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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 13, 2023

RE: **NEIGHBORHOOD IMPROVEMENT PLAN BONDS (PROPOSAL N) FUNDS
STATUS AS OF DECEMBER 31, 2022**

This report is intended to give your Honorable Body an appropriation/cost center level status as of June 30, 2022, of the Proposal N Neighborhood Improvement Bond (Proposal N NIB) funds. On November 3, 2020, the citizens of the City of Detroit approved the bond issuance of not to exceed \$250 million in unlimited tax obligation bonds¹ for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition, and blight remediation. The City of Detroit's Demolition Department is responsible for using the Proposal N NIB funds to demolish an additional 8,000 blighted homes and preserve 6,000 homes for future renovation and sale² to improve the safety, value, and health of the neighborhoods in the City.

As your Honorable Body knows, the Citizens approved a total of \$250 million in bonds be sold and the City issued the first \$175 million in February 2021. This was a very successful bond sale as the City of Detroit received an additional \$30.7 million in bond premium³ on top of the \$175 million with total bond proceeds of \$205.7 million.

¹ Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit's property tax debt millage. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City's general fund and are not paid for out of property taxes based on the property tax debt millage.

² The Demolition Department plans to preserve or stabilize 6,000 homes for future renovation and sale through debris removal, roof repair, and securing of property in the neighborhoods in the City.

³ According to the Office of the Chief Financial Officer, because there was a high demand for the Proposal N NIBs, along with market conditions at that time, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. It is important to note that the City is only responsible to pay off the par amount of the bonds of \$175 million with a coupon interest rate of 5% over the 30-year life of the bonds to the bondholders. The bondholders were

The Legislative Policy Division (LPD) also notes that since City Council approved appropriation 21003 to house the Prop N NIB proceeds in July 2020, these bond proceeds were budgeted in appropriation 21003 Neighborhood Improvement Bonds in February 2021 when the bonds were sold. As a result, the activity in appropriation 21003 Neighborhood Improvement Bonds is not reflected in the FY 2023 budget and FY 2023-2026 four-year financial plan. Consequently, the Prop N NIB proceeds will be balanced forward at the end of each fiscal year until the Prop N NIB proceeds are exhausted.

LPD further notes the Demolition Department uses Prop N NIB proceeds to pay for its operational costs, including staff costs, professional & contractual services costs, operating supplies costs, operation services costs, equipment acquisition costs, and other expenses costs⁴. For FY 2023, the 73 budgeted positions in the Demolition Department will be paid from the Prop N NIB funds housed in appropriation 21003 Neighborhood Improvement Bonds.

Of the total bond proceeds of \$205.7 million, as of December 31, 2022, the City encumbered \$53.6 million and spent approximately \$76 million (including \$5.6 million spent in FY 2021, \$52.5 million spent in FY 2022, and \$17.9 million spent in FY 2023). Of the \$76 million spent as of December 31, 2022, \$68.3 million was spent on demolition contracts and \$7.9 million spent on payroll costs for City employees that are performing demolition related work. The remaining \$75.9 million is available to be spend in FY 2023 and beyond. We should note that the \$76 million spent through December 31, 2022, represents 36.9% of the total bond proceeds while 26.1% represents Encumbrances for FY2023 and 36.9% is available.

Below schedule summarizes funds status as of December 31, 2022, and it includes activities for fiscal years 2021, 2022, and 2023.

