot proposals that contain additional qualifications that conflict with existing law.

Nevertheless, if the 5% reference could be read as limiting the available tax increment revenues from capture contrary to the provisions of state law, the concerns, policy considerations and result are similar.

With respect to this issue, state law generally controls the procedures for implementing the capture of tax increment revenues. With respect to the Detroit Downtown Development Authority, that is Michigan Public Act 197 of 1975 ("Act 197"), as amended. For the Detroit Brownfield Redevelopment Authority, that is Michigan Public Act 381 of 1996. There are similar statutes in force for similar tax increment revenue capturing bodies.

Without expanding on each of these statutes, they all generally contain provisions outlining the requirements for: (1) capturing tax increment revenues in a certain area, (2) for certain entities to opt out of such capture, and in some instances contain (3) provisions for parties to agree to some modified form of capture.

To our knowledge, none of the statutes allow conditions on tax increment revenue capture to be imposed through qualifications contained in ballot language. Instead, the state legislature has prescribed the procedures for capturing such revenues, and for limiting them. This includes recent amendments specifically addressing the opt-out rights of libraries. There are multiple state-level statutes governing various entities who have the ability to capture tax increment revenues, and it is important for the application of these redevelopment endeavors to be applied consistently state-wide.

It would be difficult to conclude that the state constitution and legislature could be avoided because a voter approved ballot proposal was not technically codified as an ordinance. Instead, existing state law should control, and with respect to the tax increment capturing bodies in question, they have met the legal and procedural state law requirements to implement a tax increment revenue capture.

Other Considerations

As least one Michigan Attorney General Opinion has concluded similarly, that taxes collected on incremental values must be remitted to the authorities, and that the legislature determines when there are exceptions. See Michigan Attorney General Opinion 6687 (1991).

The Library has not presented any legal justification for using ballot language to circumvent state law. Instead, the law provides the requirements for ballot language.

Another Michigan Attorney General opinion refers to the specific statutory authority governing ballot requests in support of the Library. See: Attorney General Opinion 6224 (1984), quoted in part below:

"In answer to your third question, it is my opinion that the provisions of 1933 PA 62, Sec. 3(3), *supra*, and 1954 PA 116, *supra*, are to be observed in placing the tax rate limitation increase for library

purposes proposal on the ballot for consideration by the voters of the City of Detroit.”

Section 3(3), referenced in the above quote, is provided below:

“If any local unit holds an election for the purpose of increasing the total tax rate limitation, as provided for by section 6 of article IX of the state constitution of 1963, the vote at the election shall be taken by ballot and the ballots shall be cast and counted in the manner provided by the general election laws of this state. The ballots shall state the amount in dollars per thousand dollars of taxable value by which it is proposed that the total tax rate limitation on property in the local unit be increased and the number of years for which it is proposed that the increase shall be effective. If a previous increase in the total tax limitation on property is about to expire and a new increase for the identical amount levied in the immediately preceding year or a lesser amount is proposed, the ballot proposal may be presented as a renewal or continuation of the previous increase for a specified number of years. The ballot shall specify the intended purpose of the renewed or new funds. The ballot may also state the purpose for which the funds derived from the voted increase over the constitutional tax rate limitation may be used, and those funds shall not be considered by the board in dividing the net limitation tax rate among the various governmental units under this act.” MCL 211.203 (1933 PA 62) Section 3(3) (emphasis added).

Nothing in the quoted language provides authority for the ballot to limit what otherwise can be captured by law. At most, additional language in the ballot proposal is informational only (even if incorrect), and the voters were simply deciding whether the renew library millage. That is the legal authority the Library has.

The ballot language states that the tax increment authorities in question are “under the Detroit Economic Growth Corporation, as required by state law.” That there are no authorities “under DEGC”, and none that are required to be, suggests that this ballot provision has no effect.

Obligations in support of the Little Caesars Arena have been issued in reliance on projected capture pursuant to state law, and limiting that capture now could present an impairment problem for the City, the Detroit Downtown Development Authority (“DDA”) and others.

Finally, as referenced earlier, with respect to the DDA, any purported limitation on TIF Captures would plainly conflict with the terms of the Interlocal Agreement Regarding Tax Capture Sharing, dated January 21, 2014, between the Library and the DDA. That agreement provides for the DDA’s continuing capture of all tax increment revenue from existing and new Library millages, including renewals thereof, in the DDA’s Development Area, excepting the 2013 Expansion Area (as defined in that agreement). Needless to say, that agreement makes no reference to an existing or proposed 5% aggregate limitation on TIF Captures. The agreement

further states that it "shall not be amended except by a written amendment duly approved and executed by the DDA and Library".

Conclusion

The 5% reference in Proposal L is informational only, and not legally effective in limiting the amount of tax increment revenue capture that must be remitted to the capturing entities within the jurisdiction.

Cc: John Naglick
Christa McClellan
David Whitaker
Lawrence Garcia
David Massaron

Attachment VIII

Legal opinion issued by City of Detroit's Corporation Counsel dated May 8, 2017

(Note: This legal opinion was not a privileged and confidential memorandum)



CITY OF DETROIT
LAW DEPARTMENT

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May 8, 2017

Mr. John Hill
Chief Financial Officer
City of Detroit
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Re: Request for Opinion on Authority of Detroit Public Library to Exempt Taxes from Capture by City of Detroit Downtown Development Authority and Brownfield Redevelopment Authority

Dear Mr. Hill:

You have requested an opinion of Corporation Counsel as to the authority of the Detroit Public Library (the "Library") to exempt its taxes from capture by the City of Detroit Downtown Development Authority (the "DDA") and Brownfield Redevelopment Authority (the "BRA"). You have asked, specifically, whether, if the Library is permitted to exempt its taxes from capture (or "opt out") by the DDA, it may opt out now, or do so as part of a future process by the DDA to amend its development plan (as defined in the DDA Act, referred to below) and related financing plan (both plans together, a "Plan"). You have also asked when, as part of a process to amend the DDA Plan to extend the duration of the Plan, the City Council may act to approve the Plan amendment, and whether it must wait for the Library's election.

Our summary responses are as follows:

1. **No DDA exemption or opt out for Library taxes.** Taxes levied for Library purposes are not exempt from capture by the DDA, and the Library is not permitted to opt out of capture by the DDA in connection with an extension of the duration of the Plan or any other Plan amendment.
2. **No BRA exemption or opt out for Library taxes.** Taxes levied for Library purposes are not exempt from capture by the BRA, and the Library is not permitted to opt out of capture by the BRA under any circumstances.
3. **Any Library opt out of DDA capture requires concurrence.** While the current language of the DDA Act does not permit the Library to opt out of capture by the DDA in connection with an extension of the duration of the Plan, if the Library were



permitted to opt out, such opt out would not be effective without the concurrence of the Mayor and, if State-issued DDA bonds remain outstanding, the State Treasurer.

4. **No need for Council to wait for Library action.** Regardless of any action taken by the Library to opt out in connection with an extension of the duration of the DDA Plan, whether or not such action is held to be valid, the City Council may act to approve an extension to the duration of the Plan as it does to approve any Plan amendment, following the notice and public hearing requirements under Section 18 of the DDA Act (defined below), and a waiting period to receive recommendations from a development area citizens council under Section 26 of the DDA Act. The City Council is not required to wait for any action on behalf of the Library following the public hearing to approve an extension of the duration of the Plan

Our analysis is below.

General Exemption and Opt Out Authority for Libraries

The Downtown Development Authority Act, Michigan Public Act 197 of 1975, as amended (the “DDA Act”) was amended in 2016 to authorize public libraries to exempt taxes levied for library purposes from capture under certain circumstances. Similar amendments were introduced for the Brownfield Redevelopment Financing Act, Michigan Public Act 381 of 1996, as amended (the “BRA Act”), as SB 579 of 2015, but as of the date of this Opinion have been passed only by the Senate. The Library currently has no right to opt out of capture by the BRA.

Library Taxes Approved by Voters after 2016 Exempt from Capture

Michigan Public Act 506 of 2016 amended the DDA Act, first, to amend the definition of “tax increment revenues”¹ to expressly exclude library taxes approved by voters after December 31, 2016, from taxes that would otherwise be subject to capture. This exemption from capture is similar to the exemption from capture of taxes levied under the Zoological Authorities Act, Michigan Public Act 49 of 2008, and the Art Institute Authorities Act, Michigan Public Act 296 of 2010, which provide for the exemption of all Detroit Zoo and Institute of Art taxes from capture regardless of any action by a downtown development authority to amend its district boundaries or its Plan. The automatic library exemption differs only in that its application is limited to taxes approved by voters beginning with elections in 2017.

Library Taxes Exempt from Capture if DDA has no Outstanding Obligations

Section 3(3) of the DDA Act was further amended to exempt library taxes levied before January 1, 2017 from capture when the applicable downtown development authority has no outstanding obligations or other protected obligations (each, as defined in the DDA Act, and

¹ Section 1(cc)(iii)(D)(III).



referred to herein, together, as “Obligations”). Such taxes are automatically exempt unless a library and downtown development authority enter into an agreement to allow for the capture of all or a portion of the taxes. According to records of the DDA and the Municipal Securities Rulemaking Board (the “MSRB”) – which regulates and provides access to information on municipal securities – the DDA has outstanding Obligations.² While any Obligations remain outstanding, taxes levied for Library purposes are not exempt under the current DDA Plan.

