



Public Lighting Authority 2020 Annual Report

Dedicated to Keeping **Detroit Shining**



Lorna Thomas, M.D.
Board chairwoman

The year 2020 was one of unprecedented challenges and heartbreak for our community, our country and the world.

First, my heart goes out to those who lost loved ones to the COVID-19 pandemic. Second, I would like to thank and congratulate the Public Lighting Authority team for safely ensuring that our city's streets remained illuminated by Detroit's new streetlight system. That dedication from our team speaks to our mission in running the most modern and efficient public lighting system in the country. Despite the global pandemic, the hardworking PLA team and our contractors once again succeeded in keeping more than 99 percent of streetlights in operation year-round.

We achieved that level of service because the PLA continued to quickly respond to out lights and downed poles. The PLA has made it easier than ever for residents to report streetlight issues, by calling us at (313)324-8290, or reporting it through our website (pladetroit.org), by e-mailing us (info@pladetroit.org) or through the Improve Detroit app.

The relighting of the entire city of Detroit remains a remarkable achievement – one that was ahead of schedule, under budget and much more reliable than our old system, in which more than 40 percent of the lights did not work at all. This has all been made possible by our dedicated PLA staff and contractors, and on behalf of all Detroiters, I thank you for your efforts to keep Detroit shining.

It is our mission as a board to make decisions that will help maintain that level of performance and customer service for years to come. I am proud of the work by the PLA and the system that we have put into place to ensure Detroit's streetlight system remains a source of pride for our city.

Lorna Thomas, M.D.
Board chairwoman



The Public Lighting Authority, like utilities and communities around the world, were confronted by the COVID-19 pandemic, putting our team to the test as we set out to successfully maintain Detroit's state-of-the-art streetlighting system, while also ensuring the health and safety of our workers and the community.

Thanks to the commitment to both service and safety, we were able to continue to provide comprehensive work to neighborhoods across Detroit and still manage to ensure 99 percent of the city's streetlight system remained operational. Despite the pandemic, Detroit's public lighting system maintains its status as a national leader. That is due in part to our ability to stay vigilant and move quickly to repair or replace a light when it malfunctions, such as when a pole is knocked down by a car.

I am incredibly proud that the PLA continues to be a leader in championing our city's entrepreneurs and their employees, and also the value we place on workplace safety, whether that's with electrical lines or a global pandemic.

I also am proud of our team and our partners for making diversity and inclusion a priority. We are seeing tremendous gains in creating opportunities for Detroiters and people of color, and tearing down barriers that have left too many for too long from being able to access the skills and jobs that they deserve. We are working for Detroit while helping put Detroiters to work.

I also would like to thank the mayor and City Council for their continued support. This department continues to be a shining example of how government should work. We respond quickly when there is an issue, operate efficiently, are on guard to avoid major issues, and are constantly looking for ways to improve our service to the people of Detroit.

We are committed to continuing our work through 2021 and far beyond and doing our part to move our city forward.


Beau Taylor
Executive Director
Public Lighting Authority

Leadership

The Public Lighting Authority is overseen by a five-member board that is appointed by the Mayor and City Council. All board members are residents of Detroit.



Patrick L. Padgett | Secretary

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.



Lorna Thomas | Chairwoman

Lorna Thomas, M.D., a ninth-generation Detroiters from the east side, has been a physician for more than 30 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 chairwoman 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 | Treasurer

Rod Parker is a financial manager with more than 30 years of experience. He started at Ernst & Young, where he received his Certified Public Accountant (CPA) license. Parker worked at DTE Energy for 30 years, 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 nonregulated 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 Detroit Employment Solutions Corporation, Detroit Area Pre-College Engineering Program (DAPCEP) and Core City Neighborhoods. He is also a consultant providing accounting and auditing service to a number of local CPA firms.



DEDICATED TO KEEPING **DETROIT SHINING**



Melvin Butch Hollowell | At large

Butch Hollowell is managing partner of the Miller Law Firm in Detroit, where he oversees the firm's practice at its downtown Detroit location.

He specializes in complex commercial litigation, municipal and finance law, election law and corporate transactions. He is a graduate of the University of Virginia School of Law, Albion College, and the University of Detroit Jesuit High School and Academy. Prior to his association with the Miller Law Firm, Hollowell served as corporation counsel for the City of Detroit, the city's chief legal officer.

