

**Public Lighting Authority**  
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Public Lighting Authority

## 2017 ANNUAL REPORT



Moving Public Lighting Forward





**W**ith the entire city successfully relit, 2017 was a year of transition for the Public Lighting Authority. After three years of intense effort completely rebuilding Detroit's public lighting system, we shifted our focus to operation and maintenance of what is now the nation's most modern, most efficient public lighting infrastructure. With 99.4 percent of Detroit's street lights in operation at year's end, it is clear that we are on the right track.

We have come a long way from when we began four years ago, when more than 40 percent of the lights simply did not work and it could literally take years, if ever, to get a broken light fixed. It took decades for our old system to deteriorate to the point where entire areas of our city were dark. However, it took us only three years to fix it.

Our mission as a board is to put policies and practices in place to ensure that our new system will continue to shine for years to come. That has been the focus of our efforts in 2017.

Problems are going to pop up in any system, of course, but we have also put into place mechanisms to get those problems addressed quickly and as they appear. For instance, we react within 24 hours to any report of a light out, and then we move quickly to identify the cause of the problem and get it fixed. We also have a long-term plan to assure our financial viability in order to keep the system up-to-date as it ages in the coming years.

We are proud that our dedicated staff and hardworking contractors, through working together, have succeeded in putting Detroit in the national spotlight as an example of what modern urban public lighting should look like. We are proud of the fact that we have identified and continue to utilize Detroit-based and minority-owned contractors to carry out much of this work. Make no mistake, we are committed to assuring that Detroit stays in the forefront of the lighting industry in the coming years.

A handwritten signature in grey ink that reads "Lorna Thomas".

Lorna Thomas, M.D.  
Board chairwoman, Public Lighting Authority



**T**he Public Lighting Authority focused our efforts in 2017 on successfully maintaining our modern, state-of-the-art urban lighting system while working at the same time to integrate our efforts into broader revitalization initiatives across the city of Detroit.

Our primary focus, of course, is ensuring that our system maintains its status as a national leader. That includes staying vigilant to assure that we move quickly to repair or replace a light when it malfunctions, such as when a pole is knocked down by a car. The fact that, at the end of the year, 99.4 percent of the city's streetlights were working is a clear illustration that we are achieving that goal.

We also are proud of our commitment to using Detroit-based contractors and workers to keep our system in optimum shape. Last year, 79 percent of our contracts went to Detroit-based businesses, which employ Detroit residents, and this year we're already up to 85 percent. We are working for Detroit while helping put Detroiters to work.

While keeping our system in the best possible condition, we have looked for opportunities to support other city initiatives. For instance, we continue to assist the city and local businesses in establishing Project Green Light sites around the city, helping keep Detroiters safe and bringing criminals to justice. This includes conducting tests to ensure that the lights installed as part of this real-time, crime-fighting effort meet the required illumination standards. We also worked with the city in establishing the first Green Light Corridor in Greektown and helped install the signage.

In total, some 300 businesses have joined Project Green Light in the last two years, and the mayor hopes we have 500 by the end of 2018. This program has had a significant impact on crime, including a 40 percent drop in carjackings across the city in just two years. We are proud to be able to assist in this important and innovative public-private partnership.

We are proud that the Public Lighting Authority is a shining example of how government agencies should work. We continue to serve our fellow Detroiters with efficient and effective lighting while integrating what we do with the broader revitalization efforts in the city. We are committed to continuing our work through 2018 and beyond and doing our part to move our city forward.

A handwritten signature in grey ink that reads "Beau Taylor".

Beau Taylor  
Executive director, Public Lighting Authority

# Public Lighting Authority Board Members

## Lorna Thomas, M.D. | Chair

Lorna Thomas, M.D., a ninth-generation Detroiters from the east side, has been a physician for more than 31 years while serving as a committed advocate for the City of Detroit, and the city's civic, cultural and social matters. Dr. Thomas completed her internship and postgraduate residency training in dermatology at Henry Ford Hospital, where she became the first African American Chief Resident in Dermatology. She is board-certified in Dermatology and is a Fellow of the American Academy of Dermatology, the American Society for Dermatologic Surgery and the American Society for Laser Medicine and Surgery. She is Chairman of the Board of Trustees of Detroit Receiving Hospital and a member of the boards of the Detroit Medical Center, the Detroit Institute of Arts, Michigan Opera Theatre, MGM Grand Detroit and the New Center Council.