Library may Opt Out with Boundary Amendment with City and State Concurrence

The Library is permitted to opt out of capture if the DDA amends the boundaries of the downtown district pursuant to Section 3(3) of the DDA Act. Indeed, any taxing jurisdiction subject to capture may exercise this right. Section 3(3) permits a taxing jurisdiction subject to capture to opt out when a downtown development authority is created, stating, in relevant part, that “[n]ot more than 60 days after a public hearing...the governing body of a taxing jurisdiction levying ad valorem taxes that would otherwise be subject to capture may exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing to create the authority.” The general right to opt out in connection with a downtown district boundary amendment is provided by Section 3(5), which states that “[t]he governing body of the municipality may alter or amend the boundaries of the downtown district to include or exclude lands from the downtown district pursuant to the same requirements for adopting the ordinance creating the authority.”

Under the 2016 amendments, public libraries are subject to additional limitations to exempt their taxes in connection with DDA boundary amendments. Included in the amendment to Section 3(3) is language providing, in relevant part:

[I]f a separate millage for public library purposes was levied before January 1, 2017, and the authority alters or amends the boundaries of a downtown district or extends the duration of the existing financing plan, then the library board or commission may, not later than 60 days after a public hearing is held under this subsection, exempt all or a portion of its taxes from capture by adopting a resolution to that effect...[I]f the library was created under Section 1 or 10A of 1877 PA 164, MCL 397.201 and 397.210A, or established under 1869 LA 233, then any action of the library board or commission under this subsection shall have the concurrence of the chief executive officer of the city that created the library to be effective, and, if the action of the library board or commission involves any bond issued by this state or a state agency, then concurrence of the state treasurer.

² See, e.g., the 2017 annual continuing disclosure statement of the DDA filed with the MSRB, dated January 19, 2017, with respect to the DDA’s 1996C Bonds, 1998A Bonds, 1998B Bonds and the 2014A MSF Bonds (all, as defined in the 2017 annual continuing disclosure statement, and all of which remain outstanding as of the date of this Opinion). The 2014A MSF Bonds were issued by the Michigan Strategic Fund (the “MSF”) to provide financing for the DDA, for which the DDA is obligated, for the Red Wings arena project (referred to in the 2014A Bonds documents as the “Events Center Project”). See, also, reports on EMMA, the Electronic Municipal Market Access website of the MSRB, emma.msrb.org, regarding DDA bonds and Bonds issued by the Michigan Strategic Fund to finance DDA projects. These references and the list of DDA obligations herein are not intended to be exhaustive of outstanding DDA Obligations, but to provide evidence of outstanding DDA Obligations for purposes of this Opinion.



It is our understanding that the Library was created under 1869 LA 233.³ Any action by the Library to opt out under Section 3(3) would therefore require at least the concurrence of the Mayor.⁴ Also, as discussed above, the DDA has among its outstanding Obligations bonds issued by the Michigan Strategic Fund.⁵ An action by the Library to exempt its taxes from capture in connection with a boundary amendment by the DDA would involve a “bond issued by this state or a state agency.” While such bonds remain outstanding, any resolution adopted by the Library to exempt its taxes from capture in connection with a boundary amendment by the DDA will only be effective with the concurrence of both the Mayor and the State Treasurer.

Opt Out Authority Restricted with Plan Amendment

No Opt Out Right when DDA Extends Duration of Plan

As quoted above, the 2016 amendments to the DDA Act added language to Section 3(3) providing, in relevant part, that if “the authority alters or amends the boundaries of a downtown district or extends the duration of the existing financing plan, then the library...may, not later than 60 days after a public hearing is held under this subsection, exempt all or a portion of its taxes from capture by adopting a resolution to that effect.” In isolation, this language may be read to permit a library to opt out of capture when a downtown development authority extends the duration of its Plan. When read within the context of the DDA Act as a whole however, the language in Section 3(3) is ineffective in providing an opt out right for a library in connection with an extension to the duration of the Plan.

Under the general rules of statutory construction, words and phrases must not be read in isolation, but rather must be read within the context of the statute as a whole. *Sun Valley Foods Co. v. Ward*, 460 Mich. 230, 237 (1999) (holding that the court must consider “both the plain meaning of the critical word or phrase as well as ‘its placement and purpose in the statutory scheme.’” (citation omitted)); *Robinson v. City of Lansing*, 486 Mich. 1, 15 (2010) (“statutory provisions are *not* to be read in isolation; rather context matters, and thus statutory provisions are to be read as a whole”; emphasis in original). The Section 3(3) language provides for a library to opt out, specifically, by adopting a resolution to that effect “not later than 60 days *after a public*

³ 1869 LA 233 provided for the Detroit Board of Education and required it to establish a library. 1881 LA 314 amended 1869 LA 233 to, in relevant part, authorized the Detroit Board of Education to appoint board members to a Library Commission to govern the library. In 1901, Local Act 314 provided for the incorporation of the Detroit Library Commission as a separate municipal corporation. The Library Commission incorporated under 1901 LA 314 currently governs the Library. See, e.g., *Kuhn v. Thompson*, 168 Mich. 511 (1912) and; 1983-1984 Mich. Op. Gen. 297 (May 2, 1984)(both referring to the incorporation of the Detroit Library Commission); “The Taxing Authority of the Detroit Public Library”, Report by the Citizens Research Council of Michigan, Sept. 1990.

⁴ Section 3(3) of the DDA Act requires concurrence of the “chief executive officer of the city that created the library”. Section 1(h) of the DDA Act defines “chief executive officer”, in relevant part, as the “mayor or city manager of a city”. Under the City’s strong mayor system, the Mayor is the chief executive officer for purposes of the DDA Act.

⁵ See n. 2 herein. Under Section 3(2) of the Administrative Procedures Act of 1969, Michigan Public Act 306 of 1969, as amended, an agency is, in relevant part, “a state department, bureau, division, section, board...created by the constitution, statute, or agency action.” The Michigan Strategic Fund, acting through its governing board, is a state agency created by Michigan Public Act 270 of 1984, as amended, and is housed within the Michigan Department of Treasury.



hearing is held under this subsection.” (Emphasis added.) Public hearings are held under subsection 3 only when a downtown development authority is created, or when a downtown development authority *amends the boundaries* of the downtown district pursuant to Section 3(5).

An extension to the duration of a financing plan, on the other hand, is accomplished as a Plan amendment.⁶ The procedures, including notice and public hearing requirements, for a Plan amendment are contained, not in Section 3, but in Section 18 of the DDA Act, which begins by stating that “[t]he governing body [of the municipality], before adoption of an ordinance approving or amending a development plan or approving or amending a tax increment financing plan, shall hold a public hearing on the development plan.” These procedures are different, and separate, from the procedures to create an authority under Section 3(3) and, by express extension under Section 3(5), to amend the boundaries of a downtown district.

Michigan courts have upheld the distinction between the types of amendments and their related public hearing requirements where taxing jurisdictions have sought to opt out of capture in connection with Plan amendments. In *Village of Holly v. Holly Township*, the Court held that the public hearing in Section 3 of the DDA Act referred only to a hearing held to create an authority or to amend the boundaries or an existing authority. 267 Mich. App. 461 (2005). The Court explained that, when read as a whole, subsections (1), (2) and (3) of Section 3 “dovetail harmoniously” to establish the procedures for creating a downtown development authority or, through the authority granted by subsection (5), amending the boundaries of an existing authority. *Id.* at 475. As the court states, “the Legislature intended that a taxing jurisdiction’s ability to exempt its taxes from capture is limited to the sixty-day period following a § 3 hearing because there is no similar opt-out provision in § 18 for a TIF plan hearing.” *Id.* at 471.

The 2016 amendments – adding language to permit a library to opt out of capture when a downtown development authority extends the duration of its existing financing plan – do not present a distinction from the facts of the *Village of Holly* case that would challenge that holding. The language in Section 3(3) permitting a library to opt out still requires the resolution to that effect to be adopted not later than 60 days *after a public hearing is held under this subsection*. Under *Village of Holly*, a public hearing held under subsection 3(3) is held only for the purpose of creating an authority or amending the downtown district boundaries, and not for the purpose of extending the duration of a Plan or otherwise amending a Plan.

Arguably, if, under *Village of Holly*, a library is not effectively authorized to opt out of capture in connection with an extension to the duration of a Plan, the language providing that opt out mechanism in the 2016 DDA Act amendments becomes meaningless. This violates another rule of statutory construction, that an “interpretation that renders language meaningless must be avoided.” *Nat’l Pride at Work, Inc. v. Governor*, 481 Mich. 56, 70 (2008); *Robinson*, 486 Mich. At 17-18. The flaw in such an argument however is that to interpret the new Section 3(3) language to appropriately authorize a library to opt out of capture in connection with a Plan amendment would simply allow one meaningless phrase to be chosen over another. In other words, it may not

⁶ Section 14(1) of the DDA Act provides, in relevant part, that a tax increment financing plan “shall include a development plan as provided in section 17, a detailed explanation of the tax increment procedure, the maximum amount of bonded indebtedness to be incurred, and the *duration of the program*...” (Emphasis added.)



be possible to reconcile the stated permission for a library to exempt its taxes from capture when a downtown development authority extends the duration of its financing plan from the requirement in the same sentence for a library to exercise that permission within 60 days of a Section 3(3) (i.e., authority creation or boundary amendment) hearing. If the statute is read to grant a library permission to opt out in connection with an extension of the duration of a Plan, that permission becomes meaningful, but the words in the same sentence referring to a public hearing held “under this subsection” then become meaningless, as the public hearing held in connection with an extension of a Plan’s duration is held only under Section 18.

