

Ann Arbor DDA

FY25 Budget Work Session

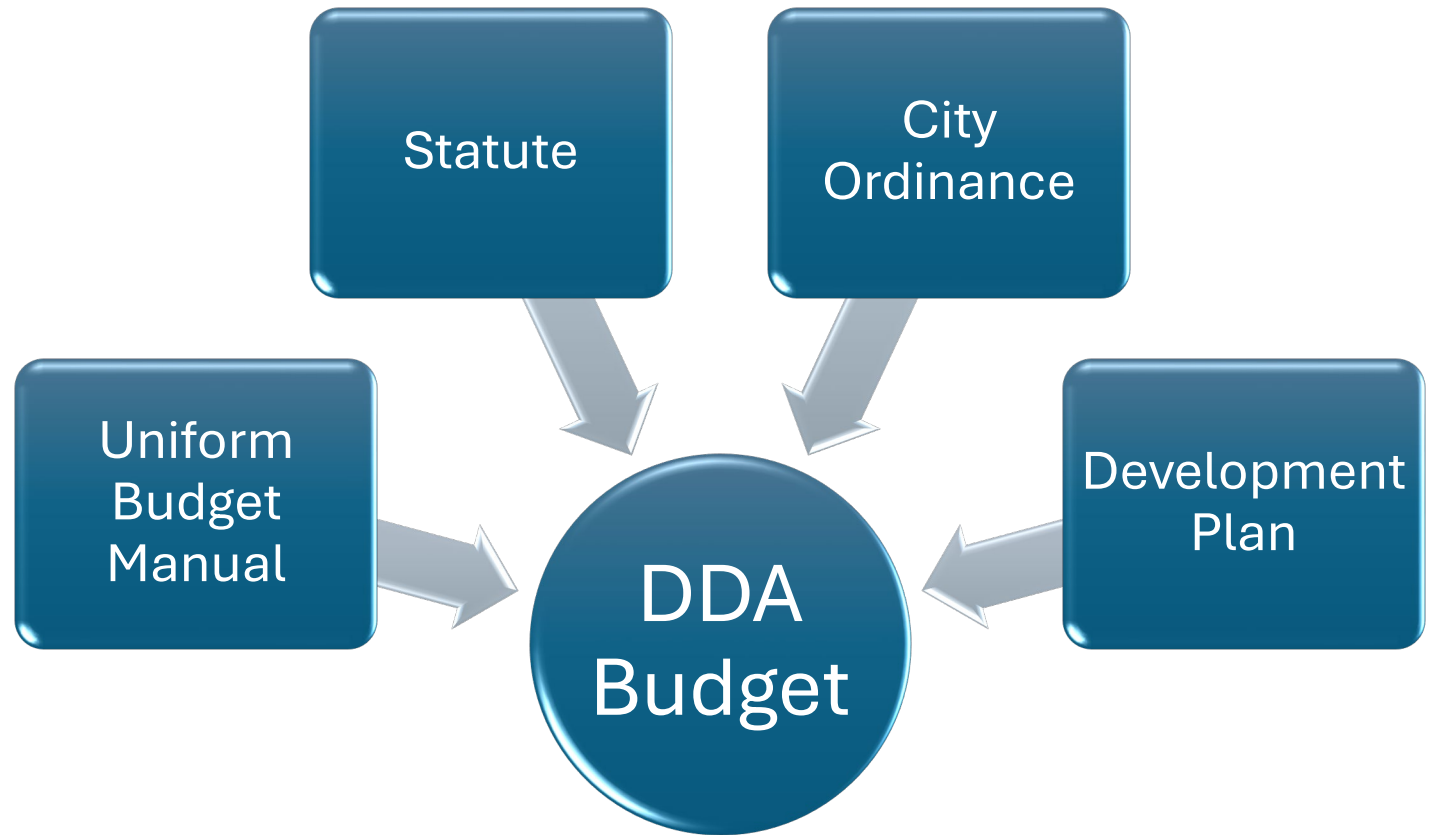
Budget Basics

- Basis
- Structure
- Process

Budget Basics

Basis and Authority

- Public Act 57 of 2018 (Recodified Tax Increment Financing Act, Part 2 DDAs): The director of the authority shall prepare and submit for the approval of the board a budget for the operation of the authority for the ensuing fiscal year. The budget shall be prepared in the manner and contain the information required of municipal departments. **Before the budget may be adopted by the board, it shall be approved by the governing body of the municipality.** Funds of the municipality shall not be included in the budget of the authority except those funds authorized in this part or by the governing body of the municipality.
- City Ordinance: The authority shall submit their capital budgets to incorporate them into the city's **capital improvement plan (CIP)**. The authority shall at the time they submit their budget for Council approval identify that portion of the budget which is operating and that which is capital projects.
- Development Plan: States the DDA will employ a **ten-year financial planning model** to inform its decisions.
- Uniform Budget Manual: Details what must be included in the budget, and that it must be **adopted by the legislative body (DDA Board) before commencement of the budget year.**



