



Public Lighting Authority

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OUR MISSION is to improve,
modernize and maintain the
street lighting system in Detroit.

March 18, 2022

TO: David Whitaker, Director
Legislative Policy Division

FROM: Beau Taylor, Executive Director
Public Lighting Authority

RE: PLA Response to FY 2022/2023 Budget Hearing Questions

The Public Lighting Authority submits the following response to FY 2022/2023 Budget Questions:

1) Please briefly describe the responsibilities of the Public Lighting Authority.

The Public Lighting Authority's continuing mission is dedicated to maintaining the streetlights in Detroit, responding to residents' needs and ensuring that the new LED streetlight system will continue to operate efficiently.

2) Please provide the board approved current year's FY 2022 operation budget and the operation budget for the upcoming fiscal year, FY 2023.

PLA's 2021-22 approved budget is attached below. The PLA has not yet submitted a 2022-23 budget to its Board. It will be completed and submitted by June 2022.

Public Lighting Authority
Fiscal Year Budget
July 1, 2021 - June 30, 2022

Revenue:

Interlocal Agreement Fees		\$ 10,500,000.00
Utility User Tax Revenue		\$ 12,500,000.00
Other Income		
Interest Income	300,000.00	
Insurance Recovery	15,000.00	
Others	50,000.00	
Total Other Income		<u>\$ 365,000.00</u>
Total Revenue		\$ 23,365,000.00

Expenses:

Operations & Maintenance Expense

Compensation	\$ 1,470,000.00	
Professional Fees	1,100,000.00	
Occupancy	250,000.00	
Time & Equipment	5,000,000.00	
Materials	1,000,000.00	
Preventative Maintenance	1,300,000.00	
Tree Trimming	500,000.00	
Office Expenses	80,000.00	
Insurance	160,000.00	
Travel, Meeting & Conferences	10,000.00	
Auto Expenses	80,000.00	
Public & Community Relations	15,000.00	
Other Expenses	25,000.00	
Total Operation & Maintenance Expense		<u>\$ 10,990,000.00</u>

Debt Service on Bonds Issued

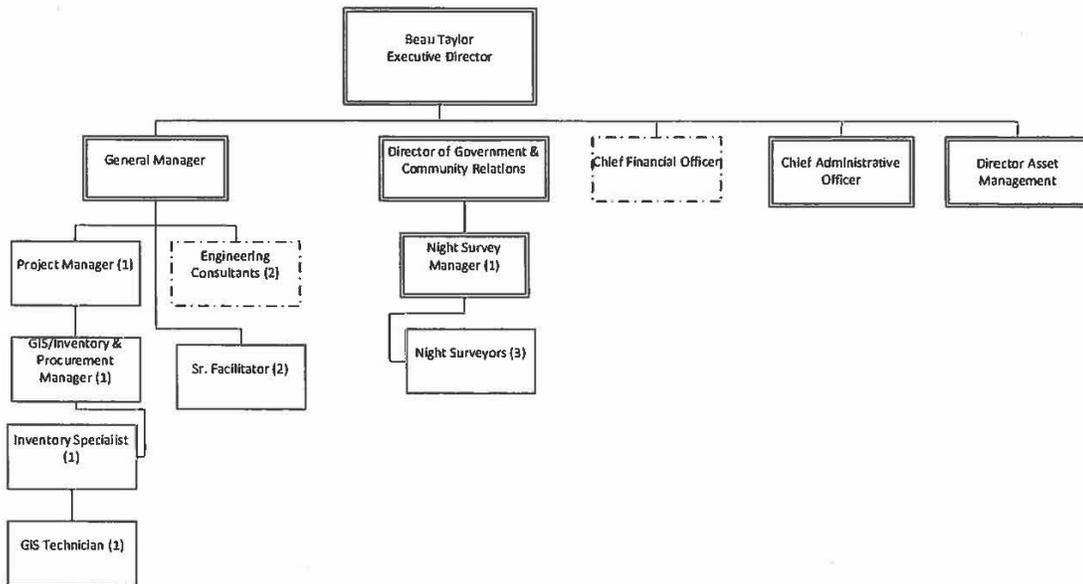
Bond Interest	\$ 8,283,750.00	
Bond Principal Payment	3,725,000.00	
Bond Rating Fees	5,000.00	
Annual Trust Fees	3,500.00	
Total Debt Service		<u>\$ 12,017,250.00</u>

Total Expenses		\$ 23,007,250.00
Excess Revenue over Expenses		<u><u>\$ 357,750.00</u></u>

- 3) **Please briefly explain the department's new expense initiatives, any new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2023.**

PLA expense initiatives includes tree trimming, citywide wood pole replacements, as well as a pilot project to bury streetlighting wires around Detroit. The PLA is also initiating an assessment to determine the cost and feasibility of standardizing and modernizing certain portions of the streetlight system.