Furthermore, as the *Village of Holly* court noted, the 60-day opt out window provided to taxing jurisdictions by subsection 3 “exactly corresponds to the sixty-day waiting period of subsection 4 before a municipality may adopt an ordinance creating a DDA⁷ or amending a DDA’s boundaries as permitted by subsection 5.” *Id.* at 475. The subsection 4 waiting period, which expressly applies only to the adoption of an ordinance “establishing the authority,” is *clearly* written to be required when a downtown development authority is created, and through the express authority granted by subsection 5, amending the boundaries of an existing authority. That 60-day waiting period is not required as part of a Plan amendment under Section 18, as the *Village of Holly* court acknowledged, nor was subsection 4 amended to apply to library opt outs. As the City Council is not required to wait for 60 days before approving (and thus finalizing) an extension to the Plan under normal Section 18 Plan amendment procedures, it makes no legislative or practical sense to allow the Library to opt out, potentially, after the amendment process is complete. This alternative interpretation would (1) confuse the otherwise unambiguous distinction between Section 3 procedures and Section 18 procedures, as well as the Section 3(3) and 3(4) 60-day waiting periods, (2) would be inconsistent with the *Village of Holly* holding, and (3) would produce an absurd and catastrophic result, not only for the DDA, but for downtown development authorities across the State who rely, and budget, on the prevailing *Village of Holly* holding.

If DDA Act Permits Library to Opt Out – Requires City and State Concurrence

If the DDA Act were to permit the Library to opt out of capture in connection with an extension to the duration of the DDA’s Plan by adopting a resolution not later than 60 days following a Section 3 hearing (though a Section 18 hearing would normally apply to a Plan amendment,) and the Library adopts such a resolution within that time period, Library taxes still will not be exempt from capture without the concurrence of the Mayor and, if State-issued DDA bonds remain outstanding, the State Treasurer. As discussed above, any action by the Library to opt out under Section 3(3), whether, under this alternative interpretation in connection with a boundary amendment or an extension to the Plan’s duration, would require the concurrence of the Mayor. Also as discussed above, the DDA has outstanding bonds “issued by this state or a state agency.” Thus, any such action would also require the concurrence of the State Treasurer.

⁷ Section 3(4) provides, in relevant part: “Not less than 60 days after the public hearing, if the governing body of the municipality intends to proceed with the establishment of the authority, it shall adopt, by majority vote of its members, an ordinance establishing the authority and designating the boundaries of the downtown district...”



City Council Timeline: No Need to Wait for Library Action

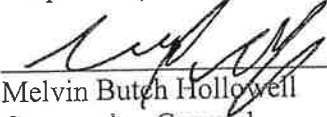
The City Council may adopt an ordinance approving an extension to the Plan's duration, as an amendment to the Plan, following the notice and public hearing requirements in Section 18 of the DDA Act, and a waiting period to receive recommendations from a development area citizens council under Section 26 of the DDA Act. As discussed above, the 60-day waiting period required by Section 3, applicable if the DDA were being established or in connection with a downtown district boundary amendment, corresponds to the 60 days afforded taxing jurisdictions to opt out under such circumstances; the DDA Act imposes no requirement on the City Council to wait for 60 days after a public hearing to amend the Plan, including to extend the duration of the Plan. Even if Section 3(3) of the DDA Act is interpreted to permit the Library to opt out of capture in connection with an extension to the duration of the Plan by adopting a resolution to that effect within 60 days of a Section 18 hearing, the DDA Act does not require the City Council to wait to adopt an ordinance approving the extension of the Plan's duration.

Conclusions

As DDA Obligations are currently outstanding, taxes levied for Library purposes are not exempt from capture by the DDA. The Library is not permitted to opt out of capture in connection with a DDA Plan amendment, including one that extends the duration of the Plan, unless the DDA also amends the boundaries of the downtown district, and then only with the concurrence of the Mayor and the State Treasurer. The DDA Act does not require the City Council to wait 60 days following a public hearing before approving (and thus finalizing) a Plan amendment. Even if the Library acts to opt out in connection with an extension of the duration of the Plan and that action is held to be valid, Library taxes will not be exempt from capture without the concurrence of the Mayor and the State Treasurer. Finally, regardless of any action taken by the Library to opt out in connection with an extension of the duration of the Plan, whether or not permitted by statute, the City Council may act to approve an extension to the duration of the Plan following its procedures for approving a Plan amendment under the DDA Act. The City Council does not need to wait for any action on behalf of the Library to approve an extension to the duration of the Plan.

Please let us know if there are further questions concerning this matter.

Respectfully submitted,



Melvin Butch Hollowell
Corporation Counsel

cc: David Massaron

Attachment IX

Resolution sponsored by Council President Mary Sheffield in April 2022 urging a change in State law to exclude the Detroit Public Schools and the Detroit Public Library from tax abatements and tax captures

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Megha Bamola
LaKisha Barclift, Esq.
Nur Barre
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
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City of Detroit

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Analine Powers, Ph.D.
Rebecca Savage
Ryan Schumaker
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood, MUP
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: April 5, 2022

RE: **RESOLUTION URGING A CHANGE IN STATE LAW TO EXCLUDE
THE DETROIT PUBLIC SCHOOLS AND THE DETROIT PUBLIC
LIBRARY FROM TAX ABATEMENTS AND TAX CAPTURES**

Council President Mary Sheffield requested that the Legislative Policy Division (LPD) draft a RESOLUTION URGING A CHANGE IN STATE LAW TO EXCLUDE THE DETROIT PUBLIC SCHOOLS AND THE DETROIT PUBLIC LIBRARY FROM TAX ABATEMENTS AND TAX CAPTURES.

Attached, please find our draft of the aforementioned resolution.

Attachment

BY PRESIDENT MARY SHEFFIELD

RESOLUTION URGING A CHANGE IN STATE LAW TO EXCLUDE THE DETROIT PUBLIC SCHOOLS AND THE DETROIT PUBLIC LIBRARY FROM TAX ABATEMENTS AND TAX CAPTURES

- WHEREAS,** The mission of the Detroit City Council is to promote the economic, cultural and physical welfare of Detroit's citizens through Charter-mandated legislative functions; and
- WHEREAS,** The mission of the Detroit Public Schools Community District (DPSCD) is to: Create and enhance educational opportunities for Detroit Public Schools students. In addition, the vision of DPSCD is that: Every DPS student will receive the support needed to achieve his/her highest academic potential; and
- WHEREAS,** Correspondingly, within the tenets of its mission, the Detroit Public Library (DPL) enlightens and empowers people by providing diverse and dynamic pathways to literacy and learning. The DPL website also states, "No matter what changes, the library continues to adapt with the city to ensure that Detroiters' needs are met with diverse collections, engaging programs, and enriching classes;" and
- WHEREAS,** Despite their best efforts, DPSCD has struggled to fulfill its mission, since historically, the State of Michigan has used property tax collections in a local area to fund schools, which for a poorer district like Detroit, is an unfair and inequitable method of funding schools. DPL is impacted similarly, given its heavy reliance on local property tax revenue as well. Both institutions require an additional stable and reliable revenue source, to adequately fund their respective operations, so they may accomplish the missions for which they were both established; and
- WHEREAS,** The State of Michigan has previously excluded the Detroit Institute of Arts (DIA) and the Detroit Zoo, from tax incentives, which proved to be economically beneficial to both institutions. A similar State action on behalf of both DPSCD and DPL, may prove to be beneficial to these institutions as well; and
- WHEREAS,** On June 21, 2016, the Michigan Legislature enacted Public Act 192 of 2016, amending The Revised School Code, wherein effective July 1, 2016, the established School District of the city of Detroit, Detroit Public Schools (DPS) became a qualifying district, of which DPS retained the legacy debt of the school system and was to remain a separate, limited entity for the sole purpose of repaying that debt through the collection of local property taxes; and
- WHEREAS,** In addition, Public Act 192 created the Detroit Public Schools Community District (DPSCD), to provide public educational services for residents for the DPS geographic area and all functions, responsibilities and assets of DPS were transferred to DPSCD. Under this arrangement, the State was to directly provide the system's annual allotment of funding, until the legacy debt is repaid, and to subsequently return to its prior method of funding the system through local taxes; and

WHEREAS, Thereby, with an exemption from tax incentives, the result of Public Act 192 would enable DPSCD/DPS to pay off its legacy debt sooner, and once the legacy debt is paid, receive an infusion of income. However, DPL would realize a more immediate impact from an exemption from tax incentives; **NOW, THEREFORE, BE IT**

RESOLVED, That the Detroit City Council, a staunch supporter of both Detroit Public Schools Community District and the Detroit Public Library, is now respectfully requesting that the State of Michigan support these venerable institutions of learning, by changing both the tax abatement and tax capture laws of the State by excluding both DPSCD/DPS and DPL from tax abatements and tax captures, in order to provide the institutions an immediate increase in funding, to address the legacy debt of DPS and an infusion of funds for DPL; **THEREFORE, BE IT FURTHER**

RESOLVED, That the Detroit City Clerk is directed to send this resolution to the Detroit delegations of both the State House and State Senate, in addition to Governor Gretchen Whitmer.