Hollowell is a State Bar Foundation fellow, a recognition reserved for the top 5 percent of Michigan lawyers. He also has served as general counsel of the Detroit Branch NAACP and general chairman of the Detroit Branch NAACP Freedom Fund Dinner, the largest sit-down dinner and largest civil-rights fund-raiser in the country.



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.



Ric Preuss | At large

Ric Preuss, a lifelong Detroiter and Detroit business agent for the International Brotherhood of Electrical Workers Local 58 (IBEW), is a licensed electrician with 21 years of electrical construction and maintenance experience.

Preuss has extensive experience in designing and installing electrical systems safely for large infrastructure projects and, in his current role, is involved in every large construction project in the city of Detroit.

As the Detroit business agent for IBEW Local 58, Preuss works on contract negotiations, dispute resolution and arbitration and building strong collaborative relationships with customers and developers. He spends countless hours solving workforce problems and plays a significant role in the rebuilding of the workforce pipeline into skilled trades.

He is passionate about workforce development and providing real, meaningful career opportunities for Detroit residents through electrical apprenticeship programs offered through IBEW and its partner employers at NECA. He also values service to the community and gives back to his lower east side neighborhood community by mentoring young people striving to reach their full potential, and he participates in leadership roles on more than a dozen boards in the city.

Past Board Members

2018: David W. Jones

Donnell R. White

2015: Eva Garza Dewaelsche

Nicole B. Spieles

2014: Mark C. Smith

2013: Maureen Stapleton

Marvin Beatty

John Davis

Cedric Dargin

Michael Einheuser

The PLA Team

Because of the COVID-19 pandemic, we were unable to take a team photo for this year's annual report. The PLA team is A. Benjamin Barker, De'Andre Brooks, Marie A. Brown, De'Angelo Davis, Fadi Fares, Nathaniel Guider, Vinson Guider, Mark Hall, Mohamed Hassan, Nathaniel Maycock, Mukesh Patel, Bradford Pratt, Jamison Scarber, Beau Taylor, Kimberly Suchyta, John Vernon, James Wilson.

The History



For decades, Detroit's streetlights were a constant problem for the city's residents. More than 40 percent of them just flat-out did not work. Copper theft, dead bulbs, vandalism and age – and a lack of resources to fix them – left much of the city's neighborhoods in darkness. They were an unavoidable, constant reminder of Detroit's struggles at the time. With no ability to address the issues, the only thing that changed was that the city's streetlight system continued to get worse. But in December 2012, legislation was signed allowing for the creation of lighting authorities in Michigan. This allowed Detroit to create the Public Lighting Authority (PLA) and to secure funding. Following the Detroit City Council's approval of the PLA's articles of incorporation, the PLA got to work overhauling the entire streetlighting system across the city's 139 square miles. After months of studies and community engagement, the PLA began installing new energy-efficient LEDs in the neighborhoods in February 2014.

By December 2016, Detroit was fully illuminated by 65,000 new streetlights. The PLA had completed the project in less than three years, which meant the incredible effort was finished ahead of schedule and under budget.



Mission

With construction completed, the Public Lighting Authority's mission is now dedicated to maintaining the streetlights in Detroit, responding to residents' needs and ensuring that the city's new LED streetlight system will continue to shine for years to come.

The Leadership

The PLA is a separate legal entity from the City of Detroit. It is governed by a five-member board comprised of Detroit residents. Detroit Mayor Mike Duggan and the Detroit City Council appoint two board members each, and the fifth is picked by the Council from a list of candidates that is provided by the mayor.



Maintaining a viable lighting system



From the 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 (LED) lights. 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.

The old lighting system had many flaws. However, the largest hinderance to the system was the city's lack of financial resources. It would often take years for a single issue to be repaired, if at all, simply because there was no source of pay for repairs or basic maintenance. The PLA put an end to that. The revitalized system now has structures in place that assure the quality and reliability of the new system is upheld. That is why we preserve longstanding capital to assure that the resources are available well into the future.



Keeping the lights on



The PLA is dedicated to keeping Detroit's streets safely lit. From replacing a malfunctioning luminaire to addressing downed poles, we strive to have most problems addressed within a matter of days.