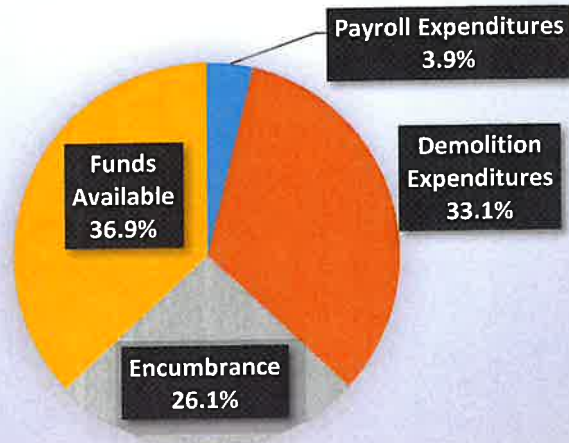
Cost Center	Cost Center Description	Total Budget	FY 2021 Actual Expen	FY 2022 Actual Expen	FY2023 Activity		Funds Available
					Encumbrances	Actual Expenditures	
160010	Demolition Administratic	7,692,167	265,738	2,109,469	5,336	776,923	4,534,701
160020	Residential Demolition	188,777,644	3,642,293	47,502,486	53,661,432	15,324,649	68,646,784
160040	Demolition Environment	739,250	42,286	422,454	1,612	377,530	(104,632)
160050	Demolition Compliance	7,103,500	259,831	2,502,704	6,659	1,492,998	2,841,308
351380	2018 UTGO Bonds	1,436,228	1,416,427	-	-	-	19,801
Grand Total		205,748,790	5,626,576	52,537,113	53,675,039	17,972,100	75,937,961

Below graph summarizes funds status in percent terms as of December 31, 2022, and it includes activities for fiscal years 2021, 2022, and 2023:

willing to pay the City the premium of \$30.75 million since the bonds were effectively priced to yield a bond interest rate of approximately 3.3% at time of the bond sale.

⁴ The Office of the Chief Financial Officer has received a legal opinion from the City of Detroit's bond counsel (Miller Canfield) on the legality of using Prop N Bond funds for the Demolition Department's operations. A copy of the opinion was provided to City Council.

Proposal N Bond Proceeds Funds Status as of December 31, 2022



Please refer to attachment I for cost center level detail for FY 2021, FY 2022, and FY 2023 actual expenditures, and funds available as of December 31, 2022.

Please let us know if we can be any more assistance.

Attachments

cc: Auditor General's Office
Jay Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO – Policy & Administrator Director
Steven Watson, Deputy CFO/Budget Director
La Juan Counts, Director, Demolition Department
Steven Morris, Deputy Agency CFO, Demolition Department
Gail Fulton, Mayor's Office