Attachment X

Information on the types of tax abatements listed above as provided by the
DEGC

TYPES OF TAX ABATEMENTS

This comprehensive list of tax abatements can apply to Detroit projects. Each abatement has specific requirements. The DEGC can help you understand which abatement is best suited for your project's needs and estimate future tax payments with the abatement.

| Incentive | Description | Taxes Abated | Example Project |
|---|---|---|--------------------------------------|
| Obsolete Property Rehabilitation Act P.A. 146 of 2000, as amended | Incentive for the rehabilitation of obsolete commercial property | <ul style="list-style-type: none"> Property tax: Millage applied to improved value (excludes school mill) 1-12 Year Term | Detroit Pizza Bar |
| Commercial Rehabilitation Act P.A. 210 of 2005, as amended | Incentive for the rehabilitation of commercial property | <ul style="list-style-type: none"> Property tax: 100% local on improvements (excludes school mill) 1-10 Year Term | The Osi Apartments |
| Neighborhood Enterprise Zone Act P.A. 147 of 1992, as amended | <ul style="list-style-type: none"> New Facilities: 1/2 PRE State avg tax rate Rehab: Value frozen at tax rate prior to certificate approval. Homestead: 50% reduction in City/County operating millage Benefit: See description | <ul style="list-style-type: none"> Property tax: 50% of prior year state average millage rate OR frozen assessment pre-investment 1-15 Year Term | Corktown Lofts |
| Industrial Facilities Exemption P.A. 198 of 1974, as amended | Incentive for the rehabilitation of manufacturing and industrial property | <ul style="list-style-type: none"> Property tax: 50% on improvements and (rare cases 100%) 1-12 Year Term | MYLocker |
| New Personal Property Exemption P.A. 328 of 1998, as amended | Incentive for the installation of new personal property | <ul style="list-style-type: none"> Personal Property Tax: 100% Unlimited Term | WPP |
| Commercial Facilities Exemption P.A. 255 of 1978, as amended | Incentive for mixed-use commercial redevelopment in a qualified downtown revitalization district | <ul style="list-style-type: none"> Property tax: 50% on improvements or frozen assessment pre-investment 1-12 Year Term | Hotel Indigo |
| Michigan Renaissance Zone Act (Michigan Strategic Fund Designated Zone) P.A. 376 of 1996 | Incentive to spur business development in the State of Michigan and prevent physical/infrastructure deterioration | <ul style="list-style-type: none"> Property tax: 100% excluding debt millages & Wayne County RESA 100% Personal Property Tax Abated 100% Local Income Tax Abated 1-15 Year Term Also exempts Utility Users Tax | Ford Corktown Campus |
| Next Michigan Development Act P.A. 275 of 2010 Renaissance Zones P.A. 376 of 1996 | Incentive to spur business development in seven targeted regions - incentive is specific to companies utilizing two or more method of transportation to move products | <ul style="list-style-type: none"> Property tax: 100% 100% Personal Property Tax Abated 100% Corporate Income Tax Abated 1-10 Year Term Also exempts Utility Users Tax | Flex-N-Gate |

Attachment XI

LPD's Report on the Obsolete Property Rehabilitation PA 146 12-year tax
abatement for the 411 Piquette, LLC redevelopment project

LPD's Report on the Industrial Facilities Exemption PA 198 12-year tax
abatement for the Orange Construction, LLC redevelopment project

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


John Alexander
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Sabrina Shockley
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Thomas Stephens, Esq.
Timarie Szwed
Dr. Sheryl Theriot
Theresa Thomas
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: September 13, 2022

RE: Application for an **Obsolete Property Rehabilitation Certificate** by
411 Piquette, LLC Public Act 146 of 2000

The Obsolete Property Rehabilitation Act (OPRA), Public Act 146 of 2000, provides for a tax incentive to encourage the redevelopment of obsolete buildings. This tax incentive is designed to assist in the redevelopment of older buildings, which are contaminated, blighted or functionally obsolete, and to return them to the tax rolls.

The project developer and owner of the property located at 411 Piquette, in the Milwaukee Junction area of Detroit, is 411 Piquette, LLC. The project as proposed, consists of a 4-story former storage facility with 123,422 square feet of building area, built in 1920, on 2.789 acres of land. Designed by Albert Kahn,¹ and attached to Ford's Piquette Avenue Plant, this 110,000-square-foot, 4-story brick building is being re-imagined to 161 *workforce housing*² units, which are comprised of 72 studio, 87 one-bedroom, and 3 two-bedroom units.³

The DEGC is recommending a 12-year tax abatement. In addition to the currently requested PA 146 OPRA tax break, the developer is also seeking the approval of a brownfield plan.⁴

Building Use

¹ Albert Kahn (March 21, 1869 – December 8, 1942) Kahn has been called the "architect of Detroit" and designed almost 900 buildings. [In Energized Detroit, Savoring an Architectural Legacy - The New York Times \(nytimes.com\)](#)

² Workforce housing is housing built to serve families that are sitting between true affordable housing and luxury housing. Typically, they come into play at an income level where you are serving families that earn between 80 and 120 percent of median income. [What Is Workforce Housing? \(And How To Profit in 2022\) | GowerCrowd](#)

³ [2020_0423_411Piquette_Leasing_lowres.pdf \(theplatform.city\)](#).

⁴ The developer is also requesting a \$2,071,298 TIF, reimbursement, with the overall value of the plan estimated at \$4,242,882, which includes local brownfield costs. LPD has provided a review of this under a separate cover.

| | | |
|----------------------------|--------------------------------|-----------|
| Total Rentable Square Foot | 83,623 | |
| Total Parking Spaces | 175 dedicated spaces | |
| Total Apartment Units | 161 Units | |
| Studio | 71 Units (16 units affordable) | |
| 1 Bedroom | 87 Units (19 units affordable) | 2 Bedroom |
| | | 3 Units |

Of the 161 housing units listed above, 35 (21.7%) are planned to be offered as affordable units.

DEGC Project Evaluation Checklist

411 Piquette

Developer: 411 Piquette, LLC

Principal: Peter Cummings, The Platform

| | |
|---|---|
| Obsolete Property Rehabilitation Act, PA 146 of 2000 as amended – current taxes frozen at pre-rehab values, local taxes abated for up to 12 years | |
| Request Type | OPRA District |
| | |
| DEGC Recommendation | Approval of OPRA District and 12 Year Abatement Term |
| Location | |
| Address | 411 Piquette |
| City Council District | District 5 |
| Neighborhood | Milwaukee Junction |
| Located in HRD Targeted Area | Yes, Greater Downtown |
| Building Use | |
| Total Rentable Square Foot | 83,623 |
| Total Parking Spaces | 192 dedicated spaces |
| Total Apartment Units | 161 Units |
| Studio | 71 Units (16 units affordable) |
| 1 Bedroom | 87 Units (19 units affordable) |
| 2 Bedroom | 3 Units |
| Project Description | |
| The project at 411 Piquette will rehabilitate the existing 108,000 square foot historic building into approximately 161 workforce housing units. Built in 1920, the four-story industrial building was designed originally by Albert Kahn Architects. The building was last used as a medical records storage for Henry Ford Health System in 2018 and has since sat vacant. The residential units will consist of 83,000 square feet, leaving 25,000 square feet of common space, amenities, utility shafts, and other building infrastructure. The proposed 161 workforce housing units are comprised of 71 studios, 87 one-bedrooms and 3 two-bedrooms. The project will also reconfigure 192 surface parking spaces on the adjoined paved area. As part of the rehabilitation, the building will receive new utilities including electrical and plumbing, new energy efficient heating, cooling and ventilation systems, new energy efficient windows and doors, kitchen and bathroom cabinetry, appliances, and fixtures, new access stairs and elevators for the upper and lower units, and repairs to the building structure as needed. The structure will also be brought up to code per ADA and Fire requirements. | |
| Sources and Uses | |
| Total Investment | \$37.3M |

| | |
|--|--|
| Sources | \$17.3M Bernard Financial Arranged Senior Loan (47%), \$4.2 million PACE loan (12%), \$3.5M HTC Bridge Loan (10%), \$5.0M CRP Loan (13%), \$6.1M Owner's Equity (15%), \$1.2M HTC Equity Proceeds (3%) |
| Uses | \$5.9M Acquisition (16%), \$25.5M Hard Construction (68%), \$5.9MM Soft Costs (15%) |
| Project Benefits | |
| Estimated Jobs | 2 FTE's; 75 temporary construction jobs |
| Estimated City benefits before tax abatement | \$3,533,710 |
| Total estimated City value of OPRA abatement | \$1,531,734 |
| Less cost of services & utility deductions | \$759,177 |
| Net Benefit to City | \$1,241,526 |

City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years

| | Amount |
|---|--------------------|
| Real Property Taxes, before abatement | \$1,531,734 |
| Personal Property Taxes, before abatement | \$0 |
| New Residential Property Taxes | \$0 |
| Municipal Income Taxes - Direct Workers | \$24,129 |
| Municipal Income Taxes - Indirect Workers | \$6,278 |
| Municipal Income Taxes - Corporate Income | \$9,894 |
| Municipal Income Taxes - Construction Period | \$75,107 |
| Municipal Income Taxes - New Res. Inhabitants | \$742,662 |
| Utility Revenue | \$740,657 |
| Utility Users' Excise Taxes | \$87,213 |
| State Revenue Sharing - Sales Tax | \$8,583 |
| Building Permits and Fees | \$297,250 |
| Miscellaneous Taxes & User Fees | \$10,203 |
| Subtotal Benefits | \$3,533,710 |
| Cost of Providing Municipal Services | (\$18,520) |
| Cost of Providing Utility Services | (\$740,657) |
| Subtotal Costs | (\$759,177) |
| Net Benefits | \$2,774,533 |

Impacted Taxing Units: Incentive Summary over the First 12 Years

| | Additional Benefits Before Tax Abatements | Additional Costs | Real Property Tax Abatement | Business Personal Property Tax Abatement | Brownfield TIF Capture | Net Benefits After Tax Abatements & Incentives |
|----------------------------|---|------------------|-----------------------------|--|------------------------|--|
| City of Detroit | \$3,533,710 | (\$759,177) | (\$1,531,734) | \$0 | (\$1,273) | \$1,241,526 |
| Wayne County | \$368,162 | (\$2,289) | (\$365,434) | \$0 | (\$415) | \$25 |
| Detroit Public Schools | \$1,373,932 | (\$12,064) | (\$592,940) | \$0 | (\$692,857) | \$76,070 |
| State Education | \$273,665 | \$0 | \$0 | \$0 | (\$246,598) | \$27,067 |
| Wayne RESA | \$248,950 | \$0 | (\$248,670) | \$0 | (\$280) | \$0 |
| Wayne County Comm. College | \$147,847 | \$0 | (\$147,679) | \$0 | (\$168) | \$0 |
| Wayne County Zoo | \$4,547 | \$0 | (\$4,547) | \$0 | \$0 | \$0 |
| Detroit Institute of Arts | \$9,099 | \$0 | (\$9,099) | \$0 | \$0 | \$0 |
| Total | \$5,959,913 | (\$773,530) | (\$2,900,103) | \$0 | (\$941,591) | \$1,344,688 |