4) Please provide the latest organizational chart for the Public Lighting Authority.



Public Lighting Authority Organization

March 2022

5) Please explain recent changes in the PLA management. What are the current staffing levels at the PLA; how many full time and part-time positions? What is the projected staffing level for FY 2023 and the four-year forecast years?

There have been no recent changes to PLA Management. Current staffing levels at PLA are 15 FTE's and no part time positions. The PLA does not project a major increase in staffing levels, though it may need to hire a limited number of individuals as necessary.

6) Please provide an update on the PLA capital improvement program. What is the replacement program for fixtures? Are there any replacements under warranty? What, if any, damages did the system sustain due to the flooding events of FY 2021?

All streetlight fixtures that the PLA purchases are under warranty. Some fixtures are replaced when they reach the end of useful life. If lights fail prematurely, however, then the PLA replaces them under the warranty when applicable. No quantifiable damage was done to the public lighting system when the floods occurred in FY 2021.

7) According to the PLA audited financial statements ending on June 30, 2021, and 2020:

- a) On page 6, please explain the year-over-year decrease in Other Operating Revenue from \$13 million in FY 2020 to \$10.8 million in FY 2021, a decrease of \$2.2 million.

The \$2.4 million in FY 2020, the PLA was reimbursed by the City of Detroit for a Streetscape project. In 2021, however, operations remained constant, and no such expenses were incurred.

- b) On page 6, please explain what is included in Other Expenses. Other Expenses totaled \$9.7 million in FY 2021, an increase of \$1.3 million from FY 2020.

Other Expenses include the following:

Operations & Maintenance	\$ 6,660,963.00
Streetscape Project	\$ 44,822.00
Compensations & Fringe Benefits	\$ 1,409,597.00
Professional Fees	\$ 771,198.00
Occupancy	\$ 239,476.00
Office Expenses	\$ 67,475.00
Insurance	\$ 145,504.00
Community & Public Relations	\$ 124,336.00
Other Expenses	<u>\$ 224,457.00</u>
Total	<u>\$ 9,687,828.00</u>

The increase of \$1.3 million from FY 2020 was because the PLA added capacity to maintain the lighting system. Moreover, as an essential service, the PLA experienced increased cost during the pandemic as it was required to comply with all measures outlined by the State of Michigan and the City of Detroit.

- c) Non-operating expenses represent debt service payments that totaled \$7.9 million in FY 2021, a decrease of \$.1 million. Please provide a copy of the most recent debt service schedule. Are there any plans to refinance the outstanding debt over the forecast period?

Please see bond debt service below. The PLA does not plan to refinance the debt over the forecast period.

BOND DEBT SERVICE

**Michigan Finance Authority
 Local Government Loan Program Revenue Bonds
 Series 2014B (Public Lighting Authority Local Project Bonds)
 Structured for \$181m Total Available Project Funds
 Final Cash Flows**