## Rod Parker, CPA | Treasurer

Rod Parker is a financial manager with more than 30 years of experience. He started at the Ernst and Young CPA firm where he received his Certified Public Accountants License. Parker worked at DTE Energy for 30years where he retired as a manager in the Controllers Area in 2013. While there, he worked in the following areas: General Accounting, Property Accounting, Financial Systems, Interconnection Sales and Division Controller for Distribution Operations and customer service. He also has served as controller for a number of DTE's non regulated subsidiaries, (i.e. DTE Energy Trading, International Transmission Company). In addition, he was on the system projects for the PeopleSoft and SAP Financial Systems. Parker is a lifetime resident of the City of Detroit and has served on the Boards of several nonprofits including DESC, DAPCEP and Core City Neighborhoods. Rod is currently working as a consultant providing accounting and auditing service to a number of local CPA firms.



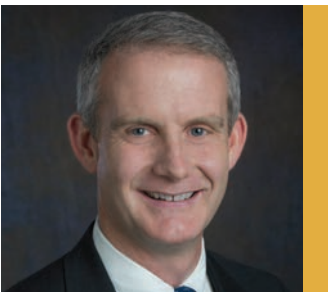
## David W. Jones | At Large

David W. Jones is a partner in the law firm Allen Brothers, Attorneys and Counselors, PLLC who has practiced law for more than 17 years. His practice focuses in the areas of litigation, municipal and real estate law. Jones is a former prosecutor, Special Assistant Attorney General and counsel for large commercial entities. While serving his appointment as Special Assistant Attorney General by Attorney General Mike Cox, Jones developed the "Joshua Project," an initiative aimed at reducing gun violence. In addition to investigating and prosecuting cases, he was the Attorney General's liaison to the community and governmental agencies. Jones received his undergraduate degree in Corporate Finance from Wayne State University and his law degree from the University Of Detroit Mercy School Of Law. He is active in the community as a high school basketball and football official, as well as a college basketball official.



## Patrick L. Padgett, P.E. | At Large

Patrick Padgett, P.E., is a professional engineer who is leading the growth of the global manufacturing, installation and service operations for the GE SPINlab product, working with medical research institutions in North America, Europe and Asia. Prior to joining GE in 2007, he was a fuel system engineer with Ford Motor Company working in Germany, Dearborn and Poway, California. He is a veteran of the U.S. Navy and holds two U.S. patents for his development work.



## Donnell R. White | At Large

Donnell White is Executive Director of the Detroit Branch of the NAACP, a position he has held since 2011, when he became the youngest Executive Director in the history of the NAACP. White also serves as Vice-Chair of the Detroit Board of Police Commissioners, a position he has held since December of 2010. In addition, he is a member of the Detroit Future City Steering Committee, Co-Chair ClearCorps/Detroit, Member- Federal Bureau of Investigations Multicultural Advisory Committee, Member- Michigan Department of Transportation's Detroit Transportation Workforce Diversity Forum, Member- Wayne State University Board of Governors Community Retention/Oversight Advisory Group, Member- Wayne State University President's Advisory Group, Member- Fellowship Chapel Men's Christian Fellowship, Commissioner- Detroit Crime Commission, and Board Member- The Youth Connection (Detroit). He is a graduate of Michigan State University, where he earned a B.A. degree in Finance.

## Beau Taylor | Executive Director

Beau Taylor was named executive director of the Public Lighting Authority in August 2017. He had earlier served three years as director of Detroit's Public Lighting Department – where he played a role in the creation of the PLA – and two years as assistant to the City of Detroit's Chief Operating Officer. His past experience managing the PLD, including revamping Detroit's electrical infrastructure and migrating municipal electric customers to DTE Energy's electric grid, provide the ideal background to assure the PLA operations move ahead seamlessly. Taylor earned an MBA in management and international business from New York University's Stern School of Business and received a bachelor's degree from Michigan State University's Eli Broad College of Business.



## PAST BOARD MEMBERS

<b>2015:</b> Eva Garza Dewaelsche	<b>2013:</b> Maureen Stapleton
Nicole B. Spieles	Marvin Beatty
<b>2014:</b> Mark C. Smith	John Davis
	Cedric Dargin
	Michael Einheuser

### Back row, left to right:

Mohamed Abbas  
John Vernon  
Nate Guider  
Vincent Guider  
Benjamin Barker  
Beau Taylor  
Fares Abu-Al-Soud  
Nate Maycock  
Mohamed Hassan

### Front Row, left to right:

Mukesh Patel  
Fadi Fares  
Marie Brown  
Cheryl Clay  
Latrice McKinley  
Sanad Khalafawi  
Jessica Gray  
Jamal Harrison  
DeAndre Brooks







## The History

For decades, Detroit's streetlights were a sign of the city's struggles, an important city service that was in increasingly serious disrepair that led to increasing concerns from residents. At least 40 percent of the city's lights did not work, whether because of copper theft, bulb outages, vandalism, obsolete technology, lack of repair staff and, most notably, a lack of money to pay for repairs. And because of its perilous financial situation, Detroit was unable to address this problem, and things continued to get worse.