⁵ Charts courtesy of the DEGC

DEGC Chart of Taxes Before, During & After the Incentive⁶

| | Existing Taxes | New Taxes AFTER Incentive(s) | New Taxes Without Incentive |
|----------------------------|-----------------|------------------------------|-----------------------------|
| City of Detroit | \$11,253 | \$11,341 | \$120,338 |
| Library | \$1,800 | \$1,814 | \$19,247 |
| Wayne County | \$3,114 | \$3,138 | \$33,301 |
| Detroit Public Schools | \$11,605 | \$75,161 | \$124,103 |
| State Education | \$2,332 | \$24,939 | \$24,939 |
| Wayne RESA | \$2,119 | \$2,136 | \$22,661 |
| Wayne County Comm. College | \$1,258 | \$1,268 | \$13,458 |
| Wayne County Zoo | \$39 | \$39 | \$414 |
| Detroit Institute of Arts | \$78 | \$78 | \$829 |
| Total | \$33,597 | \$119,914 | \$359,290 |

7

Conclusion

The estimated total capital investment for this project is **\$37.3 million**. It is also estimated that the completed project will create 2 FTE's and 75 temporary construction jobs, in addition to 161 new housing units. The total value of the 12-year OPRA tax savings is estimated at **\$2,900,103**.

Based on the investment and jobs, this project is estimated to provide the City of Detroit a net benefit of **\$1,241,526**, and all of the impacted taxing units, a net benefit of **\$1,344,688**, which both also account for the TIF capture estimate over the 12 years of the OPRA tax abatement.

Please contact us if we can be of any further assistance.

Attachment: Assessor's Letter, dated July 15, 2022

- cc: Auditor General's Office
 Donald Rencher, Chief of Services and Infrastructure
 Antoine Bryant, Planning and Development Department
 Julie Schneider, HRD
 Veronica Farley, HRD
 Stephanie Grimes Washington, Mayor's Office
 Gail Fulton, Mayor's Office
 Malinda Jensen, DEGC
 Kenyetta Bridges, DEGC
 Jennifer Kanalos, DEGC
 Brian Vosburg, DEGC

⁶ Existing Annual Taxes: \$33,597 - New Annual Taxes DURING the Incentive: \$119,914 & Taxes after the Incentive EXPIRES: \$359,290

⁷ Chart courtesy of the DEGC



Site at the corner of Piquette Ave. and Beaubien St. in Milwaukee Junction.⁸



Rendering of the completed project⁹

⁸ Photo: [Piquette Flats – The Platform](#)

⁹ Source: [\\$37.3 million project to turn old Studebaker site into apartments \(detroitnews.com\)](#)



CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
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 PHONE: 313•224•3011
 FAX: 313•224•9400

July 15, 2022

Katy Trudeau, Deputy Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

Re: **Obsolete Property Rehabilitation Certificate – 411 Piquette LLC**
 Addresses: 411 Piquette
 Parcel Number: 01001800.003

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed Obsolete Property Rehabilitation Certificate for the property located at **01001800.003** located in the **Milwaukee Junction** area of the City of Detroit.

The rationale for Obsolete Property Rehabilitation Certificates under PA 146 of 2000, as amended, is based on the anticipation of increased market value upon completion of new construction and /or significant rehabilitation of existing commercial property and commercial housing property. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The 2022 values are as follows:

| Parcel # | Address | Building Assessed Value (SEV) | Building Taxable Value | Land Assessed Value (SEV) | Land Taxable Value |
|--------------|--------------|-------------------------------|------------------------|---------------------------|--------------------|
| 01001800.003 | 411 Piquette | \$ 469,300 | \$ 235,963 | \$ 303,700 | \$ 152,699 |

The project as proposed by the **411 Piquette LLC** consists of a 4-story former storage facility with 123,422 square feet of building area, built in 1920, on 2.789 acres of land. The proposed project consists of rehabilitating the property into a mixed use development consisting of 162 workforce residential units and adjacent parking. The building will undergo major renovations including window replacement, life safety equipment replacement, all major mechanical, plumbing and electrical systems replacement, and interior buildouts.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
PHONE: 313•224•3011
FAX: 313•224•9400

Obsolete Property Rehabilitation Certificate
411 Piquette LLC
Page 2

This property meets the criteria set forth under PA 146 of 2000, as amended. It applies to blighted, functionally obsolete and contaminated properties. "Rehabilitation," meaning that changes to qualified facilities that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation also includes major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, adding additional stories to a facility or adding additional space on the same floor level not to exceed 100% of the existing floor space on that floor level, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition.

A review of the project plan and related statutes indicated that the proposed Obsolete Property Rehabilitation Certificate for the property located at **411 Piquette** is eligible as it pertains to the Obsolete Property Rehabilitation Act under P.A. 146 of 2000, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor/Board of Assessors



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Obsolete Property Rehabilitation Certificate
411 Piquette LLC
Page 3

Property Address: 411 PIQUETTE
Parcel Number: 01001800.003
Property Owner: 411 PIQUETTE LLC
Legal Description: N PIQUETTE LOT 4 & S 40 FT OF VAC TROMBLY AVE ADJ EXC S 402.35 FT OF E 56 FT THEREOF
EMILY CAMPAUS SUB L3 P64 PLATS W C R 1/96 252 IRREG



David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning Commission
Janese Chapman
Director, Historic Designation
Advisory Board


John Alexander
Roland Amarteifio
Megha Bamola
LaKisha Barclift, Esq.
Nur Barre
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Eric Fazzini, AICP
Christopher Gulock, AICP

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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Marcel Hurt, Esq.
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Kim Newby
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Rebecca Savage
Ryan Schumaker
Sabrina Shockley
Renee Short
Thomas Stephens, Esq.
Timarie Szwed
Dr. Sheryl Theriot
Theresa Thomas
Ashley A. Wilson

TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 19, 2022

RE: **Orange Construction, LLC Public Act 198 Certificate Request**

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete State Equalized Value (SEV) is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from 1 to 12 years at the option of the local unit of government.

The developer of the property located at 1200 Oakman, is Orange Construction, LLC,¹ a subsidiary of Endless West,² a San Francisco startup using scientific methods to develop unique wines and spirits.³ The owner proposes to renovate a former Focus Hope food distribution center with 124,979 sq. ft. into a production facility for alcoholic beverages. The renovations to the facility would include the instillation of new storage tanks, new drains, additional loading docks, and the investment in new equipment. The DEGC has recommended a full 12-year PA 198 certificate.

¹ Development Principal: Alec Lee [Alec Lee — Food's Future Global \(foods-future.com\)](http://aleclee.com)

² Endless West founded in 2015 by Alec Lee and Mardonn Chua, is a beverage technology startup that uses innovative methods in molecular science to create its own blend of spirits. [Endless West | LinkedIn](#)

³ Its first product, Glyph, is the first spirit of its kind to be created using pure flavor and aroma molecules extracted from more efficient sources in nature. Unlike conventional whiskeys, Glyph is made without any barrel aging - which means significantly less wood, water, land and CO2 emissions are used in its production process. [Endless West | LinkedIn](#)

DEGC Property Tax Abatement Evaluation

Property Address: 1200 Oakman
Company: Endless West
CEO: Alec Lee

| | |
|--|--------------------------|
| Description of Incentive: Project will seek the Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development District – millage rate is reduced by 50% for up to 12 years | |
| DEGC Abatement Term Recommendation | 12 years |
| Location | |
| Address | 1200 Oakman |
| City Council District | 2 |
| Neighborhood | Oakman Blvd. Community |
| Located in HRD/SNF Targeted Area | N/A |
| Building Use | |
| Total Industrial Square Footage | 128,000 |
| Project Description | |
| <p>Endless West is a beverage technology company founded in 2015 and based in San Francisco, California. The company specializes in the distilling of whiskey and other spirits using a process they developed to speed up the aging process. Endless West is looking to expand their operations and establish an HQ2 at 1200 Oakman in the City of Detroit with plans to invest over \$11 million in building upgrades and equipment. This facility will be used as a new production facility for alcoholic beverages. Endless West will be producing, packaging, and distributing whiskies, gins, brandies, and ready-to-drink cocktails to restaurants, retailers, and distributors throughout Michigan and beyond.</p> | |
| Project Investment | |
| Total Investment | \$12,189,000 |
| Acquisition | \$3,500,000 |
| Real Property | \$2,600,000 |
| Personal Property | \$6,089,000 |
| Project Economic Benefits Summary | |
| Estimated Jobs (FTE/Construction) | 33 FTE / 27 Construction |
| Estimated City benefits before tax abatement | \$2,182,426 |
| Total estimated City value of PA 198 | \$417,408 |
| Less cost of services & utility deductions | \$395,864 |
| Net Benefit to City with PA 198 abatement | \$1,369,154 |