In 2020, 1,160 streetlights were repaired, and 610 poles downed by motor vehicles were replaced. Though most of the issues were addressed within five days, some problems, such as those where a pole was knocked down, took longer to tackle. There were also some delays because of the COVID-19 pandemic, but our teams continued to work to resolve issues during the crisis.

DEDICATED TO KEEPING DETROIT'S STREETS SAFELY LIT

How to report an out streetlight



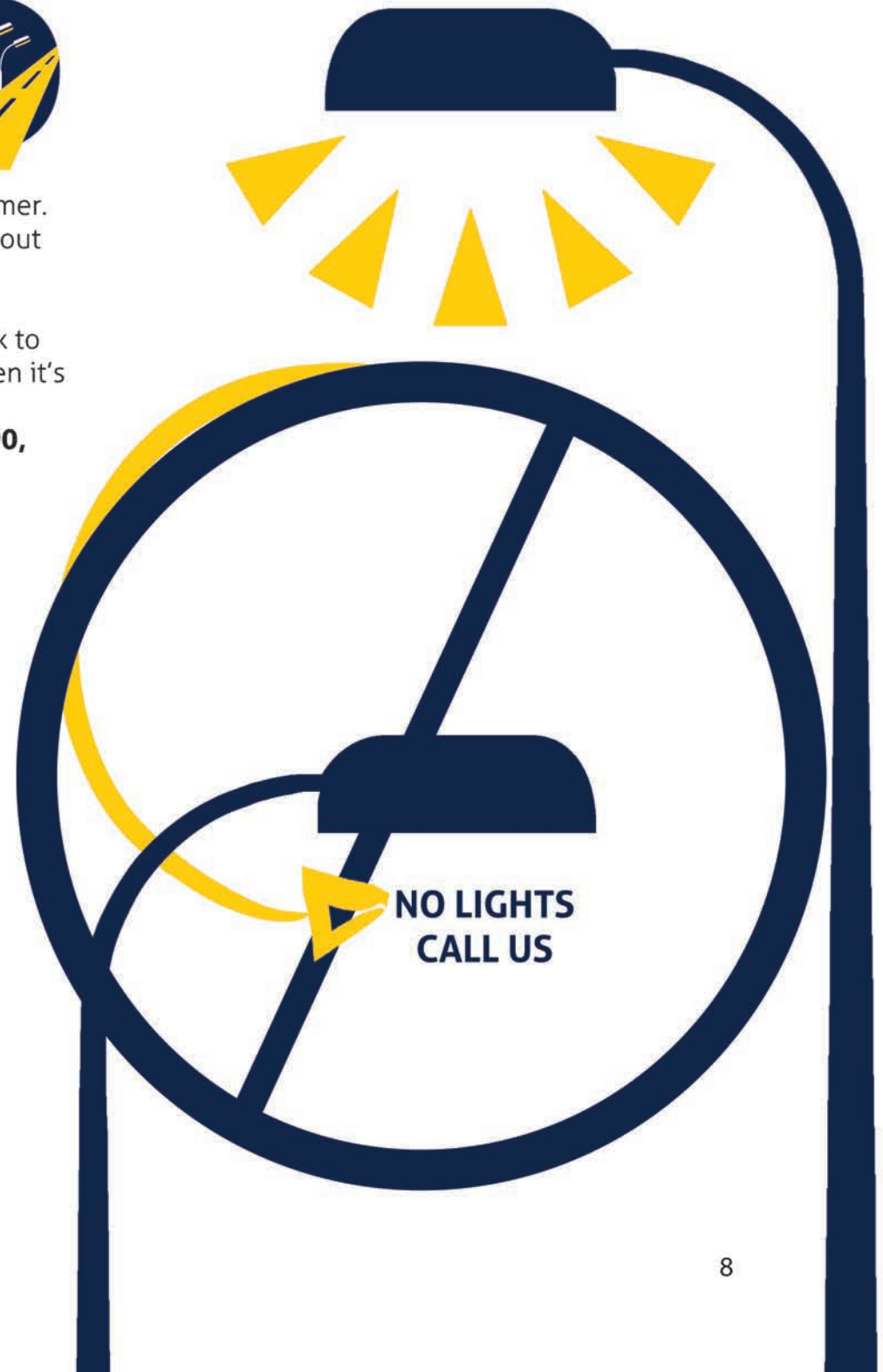
Detroit's streetlights have sensors that respond to sunlight, not a timer. This means that they come on at dusk and go off at sunrise throughout the year.