Gov. Rick Snyder signed legislation in December 2012 allowing lighting authorities to be created in Michigan cities, providing Detroit a vehicle to secure the funds needed to bring Detroiters the streetlighting system they deserve. The Detroit City Council approved the PLA's articles of incorporation the following February, and we soon got to work.

In February 2014, the PLA began replacing the city's antiquated, malfunctioning system with a new energy-efficient LED system. The work began in our city's neighborhoods. Less than three years later, Detroit celebrated the completion of the project:

the relighting of the entire city, 65,000 new streetlights up and shining. And the PLA did it all ahead of schedule and under budget, finishing in December 2016.

## The Mission

Now that the Public Lighting Authority has completed construction, the agency's mission has transitioned to one dedicated to maintaining the streetlights in Detroit and ensuring that the brighter, more reliable and more energy-efficient lights will continue to shine on our city for years to come.

## The Leadership

The PLA is a separate legal entity from the City of Detroit and run by a five-member board, all of whom are Detroit residents. Detroit Mayor Mike Duggan and the Detroit City Council each appoint two board members; the fifth member is picked by Council from a list of candidates provided by the mayor.

## Maintaining a viable lighting system

*From its beginning, the PLA's mission has been to improve, modernize and maintain all of Detroit's streetlights with brighter, more reliable and more energy-efficient lights. To achieve this goal, the PLA made several changes from the old lighting system that had grown unreliable.*

To improve reliability, it did away with the city's old series circuit-lighting system, commonly referred to as "Christmas tree light" wiring, in which multiple lights were on one circuit. If one light burned out, the entire circuit went down until the one light was fixed. In the new lighting system, if one light goes down, the others stay on.

To improve illumination and energy efficiency, the PLA switched from the old high-pressure sodium lights to new, state-of-the-

art Light-Emitting Diode lights, better known as LED. The new lights are twice as bright as the old ones, while also being more energy efficient, saving Detroit taxpayers money.

To improve reliability, and also to deter scrap-metal theft, the PLA switched from copper wiring to aluminum wiring because aluminum has only a fraction of the value of copper on the scrap market. The old lights also had a copper coil at the base of each lamp, something that the new lights do not require. By keeping vandals and thieves off our lights, we can keep the lights on.

Finally, in another step to improve reliability, the PLA has implemented an aggressive repair operation that addresses most problems within three to five days. This is a vast improvement over the old system, where residents could wait years for a light to be repaired – if it was ever repaired at all.





## How to report a light that's out

Detroit's streetlights have sensors that respond to sunlight, not a timer. This means that they come on at dusk and go off at sunrise throughout the entire year.

Before reporting streetlights as being out, we ask residents to first check to see whether the other lights on their block are shining. If the other lights are also off, it means that it's not quite dark enough outside yet for the lights to come on. If, however, the other lights are on, we ask residents to call us right away at **(313) 324-8290** or e-mail us at **info@pladetroit.org**

We also ask those reporting out lights to note the date and the time that they observed the light not on.

Together, we can help keep Detroit's streetlights shining while also reducing costs and unnecessary site visits.



Our customer service experts, Cheryl Clay, left, and Latrice McKinley

**HELP US KEEP THE LIGHTS ON** ► **(313) 324-8290** | **info@pladetroit.org**

## Keeping the lights on

*Now that we have modernized Detroit's streetlights, the Public Lighting Authority is dedicated to keeping the new streetlights on and responding quickly to any problems that occur, whether that's replacing a pole or a malfunctioning LED bulb.*

In 2017, the PLA repaired 4,371 streetlights, including 471 that had been knocked down by motor vehicles. Most of the lights were repaired within three to five days of being notified, though some lights, such as those where a pole was knocked down take longer to complete. On occasion, inclement weather conditions also slow down the repair process. At the end of the year, 99.4 percent of the city's streetlights were on, meaning we are meeting our goal of maintaining the system.

The city's lack of financial resources took a heavy toll on the old public lighting system. One of the chronic problems of the old lighting system was that when lights went out, it sometimes took literally years to get the light repaired, if it

ever was repaired because funds were not available to do basic maintenance. The PLA, having rebuilt the system, is now committed to maintaining it to assure that the progress that was made during the construction phase is preserved. That is why we maintain a long-term capital account to assure that the resources are available well into the future to make repairs as soon as we are notified that a light is out.