Appropriation 21003: Neighborhood Improvement Bonds

FY2023 Activity

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	Encumbrances	Actual Expenditures	Funds Available
160010	Demolition Administration	601100	Salar-Full Time-Gen City	2,867,000	180,069.84	1,140,225	-	532,823	1,013,882
		601125	Salaries-Vacation Time	-	4,813	70,894	-	46,685	(122,392)
		601130	Salaries-Holiday Pay	-	4,860	59,432	-	27,622	(91,914)
		601600	Salaries For Employee Illness	-	-	5,941	-	-	(5,941)
		602100	Wages-Full Time-Gen City	-	41,159	305,119	-	5,311	(351,590)
		602125	Wages-Vacation Time	-	246	9,335	-	227	(9,808)
		602130	Wages-Holiday Pay	-	942	16,554	-	664	(18,160)
		602300	Wages-Overtime-Gen City	-	-	1,746	-	-	(1,746)
		602400	Wages-Shift Prem-Gen City	-	-	1	-	-	(1)
		603125	Emplr Pd Pension-GRS	-	4,677.24	39,187	-	17,103	(60,968)
		603200	Emplr Pd Ben-Medical	-	3,433.42	87,629	-	32,679	(123,742)
		603300	Employer Pd FICA	211,000	17,555.68	119,407	-	45,196	28,841
		603400	Unemployment	-	3,685.19	17,059	-	5,227	(25,971)
		603405	Workers' Compensation	-	213.08	25,572	-	10,503	(36,288)
		603900	Emp Benefits-Miscellaneous	-	1,134.33	1,703	-	631	(3,469)
		604100	Other Comp-Unused Sick Leave	-	500.00	7,718	-	3,649	(11,866)
		604900	Other Comp-General City	-	-	200	-	300	(500)
		605100	Group Life Insurance	-	15.43	308	-	136	(460)
		605205	Eye Care-Active Civilian	-	19.23	356	-	172	(547)
		605500	Income Protection-LTD	-	277.62	2,073	-	947	(3,298)
		605620	Dental Active	-	188.05	3,217	-	1,442	(4,847)
		605700	Health Care Reserve - Civilian	-	1,948.23	15,914	-	7,016	(24,878)
		617900	Contract Svcs-Other-Misc	3,877,667	-	-	-	-	3,877,667
		620100	Office Supplies	10,000	-	2,948	-	973	4,881
		622302	Software Maintenance	300,000	-	2,252	-	2,248	1,794
		626010	Advertising	25,000	-	-	-	-	25,000
		626100	Printing	100,000	-	110,756	-	375	(11,131)
		626415	Rentals- Office Equipment	50,000	-	-	-	-	50,000
		626500	Dues & Miscellaneous	4,500	-	1,262	-	-	4,500
		626700	Telecommunications	2,000	-	57,525	-	-	738
		627105	Private Car Reimbursements	185,000	-	-	-	739	96,003
		627195	Employee Uniform Expense	5,000	-	-	-	3,933	4,261
		628100	Travel	33,000	-	926	-	1,000	(4,859)
		628200	Training	22,000	-	4,210	-	194	27,596
		644100	Acquisitions - Equipment	-	-	-	-	-	22,000
		Demolition Administration Total		7,692,167	265,738	2,109,469	5,336	776,923	4,534,702
160020	Residential Demolition	617900	Contract Svcs-Other-Misc	16,000,000	-	7,364,089	11,130,426	4,565,861	(7,060,376)
		620100	Office Supplies	-	-	-	-	-	40,216
		621900	Oper Supplies-Miscellaneous	90,000	-	23,194	-	382	10,800,000
		622400	Repairs & Maint-Facilities	10,800,000	-	2,547,537	-	384,767	10,105,465
		622900	Repairs & Maint-Misc	13,500,000	-	10,487,805	462,230	2,187,336	2,337,763
		622970	Abatement Services	26,390,717	828,467.00	17,178,022	10,549,346	6,355,623	29,853,517
		622975	Demolition & Excavation Services	80,247,280	1,849,388.50	6,651,087	25,010,730	1,703,696	(2,804,177)
		622980	Backfill & Grading Services	11,764,696	176,761.66	6,037,329	6,037,329	101,489	17,272,531
		622985	Site Finalization Services	19,783,861	66,584.52	4,111	470,988	-	45,889
		626804	Utilities-Electricity	50,000	-	-	-	(331)	331
		627105	Private Car Reimbursements	5,670,000	-	-	-	-	5,670,000
		628500	Miscellaneous Expense	4,481,092	721,091.60	1,374,374	-	-	2,385,626
		628501	Misc-License, Insp&Permit Fees	-	-	-	-	-	-
		Residential Demolition Total		188,777,644	3,642,293.28	47,502,486	53,661,432	15,324,649	68,646,784