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
01/01/2015			4,506,996.25	4,506,996.25	
07/01/2015	2,970,000	3.000%	4,532,175.00	7,502,175.00	
12/31/2015					12,009,171.25
01/01/2016			4,487,625.00	4,487,625.00	
07/01/2016	3,030,000	3.000%	4,487,625.00	7,517,625.00	
12/31/2016					12,005,250.00
01/01/2017			4,442,175.00	4,442,175.00	
07/01/2017	3,120,000	4.000%	4,442,175.00	7,562,175.00	
12/31/2017					12,004,350.00
01/01/2018			4,379,775.00	4,379,775.00	
07/01/2018	3,245,000	4.000%	4,379,775.00	7,624,775.00	
12/31/2018					12,004,550.00
01/01/2019			4,314,875.00	4,314,875.00	
07/01/2019	3,375,000	5.000%	4,314,875.00	7,689,875.00	
12/31/2019					12,004,750.00
01/01/2020			4,230,500.00	4,230,500.00	
07/01/2020	3,545,000	5.000%	4,230,500.00	7,775,500.00	
12/31/2020					12,006,000.00
01/01/2021			4,141,875.00	4,141,875.00	
07/01/2021	3,725,000	5.000%	4,141,875.00	7,866,875.00	
12/31/2021					12,008,750.00
01/01/2022			4,048,750.00	4,048,750.00	
07/01/2022	3,910,000	5.000%	4,048,750.00	7,958,750.00	
12/31/2022					12,007,500.00
01/01/2023			3,951,000.00	3,951,000.00	
07/01/2023	4,105,000	5.000%	3,951,000.00	8,056,000.00	
12/31/2023					12,007,000.00
01/01/2024			3,848,375.00	3,848,375.00	
07/01/2024	4,310,000	5.000%	3,848,375.00	8,158,375.00	
12/31/2024					12,006,750.00
01/01/2025			3,740,625.00	3,740,625.00	
07/01/2025	4,525,000	5.000%	3,740,625.00	8,265,625.00	
12/31/2025					12,006,250.00
01/01/2026			3,627,500.00	3,627,500.00	
07/01/2026	4,750,000	5.000%	3,627,500.00	8,377,500.00	
12/31/2026					12,005,000.00
01/01/2027			3,508,750.00	3,508,750.00	
07/01/2027	4,990,000	5.000%	3,508,750.00	8,498,750.00	
12/31/2027					12,007,500.00
01/01/2028			3,384,000.00	3,384,000.00	
07/01/2028	5,240,000	5.000%	3,384,000.00	8,624,000.00	
12/31/2028					12,008,000.00
01/01/2029			3,253,000.00	3,253,000.00	
07/01/2029	5,500,000	5.000%	3,253,000.00	8,753,000.00	
12/31/2029					12,006,000.00
01/01/2030			3,115,500.00	3,115,500.00	
07/01/2030	5,775,000	5.000%	3,115,500.00	8,890,500.00	
12/31/2030					12,006,000.00
01/01/2031			2,971,125.00	2,971,125.00	
07/01/2031	6,065,000	5.000%	2,971,125.00	9,036,125.00	
12/31/2031					12,007,250.00
01/01/2032			2,819,500.00	2,819,500.00	
07/01/2032	6,365,000	5.000%	2,819,500.00	9,184,500.00	
12/31/2032					12,004,000.00
01/01/2033			2,660,375.00	2,660,375.00	
07/01/2033	6,685,000	5.000%	2,660,375.00	9,345,375.00	
12/31/2033					12,005,750.00
01/01/2034			2,493,250.00	2,493,250.00	
07/01/2034	7,020,000	5.000%	2,493,250.00	9,513,250.00	
12/31/2034					12,006,500.00
01/01/2035			2,317,750.00	2,317,750.00	
07/01/2035	7,370,000	5.000%	2,317,750.00	9,687,750.00	
12/31/2035					12,005,500.00
01/01/2036			2,133,500.00	2,133,500.00	
07/01/2036	7,740,000	5.000%	2,133,500.00	9,873,500.00	
12/31/2036					12,007,000.00
01/01/2037			1,940,000.00	1,940,000.00	
07/01/2037	8,125,000	5.000%	1,940,000.00	10,065,000.00	
12/31/2037					12,005,000.00

- d) On page 7, please explain the \$4.7 million in construction costs incurred in FY 2020; what projects did this include? Why were there no costs incurred in FY 2021?

The \$4.7 million in construction costs was due to the Leotek light fixture change out. The project was completed prior to FY 2021 so expenses were not realized in that fiscal year.

- e) On page 10, Operating Revenues and Expenses, please explain the following:
- i) Operating & Maintenance expenses increased to \$6.7 million in FY 2021 from \$2.9 million in FY 2020;

Operating expenses increased due to the hiring of two maintenance contractors to address additional work because of the gradual aging of Detroit's streetlight system. The PLA also added tree trimming and some preventative maintenance to deliver better and more consistent service to the residents.

- ii) What is included in other expenses, totaled \$224,457 in FY 2021, an increase of \$140,266;

Other expenses include items such as vehicles, consultants (to backfill work for employees who departed in 2020), as well as other operational activities

Consultants	\$ 140,080.00
Auto Expenses	\$ 49,409.00
Travel & Entertainment	\$ 15,390.00
Payroll Processing Fees	\$ 7,325.00
Bank Charges	\$ 9,891.00
Miscellaneous	\$ 2,362.00
Total	\$ 224,457.00

- iii) Investment income decrease in FY 2021 by \$.6 million

Investment income is largely variable based on factors such as market conditions and are therefore not based on a fixed percentage. The PLA is currently exploring other options for investments.