## How the PLA is funded

*The Public Lighting Authority is funded through \$185 million in bonds sold on its behalf in June 2014 by the Michigan Finance Authority.*

As a separate municipal corporation from the City of Detroit, with a dedicated revenue stream from a portion of the city's Utility User Tax, the PLA was able to secure a strong investment grade rating of "A-" from Standard & Poor's and "BBB+" from Fitch.

The bonds are being repaid from a portion of the proceeds of the City of Detroit's Utility User Tax.

The legislation allocated \$12.5 million a year from the Utility User Tax to provide the needed revenue stream to pay off the bonds. The Utility User Tax originally was levied to pay for public safety activities, and it was chosen because effective public lighting is an integral part of effective crime fighting. The legislation also allocated a portion of the city's income tax to public safety to cover the \$12.5 million that was designated for public lighting.

In December 2013, U.S. Bankruptcy Judge Stephen Rhodes issued a ruling that the PLA is a separate municipal corporation and that all financing secured by the PLA was not affected by the City of Detroit's bankruptcy proceedings that were then underway in his courtroom.

That ruling cleared the way for the sale of an initial interim financing of \$60 million to get the relighting underway and then the sale of the full bond issue in June of 2014.

Because of the security offered by the legislation forming the Authority and Judge Rhodes' decision, demand was so strong that the all-in interest rate for the 30-year transaction averaged 4.53 percent. That enabled the sale of an additional \$25 million in bonds, resulting in an additional 10,000 streetlights above the Authority's original plan, giving Detroit 65,000 new LED streetlights.

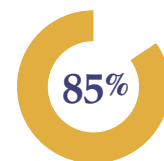
## Detroit-based procurement

From the beginning of the project, the PLA has made it a priority to employ Detroiters and utilize resources within the City of Detroit. Indeed, the legislation enabling the PLA requires that every effort be made to ensure that local companies do the work. Last year, 70 percent of the PLA's vendors were based in Detroit, and this year we are proud to be up to 85 percent. The PLA is not only keeping Detroit's streets safe and bright, but putting Detroiters to work and investing in our residents. Sixty-three percent of the contractors who completed the streetlight installation process were Detroit-based businesses.

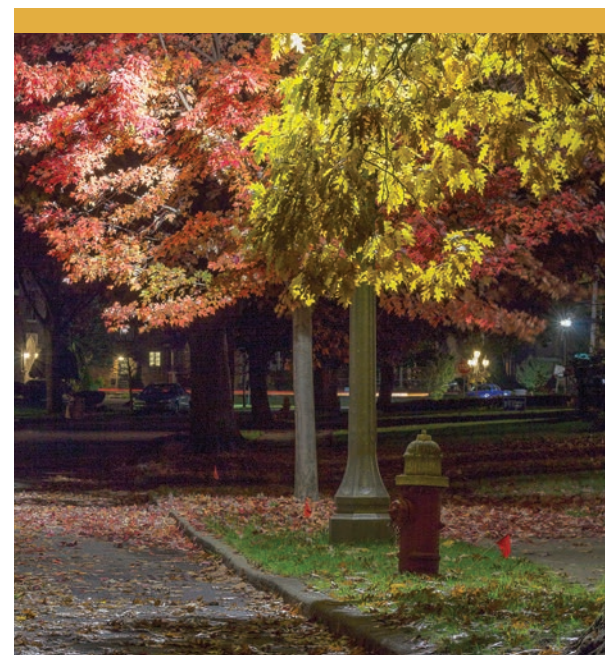
Our LED vendors partnered with local nonprofits to provide funding for youth training and education in the city. The PLA sponsored a lighting project course (Photography and Public Lighting) in partnership with the College for Creative Studies.



PLA's vendors based in Detroit in 2016



PLA's vendors based in Detroit in 2017





## **INDEPENDENT AUDITOR'S REPORT**

November 7, 2017

To the Board of Directors  
Public Lighting Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Public Lighting Authority (the "PLA"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2017 and 2016, as well as the related notes to the financial statements, which comprise the PLA's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The PLA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PLA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PLA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Public Lighting Authority  
November 7, 2017  
Page Two

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the PLA as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 7, 2017, on our consideration of the PLA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PLA's internal control over financial reporting and compliance.