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity			Funds Available
							Encumbrances	Actual Expenditures	Funds Available	
160040	Demolition Environmental	601100	Salar-Full Time-Gen City	625,000	746.39	180,335.18	-	111,304.73	332,614	
		601125	Salaries-Vacation Time	-	-	7,066	-	9,207	(16,273)	
		601130	Salaries-Holiday Pay	-	132.69	7,879	-	5,277	(13,289)	
		601300	Salar-Overtime-Gen City	10,000	-	-	-	-	10,000	
		602100	Wages-Full Time-Gen City	-	37,313.44	167,863	-	201,560	(406,737)	
		602125	Wages-Vacation Time	-	-	2,860	-	4,297	(7,157)	
		602130	Wages-Holiday Pay	-	941.98	8,002	-	9,596	(18,540)	
		603200	Emplr Pd Ben-Medical	-	140.54	893	-	1,021	(2,055)	
		603300	Employer Pd FICA	48,000	2,992.88	28,163	-	25,593	(8,749)	
		605100	Group Life Insurance	-	1.91	2	-	-	(4)	
		605205	Eye Care-Active Civilian	-	2.05	2	-	-	(4)	
		605620	Dental Active	-	14.44	18	-	-	(33)	
		626700	Telecommunications	7,000	-	4,399	-	-	2,601	
		627195	Employee Uniform Expense	1,750	-	-	287	-	1,463	
		628200	Training	33,000	-	7,785	1,325	9,675	14,215	
		644100	Acquisitions - Equipment	14,500	-	7,185	-	-	7,315	
			Demolition Environmental Total	739,250	42,286	422,454	1,612	377,590	(104,632)	
160050	Demolition Compliance	601100	Salar-Full Time-Gen City	6,000,000	83,118.69	821,248	-	498,305	4,597,328	
		601125	Salaries-Vacation Time	-	3,291.49	55,717	-	35,556	(94,565)	
		601130	Salaries-Holiday Pay	-	2,535.45	38,742	-	23,535	(64,813)	
		601300	Salar-Overtime-Gen City	22,000	-	-	-	-	22,000	
		601600	Salaries For Employee Illness	-	-	-	-	3,611	(3,611)	
		602100	Wages-Full Time-Gen City	-	137,828.26	1,186,714	-	697,934	(2,022,476)	
		602105	Wages-Employee Casual Leave	-	828.06	12,569	-	18,212	(31,609)	
		602125	Wages-Vacation Time	-	4,161.68	21,039	-	11,919	(37,120)	
		602130	Wages-Holiday Pay	-	18.02	57,222	-	35,262	(92,502)	
		602300	Wages-Overtime-Gen City	-	2,599.21	5,608	-	24,016	(32,223)	
		603125	Emplr Pd Pension-GRS	-	3,921.76	22,309	-	10,991	(37,222)	
		603200	Emplr Pd Ben-Medical	-	17,641.06	23,681	-	9,586	(50,908)	
		603300	Employer Pd FICA	475,718	-	166,498	-	102,678	206,541	
		603400	Unemployment	1,282	-	9,570	-	3,389	(11,677)	
		603405	Workers' Compensation	-	1,761.00	11,355	-	4,971	(18,087)	
		603900	Emp Benefits-Miscellaneous	-	113.69	956	-	409	(1,479)	
		604100	Other Comp-Unused Sick Leave	-	606.26	4,333	-	2,366	(7,304)	
		604900	Other Comp-General City	-	20.06	453	-	460	(934)	
		605100	Group Life Insurance	-	21.53	201	-	96	(319)	
		605205	Eye Care-Active Civilian	-	148.27	218	-	103	(469)	
		605500	Income Protection-LTD	-	176.74	1,164	-	614	(1,955)	
		605620	Dental Active	-	1,039.66	1,719	-	772	(3,531)	
		605700	Health Care Reserve - Civilian	-	-	8,933	-	4,549	(13,482)	
		621900	Oper Supplies-Miscellaneous	2,000	-	13,877	1,973	(835)	(13,015)	
		626700	Telecommunications	24,500	-	15,177	-	-	9,323	
		627135	Pur Svcs-Law Dept	500,000	-	-	-	-	500,000	
		627195	Employee Uniform Expense	10,000	-	-	721	-	9,279	
		628200	Training	33,000	-	11,905	3,965	4,500	12,630	
		644100	Acquisitions - Equipment	35,000	-	11,496	-	-	23,504	
			Demolition Compliance Total	7,103,500	259,830.89	2,502,704	6,659	1,492,998	2,841,308	

Appropriation 21003: Neighborhood Improvement Bonds

Cost Center	Cost Center Description	Object	Object Description	Total Budget	FY2021 Actual Expenditures	FY2022 Actual Expenditures	FY2023 Activity		Funds Available
							Encumbrances	Actual Expenditures	
351380	2018 UTGO Bonds	705100	Bond Sale Expense	1,436,228.13	1,416,427.15	-	-	19,801	
	2018 UTGO Bonds Total			1,436,228.13	1,416,427.15	-	-	19,800.98	
Grand Total				205,748,790	5,626,576	52,537,113	53,675,039	17,972,100	75,937,962

Actual expenditures breakdown:

	FY 2021	FY 2022	FY2023 Activity		Total
			Encumbrances	Actual Expenditures	
Payroll	567,855	4,782,924	2,595,521	7,946,300	10.4%
Non-payroll	5,058,720	47,754,189	15,376,580	68,189,490	89.6%
Total	5,626,576	52,537,113	17,972,101	76,135,790	100%