City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years

| | Amount |
|--|--------------------|
| Real Property Taxes, before abatement | \$834,815 |
| Personal Property Taxes, before abatement | \$0 |
| New Residential Property Taxes | \$0 |
| Municipal Income Taxes - Direct Workers | \$299,661 |
| Municipal Income Taxes - Indirect Workers | \$121,075 |
| Municipal Income Taxes - Corporate Income | \$321,449 |
| Municipal Income Taxes - Construction Period | \$27,011 |
| Utility Revenue | \$65,089 |
| Utility Users' Excise Taxes | \$39,134 |
| State Revenue Sharing - Sales Tax | \$174,561 |
| Building Permits and Fees | \$90,000 |
| Miscellaneous Taxes & User Fees | \$209,631 |
| Subtotal Benefits | \$2,182,426 |
| Cost of Providing Municipal Services | (\$330,775) |
| Cost of Providing Utility Services | (\$65,089) |
| Subtotal Costs | (\$395,864) |
| Net Benefits | \$1,786,562 |

Impacted Taxing Units: Incentive Summary over the First 12 Years

| | Additional Benefits Before Tax Abatements | Additional Costs | Real Property Tax Abatement | Business Personal Property Tax Abatement | Utility Users Tax & Corporation Income Tax Exemption | Net Benefits After Tax Abatements & Incentives |
|----------------------------|--|---------------------|-----------------------------------|---|---|---|
| City of Detroit | \$2,182,426 | (\$395,864) | (\$417,408) | \$0 | \$0 | \$1,369,154 |
| Wayne County | \$240,173 | (\$41,007) | (\$99,583) | \$0 | \$0 | \$99,583 |
| Detroit Public Schools | \$921,083 | (\$178,557) | (\$371,111) | \$0 | \$0 | \$371,415 |
| State Education | \$149,151 | \$0 | \$0 | \$0 | \$0 | \$149,151 |
| Wayne RESA | \$135,528 | \$0 | (\$67,764) | \$0 | \$0 | \$67,764 |
| Wayne County Comm. College | \$80,487 | \$0 | (\$40,243) | \$0 | \$0 | \$40,243 |
| Wayne County Zoo | \$2,478 | \$0 | (\$1,239) | \$0 | \$0 | \$1,239 |
| Detroit Institute of Arts | \$4,959 | \$0 | (\$2,480) | \$0 | \$0 | \$2,480 |
| Total | \$3,716,286 | (\$615,428) | (\$999,828) | \$0 | \$0 | \$2,101,030 |

| | Existing Taxes | New Taxes AFTER Incentive(s) | New Taxes Without Incentive |
|----------------------------|-------------------|---------------------------------|--------------------------------|
| City of Detroit | \$0 | \$27,367 | \$54,734 |
| Library | \$0 | \$4,377 | \$8,754 |
| Wayne County | \$0 | \$7,574 | \$15,147 |
| Detroit Public Schools | \$0 | \$28,223 | \$56,447 |
| State Education | \$0 | \$11,343 | \$11,343 |
| Wayne RESA | \$0 | \$5,154 | \$10,307 |
| Wayne County Comm. College | \$0 | \$3,061 | \$6,121 |
| Wayne County Zoo | \$0 | \$94 | \$188 |
| Detroit Institute of Arts | \$0 | \$189 | \$377 |
| Total | \$0 | \$87,382 | \$163,418 |

Charts courtesy of the DEGC

⁴ Existing Annual Taxes: \$0 New Annual Taxes AFTER (During) Incentive: \$87,382 New taxes Without Incentive (after the incentive expires): \$163,418

Conclusion

The estimated total investment is approximately **\$12,189,000**. The developer has committed to create 33 FTE positions⁵ and 27 temporary construction jobs. The total value of the twelve-year PA 198 tax savings is estimated at **\$999,828**.

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$1,369,154** and all of the impacted taxing units, a net benefit of **\$2,101,030** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of **\$371,415** to the Detroit Public Schools (DPS old).

The City's IFEC tax abatement contract with Orange Construction, LLC, based on the provisions in PA 198, allow for revocation and or clawback,⁶ if the written promises made by Orange Construction, LLC, the recipient of the abatement, are not met. The current proposed project, subject to Council approval, is bound by the provisions of PA 198 (MCL 207.572 (1)).

Please contact us if we can be of any further assistance.

Attachment: Assessor's Letter dated October 3, 2022

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Charles Ericson, Office of the CFO/Office of the Assessors
Stephanie Grimes Washington, Mayor's Office
Gail Fulton, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁵ The certificate application lists 33 employees in the first two years.

⁶ The term **clawback** refers to any money or benefits that have been given out, but the money or benefits are required to be returned due to special circumstances or events, or where there is a clawback provision in a contract.



Location Map of 1200 Oakman⁷



1200 Oakman⁸

⁷ Source: DEGC

⁸ Source: [Office for Lease - 1200 Oakman Blvd - A Building, Detroit MI \(cimls.com\)](https://www.cimls.com/office-for-lease-1200-oakman-blvd-a-building-detroit-mi)



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PHONE: 313•224•3011
FAX: 313•224•9400

October 3, 2022

Katharine G. Trudeau, Deputy Director
Planning & Development Department
Coleman A. Young Municipal Center
2 Woodward Ave, Suite 808
Detroit, MI 48226

Re: Industrial Facilities Exemption Certificate Request - **Orange Construction LLC**
Property Address: 1200 Oakman
Parcel Number: 08005017.003

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from **Orange Construction LLC** for an Industrial Facilities Exemption certificate for the property located at **1200 Oakman** in the City of Detroit.

The rationale for creating Industrial Facilities Exemptions under PA 198 of 1974, as amended, is based upon the anticipation that granting the exemption is a benefit to the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities.

Orange Construction LLC is proposing to renovate a former food distribution center with 124,979 sq.ft. into a production facility for alcoholic beverages. Renovation would consist of new storage tanks, drain installation, additional loading docks, and new equipment investment. The estimated total cost of the project is \$2,600,000 for the real property and \$6,089,000 for the personal property. The new development is expected to create 33 new jobs. The request is for twelve (12) years from project completion.

A review of the project details and relevant statutes indicated that the proposed project located at **1200 Oakman** is eligible as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



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Industrial Facilities Exemption Certificate
Orange Construction LLC
Page 2

Property Address: 1200 OAKMAN
Parcel Number: 08005017.003

Property Owner: ORANGE CONSTRUCTION LLC

Legal Description: N OAKMAN BLVD ALL THAT PT OF NW ¼ SEC 7 TTAT DESC AS FOLS BEG AT INT NLY LN OAKMAN BLVD (120 FT WD) AND WLY LN ROSA PARKS BLVD (66 FT WD) TH S 64D 0M 20S W 839.52 FT TO POB; TH S 64D 0M 20S W 73.31 FT TH N 26D 10M 40S W 200 FT TH S 64D 0M 20S W 380.57 FT TH S 26D 10M 40S E 117.5 FT TH S 64D 0M 20S W 47.35 FT TH N 26D 10M 40S W 90.5 FT TH S 64D 0M 20S W 206.28 FT TH N 26D 10M 40S W 284.41 FT TH ON A CUR TO L 254.98 FT RAD 1465.69 FT CEN ANG 9D 58M 4S CHD BRG N 68D 59M 22S E 254.66 FT TH N 64D 0M 20S E 615.23 FT TH S 25D 59M 40S E 97.71 FT TH S 63D 57M 42S W 91.2 FT TH S 37D 34M 3S W 22.84 FT TH S 26D 2M 52S E 117.19 FT TH S 17D 49M 29S W 70.76 FT TH S 26D 12M 17S E 159.1 FT TO POB 216,720 SQFT (4.98 AC)



Attachment XII

DPL's Five-Year Capital Improvement Program as depicted in the City of
Detroit's 2022-2026 Five-Year Capital Agenda



AGENCY MISSION

The mission of the Detroit Public Library is to enlighten and empower people by providing Diverse and Dynamic Pathways to Literacy and Learning.

The Detroit Public Library (DPL) is an independent municipal organization, administered through the Detroit Library Commission. Funding for library operations is generated through a dedicated millage of 4.63 mills voted on by the citizens of Detroit. The Detroit Public Library serves as the city's information hub and a major educational and informational resource.

The Library's collection of over 4.4 million catalogued items includes books, magazines, professional journals, as well as extensive audio, video and DVD collections. In addition, the library has 4 million manuscripts, music scores, photographs, pictures and government documents. Over 800 public access computers provide customers with Internet access. The Detroit Public Library's website records over 12 million hits each year. In FY 2017, 2.2 million visits were made to DPL locations. Computer assistance and training is available at most library locations. One bookmobile makes weekly stops at schools and community centers farthest removed from library locations.

DESCRIPTION OF ASSETS

The Detroit Public Library provides services from the Main Library at 5201 Woodward Avenue and twenty-one (21) neighborhood branch libraries located throughout Detroit. Included in the library's property portfolio are two leased facilities: The Elmwood Park Branch Library, located in the Elmwood Park Shopping Plaza and Campbell Branch Library, located in the heart of Southwest Detroit's Business District, at Vernor and Lawndale. The Mobile Library, Services to Shut-ins and Retirees (SIR), and the Library for the Blind and Physically Handicapped (LBPH), are operated from the Frederick Douglass Branch on Grand River at Trumbull.

The Detroit Public Library also owns a Facilities Service Building, located at 5828 Third Street, as well as, one other property located at 801 W. Baltimore Street, located in the New Center area.

Library buildings provide the foundation for quality library services. While the library struggles with the deterioration of its facilities, library services must adjust to meet the challenging demographics of the City of Detroit.

The Detroit Public Library desires to provide the highest level of public library services to the people of Detroit in library facilities that are accessible, stable, comfortable and inviting. At present, owned library facilities range in age from 30 to 100 years, averaging 57 years of age. Most library facilities are in need of major overhauling of mechanical equipment, heating and cooling systems, and many branches are not ADA compliant.