*George Johnson & Company*

CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan



# Financials

## Independent Financial Audit for the Fiscal Years Ended June 30

	Enterprise funds	
	FY 2016-2017	FY 2015-2016
Revenue	\$ 23,611,718.00	\$ 22,529,534.00
Expenditures	\$ 16,338,875.00	\$ 16,758,370.00
Net increase in net position	\$ 7,272,843.00	\$ 5,771,164.00
Net position, beginning of period	\$ 24,879,588.00	\$ 19,108,424.00
<b>Net position, end of period</b>	<b>\$ 32,152,431.00</b>	<b>\$ 24,879,588.00</b>



## Public Lighting Authority Statement of Net Position

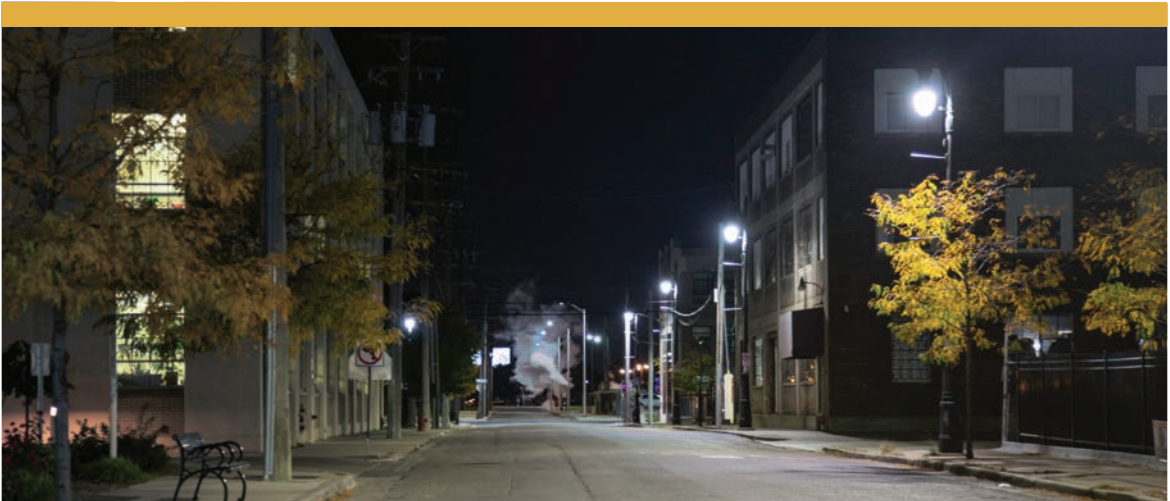
December 31, 2017

### Assets

<b>Current assets</b>	
Cash and cash equivalents	\$ 26,395,226.00
Investments	\$ 21,528,940.00
Inventory	\$ 413,056.00
Prepaid	\$ 29,150.00
<b>Total current assets</b>	<b>\$ 48,366,372.00</b>
<b>Non-current assets</b>	
Capitalized construction cost	\$ 181,426,804.00
Equipment (net)	\$ 407,898.00
<b>Total non-current assets</b>	<b>\$ 181,834,702.00</b>
<b>Total assets</b>	<b>\$ 230,201,074.00</b>

### Liabilities and net position

<b>Current liabilities</b>	
Accounts payable	\$ 2,820,103.00
Interest payable	\$ 4,379,775.00
Bond payable – short term	\$ 3,245,000.00
<b>Total current liabilities</b>	<b>\$ 10,444,878.00</b>
<b>Non-current liabilities</b>	
Bond premium	\$ 9,923,146.00
Bond payable – long term	\$ 172,595,000.00
<b>Total non-current liabilities</b>	<b>\$ 182,518,146.00</b>
<b>Total liabilities</b>	<b>\$ 192,963,024.00</b>
<b>Net position</b>	
Unrestricted	\$ 37,238,050.00
<b>Total net position</b>	<b>\$ 37,238,050.00</b>
<b>Total liabilities and net position</b>	<b>\$ 230,201,074.00</b>



# Financials

Public Lighting Authority

## Statement of revenue, expenses and changes in net position

For the six months ended December 31, 2017

<b>Revenue</b>	
Utility user tax revenue	\$ 6,250,000.00
Operations and maintenance	\$ 5,099,997.00
Investment income	\$ 77,678.00
Other revenue	\$ 824,294.00
<b>Total revenue</b>	<b>\$ 12,251,969.00</b>
<b>Expenditures</b>	
Debt services expenses	\$ 4,201,046.00
Operations and maintenance expenses	\$ 2,055,697.00
Operating expenses	\$ 909,607.00
<b>Total expenditures</b>	<b>\$ 7,166,350.00</b>
<b>Change in net position</b>	<b>\$ 5,085,619.00</b>
<b>Net position – beginning of period</b>	<b>\$ 32,152,431.00</b>
<b>Net position – end of period</b>	<b>\$ 37,238,050.00</b>