Before reporting streetlights as being out, we ask residents to check to see whether the other lights on their block are on. If they're not, then it's not dark enough yet for the lights to turn on. **If the other lights are shining, then residents should call us right away at (313)324-8290, e-mail us at info@pladetroit.org, or report the outage at pladetroit.org or on the Improve Detroit app.**

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



Lights not coming on
call us right away: **(313)324-8290**



Keeping Detroit shining



Like other public utilities, the PLA faced the challenge of continuing to provide key services to residents despite a deadly pandemic raging across the country. We are proud of our work to keep Detroit's streets safely lit and our workers and contractors safe, as well. We are committed to both the health and safety of PLA staff and contractors and our city's residents. We maintained all COVID-19 safety protocols, including face masks, 6 feet of social distancing and working remotely during quarantine and shelter in place orders for non-maintenance personnel.

Detroit-based procurement amid a pandemic

Employing Detroiters and utilizing resources within the City of Detroit has been a priority for the PLA from the beginning. In fact, efforts must be made to ensure that local companies do the work to stay in accordance with the legal requirement of the legislation that enables the PLA. Our contractors have embraced the spirit of inclusion, without being contractually obligated. This means the PLA is not only keeping Detroiters safe, but also creating jobs and investing in residents.

How the PLA is funded

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

The Public Lighting Authority is a separate municipal corporation from the City of Detroit. It has its own dedicated revenue stream that stems from a portion of the city's Utility User Tax. This aided the PLA in securing an 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 to public lighting.

In December 2013, U.S. Bankruptcy Judge Steven 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.



INDEPENDENT AUDITOR'S REPORT

(313) 965.2655 • Fax (313) 965.4614

November 19, 2020

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, 2020 and 2019, 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.

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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, 2020 and 2019, 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 19, 2020 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.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

Financials

Fiscal Year Ended June 30

Enterprise funds

	FY 2020	FY 2019
Revenue	\$26,508,601	\$23,262,820
Expenditures	\$22,916,884	\$22,214,145
Net increase in net position	\$3,591,717	\$1,048,675
Net position, beginning of year	\$35,943,517	\$34,894,842
	<u>\$39,535,234</u>	<u>\$35,943,517</u>

Public Lighting Authority Statement of Net Position June 30, 2020

ASSETS

Current assets

Cash and cash equivalents:

Unrestricted \$6,455,187

Reserved for operation and maintenance \$3,584,673

Total cash and cash equivalents \$10,039,860

Accounts receivable \$7,493

Prepaid expenses \$102,895

Total current assets \$10,150,248

Noncurrent assets

Investments \$48,287,310

Capital assets:

Depreciable capital assets, net \$167,313,300

Total noncurrent assets \$215,600,610

Total assets \$225,750,858

LIABILITIES**Current liabilities**

Accounts payable on capital acquisitions	\$971,400
Other accounts payable and accrued expenses	\$205,906
Accrued interest payable	\$4,230,500
Advance from City of Detroit	\$2,600,816
Bonds payable due or expected to be paid within one year	<u>\$3,919,458</u>
Total current liabilities	\$11,928,080

Noncurrent liabilities:

Bonds payable due or expected to be paid in more than one year	<u>\$174,287,544</u>
Total liabilities	<u>\$186,215,624</u>

Net position:

Net investment in capital	\$375,746
Unrestricted	<u>\$39,159,488</u>
Total net position	<u>\$39,535,234</u>

Statement of revenue, expenses and changes in net position*For the year ended June 30, 2020***Revenue**

Utility user tax revenue	\$12,500,000
Operations and maintenance	\$10,453,826
Investment income	\$660,591
Other revenue	<u>\$2,894,184</u>
Total revenue	\$26,508,601

Expenditures

Debt services expenses	\$8,086,541
Operations and maintenance expenses	\$2,856,761
Operating expenses	<u>\$11,973,582</u>
Total expenditures	<u>\$22,916,884</u>
Change in net position	<u>\$3,591,717</u>
Net position – beginning of period	<u>\$35,943,517</u>
Net position – end of period	<u>\$39,535,234</u>



Public Lighting Authority

pladetroit.org

Twitter: @PLA_Detroit

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