Please note that the COVID-19 pandemic will seriously impact DPL's ability to execute this plan. Currently, the Library is providing limited in-person services to the people of Detroit at its Main Library, 6 branches, the Library for the Blind and Physically Handicapped, and the Mobile Library.

| NAME | LOCATION | YEAR BUILT | SIZE (SQ. FT.) | SERVICE AREA (COUNCIL DISTRICT) |
|-------------------------------|------------------------|------------------|----------------|---------------------------------|
| Main Library | 5201 Woodward Ave. | 1921 | 420,000 | District 5 |
| Bowen Branch | 3648 Vernor Hwy. | 1912 | 7,100 | District 6 |
| Campbell Branch | 8733 Vernor Hwy. | 2006 | 6,800 | District 6 |
| Chandler Park Branch | 12800 Harper | 1957 | 7,870 | District 4 |
| Chaney Branch | 16101 Grand River | 1955 | 7,300 | District 1 |
| Chase Branch | 17731 W. 7 Mile Road | 1953 | 7,500 | District 2 |
| Conely Branch | 4600 Martin | 1913 | 10,800 | District 6 |
| Douglass Technological Center | 3666 Grand River | 1971 | 15,401 | District 6 |
| Duffield Branch | 2507 W. Grand Blvd. | 1916 | 10,200 | District 5 |
| Edison Branch | 18400 Joy Road | 1955 | 11,000 | District 7 |
| Elmwood Park Branch | 550 Chene | 1975 | 5,000 | District 5 |
| Franklin Branch | 13651 E. McNichols | 1950 | 5,700 | District 3 |
| Hubbard Branch | 12929 W. McNichols | 1953 | 7,500 | District 2 |
| Jefferson Branch | 12350 E. Outer Drive | 1951 | 7,000 | District 4 |
| Knapp Branch | 13330 Conant | 1950 | 5,900 | District 3 |
| Lincoln Branch | 1221 E. 7 Mile Road | 1951 | 6,070 | District 3 |
| Monteith Branch | 14100 Kercheval | 1926 | 17,405 | District 4 |
| Parkman Branch | 1766 Oakman Blvd. | 1931 | 18,600 | District 2 |
| Redford Branch | 21200 Grand River | 1981 | 10,000 | District 1 |
| Sherwood Forest Branch | 7117 W. 7 Mile Road | 1951 | 6,600 | District 2 |
| Skillman Branch | 121 Gratiot | 2003 (Renovated) | 27,700 | District 6 |
| Wilder Branch | 7140 E. 7 Mile Road | 1967 | 11,450 | District 3 |
| | | | | |
| Facilities Service Building | 5828 Third Street | 1958 | 34,000 | |
| DPL Facility | W. Baltimore Street | | | |
| | | | | |
| Bookmobile | Douglass Branch Garage | 2002 | 28 feet | Detroit & Highland Park |

ACCOMPLISHMENTS

Since the submission of the previous Capital Agenda in FY2019, DPL has addressed several physical infrastructure priorities. On January 10, 2019, the Franklin branch reopened to the public, newly renovated with upgraded technology, new book shelves, flooring and lighting; at a total cost of \$386,425. On February 18, 2020, the Jefferson branch reopened to the public, likewise, with upgraded technology, furniture, shelving, new flooring and lighting, and a new HVAC system; at a total cost of \$486,125.

The DPL also purchased a new Mobile Library and replaced the outdated Bookmobile at a total cost of \$337,806. In addition, the cost to accommodate the new Mobile Library at the Douglass branch totaled \$250,072.

At the Main Library, the original roof on the Cass Avenue side, built in 1963, was fully replaced during FY2020 at a cost of \$1,972,115. Also, the Main Library has undergone major HVAC system repairs and replacements; refurbished one 574-ton chiller, replaced three air handling units, and replaced a coiling unit for a total cost of \$350,000.

Although, the HVAC systems throughout the DPL system are in need of replacement, the administration has made strides in the following areas: The Chaney branch HVAC system was replaced at a cost of \$250,000, and a ductless HVAC system was installed at the Bowen branch to provide air conditioning at a cost of \$77,000.

Since the submission of the capital plan in FY2019, the DPL has spent over \$3.5 million in operational funds to make necessary and critical capital improvements.

PROPOSED FIVE-YEAR CAPITAL PLAN

| PROJECT NAME | PROJECT DESCRIPTION | COST | IMPROVEMENT TYPE | PROJECT PERIOD | FUNDING SOURCE |
|--------------------------------------|---|-------------|----------------------|----------------|-----------------------|
| Knapp Branch new front door | Install a new, modern front door | \$60,000 | Program Replacement | FY2022 | Funds from Operations |
| Service Building roof replacement | Replace existing aged roof | \$220,000 | Program Replacement | FY2022 | Funds from Operations |
| Redford Branch foundation repair | Resolve leak in building foundation | \$100,000 | State of Good Repair | FY2022 | Funds from Operations |
| Sherwood Forrest branch improvements | <ul style="list-style-type: none"> • Replace north and west windows • New LED lighting | \$90,000 | Program Replacement | FY2022 | Funds from Operations |
| Bowen Branch improvements | <ul style="list-style-type: none"> • Rebuild east wall to provide access to east door for entrance • Install first floor ADA restroom • Tuck point windows • Install east entrance parking lot | \$200,000 | Program Replacement | FY2023 | Funds from Operations |
| Hubbard Branch improvements | Reorganize and renovate interior | \$105,000 | State of Good Repair | FY2024 | Funds from Operations |
| Chase Branch improvements | Reorganize and renovate interior, install new windows | \$170,000 | State of Good Repair | FY2024 | Funds from Operations |
| Parkman Branch interior lighting | New interior lighting | \$25,000 | Program Replacement | FY2024 | Funds from Operations |
| Parkman Branch new elevator | Install an elevator to go to the second and third floors | \$900,000 | Program Replacement | FY2025 | Funds from Operations |
| Conley Branch ADA access | Install ramping to increase accessibility | \$70,000 | State of Good Repair | FY2026 | Funds from Operations |
| Main Branch window repair | <ul style="list-style-type: none"> • Repair with active seals for all the windows in the north wing • Tuck point all the windows in the south wing • Repair the stack restrooms and convert one for employee use | \$90,000 | State of Good Repair | FY2022 | Funds from Operations |
| Main Branch exterior façade | <ul style="list-style-type: none"> • Install new roof north and south wings and connector • Foundation repair | \$3,500,000 | State of Good Repair | FY2024 | Funds from Operations |

| | | | | | |
|-------------------------------|--|-----------|---------------------|--------|-----------------------|
| | <ul style="list-style-type: none"> • Cass side marble wall repair • Complete exterior tuck pointing • Power washing | | | | |
| Main Branch new elevator | <ul style="list-style-type: none"> • New Woodward Elevator | \$900,000 | Program Replacement | FY2025 | Funds from Operations |
| Main Branch Woodward entrance | Complete restoration of Woodward entrance including original exterior doors | \$800,000 | Program Replacement | FY2026 | Funds from Operations |

Department 72 – Detroit Public Library (DPL)

| Project Name | Project Status | Project Timeline | Impact on Budget | Impact on Staffing | Funding Source | Proposed Authorization | Five-Year Capital Plan | | | | | Total |
|--|----------------|------------------|------------------|--------------------|-----------------------|------------------------|---------------------------|------------|--------------|--------------|------------|--------------|
| | | | | | | | Amended Budget FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | |
| Knapp Branch new door | M | P | NOI | NSI | Funds from Operations | | \$ 60,000 | \$ - | \$ - | \$ - | \$ - | \$ 60,000 |
| Service Bldg roof replacement | M | P | AF | NSI | Funds from Operations | | \$ 850,000 | \$ - | \$ - | \$ - | \$ - | \$ 850,000 |
| Reford Branch repair of foundation leak | M | P | AF | NSI | Funds from Operations | | \$ 100,000 | \$ - | \$ - | \$ - | \$ - | \$ 100,000 |
| Sherwood Forrest window replacement and lighting | M | P | AF | NSI | Funds from Operations | | \$ 90,000 | \$ - | \$ - | \$ - | \$ - | \$ 90,000 |
| Beween Branch renovation | M | P | AF | NSI | Funds from Operations | | \$ - | \$ 200,000 | \$ - | \$ - | \$ - | \$ 200,000 |
| Hubbard Branch reorganization | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ 105,000 | \$ - | \$ - | \$ 105,000 |
| Chase branch renovations | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ 170,000 | \$ - | \$ - | \$ 170,000 |
| Parkman Branch new interior lighting | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Parkman branch new elevator | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ - | \$ 900,000 | \$ - | \$ 900,000 |
| Conely branch, ADA access to basement | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ - | \$ - | \$ 70,000 | \$ 70,000 |
| Window repair on north and south wings | M | P | AF | NSI | Funds from Operations | | \$ 90,000 | \$ - | \$ - | \$ - | \$ - | \$ 90,000 |
| Exterior Façade | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 |
| New Woodward elevator | N | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ - | \$ 900,000 | \$ - | \$ 900,000 |
| Resozation of Woodward entrance | M | P | AF | NSI | Funds from Operations | | \$ - | \$ - | \$ - | \$ - | \$ 800,000 | \$ 800,000 |
| Total | | | | | | | \$ 1,190,000 | \$ 200,000 | \$ 3,800,000 | \$ 1,800,000 | \$ 870,000 | \$ 7,860,000 |

| Funding Source Summary | |
|------------------------|--|
| Funds from Operations | \$ - \$ 1,190,000 \$ 200,000 \$ 3,800,000 \$ 1,800,000 \$ 870,000 \$ 7,860,000 |
| | \$ - \$ 1,190,000 \$ 200,000 \$ 3,800,000 \$ 1,800,000 \$ 870,000 \$ 7,860,000 |

| Proposed Authorization Summary | |
|--------------------------------|--|
| | \$ - \$ 1,190,000 \$ 200,000 \$ 3,800,000 \$ 1,800,000 \$ 870,000 \$ 7,860,000 |
| | \$ - \$ 1,190,000 \$ 200,000 \$ 3,800,000 \$ 1,800,000 \$ 870,000 \$ 7,860,000 |

PROJECT STATUS:
M project is maintaining current infrastructure; N project will result in new development
P project is proposed; O project is ongoing; U project is one time and underway
PROJECT TIMELINE:
AF additional funding required; BF results in reduction of funding; NOI no operating impact
IMPACT ON OPERATING BUDGET:
AS additional staffing required; BS results in reduction of staffing; NSI no operating impact
IMPACT ON STAFFING BUDGET:
IMPACT ON OPERATING BUDGET \$: Annual additional operating funding or operating savings (in dollars) realized upon completion of project

Attachment XIII

Estimated Total Expenses Calculations for Table 6 (Scenario 1), Table 7
(Scenario 2), and Table 8 (Scenario 3)

Estimated Total Expenses for Table 6 (Scenario 1), Table 7 (Scenario 2), and Table 8 (Scenario 3)

| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | Growth % from FY 2025 |
|--|--------------|--------------|---------------|---------------|---------------|---|
| Estimated Total Expenses for DPL (1) | \$27,835,308 | \$33,565,469 | \$33,890,327 | \$34,559,791 | \$35,833,960 | 3.7% |
| | | | | | | Scenario 1: Based on DPL operating 18 branches (Main Library and 17 library branches) starting in FY 2023. |
| Estimated Total Expenses for DPL (1) | | \$33,565,469 | \$33,890,327 | \$34,559,791 | \$35,833,960 | |
| | | | (\$2,400,000) | (\$2,400,000) | (\$2,400,000) | Scenario 2: Based on DPL operating 18 branches (Main Library and 17 library branches) starting in FY 2023. |
| Adjusted Estimated Total Expenses for DPL | | \$33,565,469 | \$31,490,327 | \$32,159,791 | \$33,433,960 | |
| Adjusted Estimated Total Expenses for DPL per Scenario 2 | | \$33,565,469 | \$31,490,327 | \$32,159,791 | \$33,433,960 | |
| Plus: Additional amount for DPL to operate 20 branches starting in FY 2024 | | | \$3,418,305 | \$3,485,987 | \$3,614,969 | 3.7% |
| Adjusted Estimated Total Expenses for DPL per Scenario 3 (3) | | \$33,565,469 | \$34,908,632 | \$35,645,778 | \$37,048,929 | |
| | | | | | | Scenario 3: Based on DPL operating 18 branches for FY 2023, and operating 20 branches (Main Library and 19 library branches) starting in FY 2024. |

Notes:

- (1) Estimated Total Expenses for DPL are based on the FY 2023-2026 Four-Year Financial Plan.
- (2) According to the latest City of Detroit General Retirement System (GRS) actuarial report, DPL's ten-year GRS legacy pension contribution schedule of \$2.5 M per year per the Plan of Adjustment concludes this year in FY 2023. Beginning in FY 2024, DPL will only be responsible for an annual legacy pension expense of \$100,000. Attachment IX represents applicable pages from the June 30, 2021 GRS actuarial report.
- (3) The "Adjusted Estimated Total Expenses for DPL per Scenario 3" figure of \$34,908,632 for FY 2024 equals the proposed FY 2024 total estimated expenditures figure of \$34,908,032 per DPL Library Commission's minutes dated October 18, 2022, page 3. On October 18, 2022, the Library Commissioner's approved DPL's proposed budget for FY 2024. The Mayor Duggan Administration may or may not accept DPL's proposed budget for FY 2024 when the City of Detroit's proposed FY 2024 budget is submitted to City Council on March 7, 2023 for consideration.

Attachment XIV

Applicable pages from the June 30, 2021 GRS actuarial report showing DPL's pension contribution expense going from \$2.5 million down to \$100,000 starting in FY 2024

Valuation Results (Continued)

Unfunded Actuarial Accrued Liability (UAAL)

| | (\$ Millions) | | | | |
|--|----------------|----------------|---------------|---------------|----------------|
| | General City | D.O.T. | DWSD | Library | System Total |
| UAAL as of June 30, 2021 | \$ 416.4 | \$ 257.2 | \$ 56.3 | \$ (5.9) | \$ 724.0 |
| Anticipated POA Contribution (EOY) | (2.7) | (0.1) | (42.9) | (2.5) | (48.3) |
| Anticipated Expenses ¹ | 1.9 | 0.3 | - | 0.1 | 2.3 |
| Interest at 6.75% | 28.2 | 17.4 | 3.8 | (0.4) | 48.9 |
| Projected UAAL as of June 30, 2022 | \$ 443.7 | \$ 274.8 | \$ 17.2 | \$ (8.7) | \$ 727.0 |
| Anticipated POA Contributions for FY 2023 | 2.7 | 0.1 | 42.9 | 2.5 | 48.3 |
| Estimated Employer Contributions for FY 2024^{2, 3} | | | | | |
| Alternate 1: 30-Year Level Principal | | | | | |
| UAAL Contribution | \$ 47.7 | \$ 29.6 | \$ (2.5) | \$ (1.2) | \$ 73.6 |
| \$0 Minimum UAAL Contribution | 47.7 | 29.6 | - | - | 77.3 |
| Administrative Expense Contribution ⁴ | 1.3 | 0.3 | 0.6 | 0.1 | 2.3 |
| Total Contribution | \$ 49.0 | \$ 29.9 | \$ 0.6 | \$ 0.1 | \$ 79.6 |
| Alternate 2: 30-Year Level Dollar⁵ | | | | | |
| UAAL Contribution | \$ 37.2 | \$ 23.1 | \$ (1.9) | \$ (0.9) | \$ 57.4 |
| \$0 Minimum UAAL Contribution | 37.2 | 23.1 | - | - | 60.2 |
| Administrative Expense Contribution ⁴ | 1.3 | 0.3 | 0.6 | 0.1 | 2.3 |
| Total Contribution | \$ 38.5 | \$ 23.4 | \$ 0.6 | \$ 0.1 | \$ 62.5 |

Totals may not add due to rounding.

- ¹ Administrative expenses for DWSD are paid by General City through 2023.
- ² Assuming the POA contributions through 2023 and a 30-year closed amortization thereafter. When determining the contributions through 2023, only the total contributions and the DWSD contributions are stipulated in the POA. The remaining amounts were allocated to the other groups as described on page 2. A different allocation would result in different results by group.
- ³ Total employer contributions, including amounts paid by the employer but funded from other sources as required by POA.
- ⁴ We recommend that the proposed administrative expense contribution for DWSD be reviewed in the context of the 2015 agreement between the City, the Retirement System, and the Great Lakes Water Authority.
- ⁵ Contributions at this level may not be sufficient to prevent fund depletion prior to satisfaction of all benefit payments. This scenario is included at Retirement System's request (see page 4).

The POA contributions are well below actuarially determined amounts and, as such, result in a defunding of the plan between now and June 30, 2023, which was contemplated by the POA. In fact, the anticipated POA contributions are not expected to result in benefit restoration even if all assumptions are met (including the POA mandated assumed rate of return of 6.75%).

Also, the total FY 2022 to 2023 contributions are less than the amount of nominal interest that accrues on the UAAL.



The Estimated Employer Contribution for FY 2024 is based on a projection of results assuming only the POA contributions are made and all future experience between the actuarial valuation date and FY 2024 is as assumed. Actual experience will result in changes to this estimate and the final result (from the June 30, 2022 actuarial valuation) could be materially different than shown on the previous page.

We understand that the City has set aside additional money in a side fund to be contributed to the pension plans in the future. This potential additional contribution has not been considered in this valuation.

The charts that follow show a 37-year projection of the funded status and employer contributions under a 30-year level principal and 30-year level dollar policy starting in FY 2024. For purposes of these projections, we have assumed the objective would be for each group (General City, DOT, DWSD, and Library) to separately fund their UAAL. These projections assume that if any division's assets deplete, no extra contributions will be assessed. Separately assessing extra contributions by divisions may result in a different projected total employer contribution than those shown here. We have also assumed that each group would have a \$0 minimum UAL contribution. We will continue to work with the Board and Investment Committee to develop a funding policy. For the projections in this report, we note the following:

- The DWSD and Library groups are projected to be more than 100% funded on June 30, 2023. As a result, starting in FY 2024 the only contributions for those groups is for administrative expenses and the funded ratio is projected to continue growing which means that the total funded ratio is expected to exceed 100% once the other divisions achieve full funding.
- The funded ratio for DOT is projected to be 21% funded on June 30, 2023. We note the following implication of the low DOT funded status.
 - Under the 30-Year Level Principal method, the funded status for DOT is projected to fall below 15% on June 30, 2040.
 - Under the 30-Year Level Dollar method, the assets allocated for DOT are projected to be depleted by June 30, 2032. At that point, we have assumed that DOT would not be responsible for making additional contributions equal to the benefit payments.
- The projected UAL contributions for DWSD decrease to \$0 beginning in FY 2024 in this valuation (there is a small contribution requirement for administrative expenses). Note that in prior post-POA valuations, the projected DWSD contribution was greater than zero. At any point in the future, plan experience may result in an unfunded actuarial accrued liability for DWSD. In addition, under a different assumption set (such as a lower assumed rate of return), the DWSD may have an unfunded actuarial accrued liability. We understand that the City, System and GLWA have a Memorandum of Understanding dated December 1, 2015 for assessing contributions, if any, to GLWA. This report does not reflect that agreement.