Budget Basics

Four Funds
Two Systems

TIF System

- General (TIF) Fund
- Housing Fund

Parking System

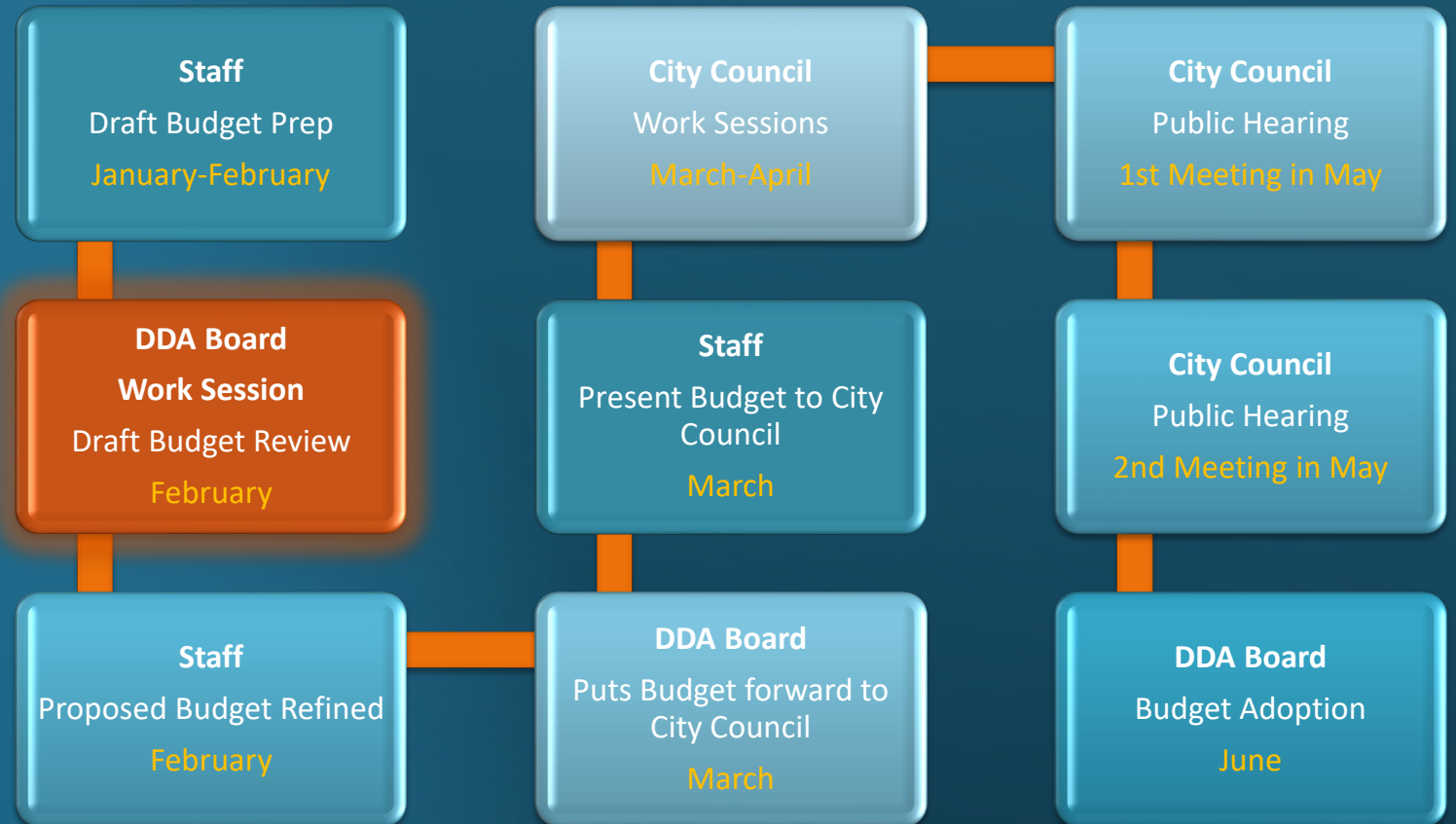
- Parking Fund
- Parking CIP Fund

While financial presentations (including the audit) are typically presented by system, the DDA Budget is adopted by Fund.

Budget Basics

Process

- **Budget year** - July 1 thru June 30 (FY25)
- City established **bi-annual process** (FY24 & FY25)
- City Budget includes DDA Budget as **component unit**
- DDA Budget goes thru City public hearing process
- DDA Budget is adopted by DDA Board after approval by City per statute
- DDA Budget must be adopted before July 1.





Budget Basics

Key Points

- Recognize that our budget framework and process is informed by statute, ordinance, policy, etc.
- Review the DDA Budget Timeline
- Budgets are approved by fund, our financial presentations are typically presented by system
- FY25 is the second year of the two-year cycle when we typically only make minor adjustments to the plan that was formed last year.

TIF System

- General (TIF) Fund
- Housing Fund
- *Interfund transfers omitted*

TIF System

TIF Definition & Uses

Definition

TIF = Tax Increment Financing

TIF is the capture of a portion of taxes within an established district to fund capital improvements.

TIF is the only regional revenue sharing tool in Michigan to fund downtown infrastructure.

Uses

TIF **can be** spent on projects in approved TIF Plans, with a focus on activities that would not happen without this funding tool.

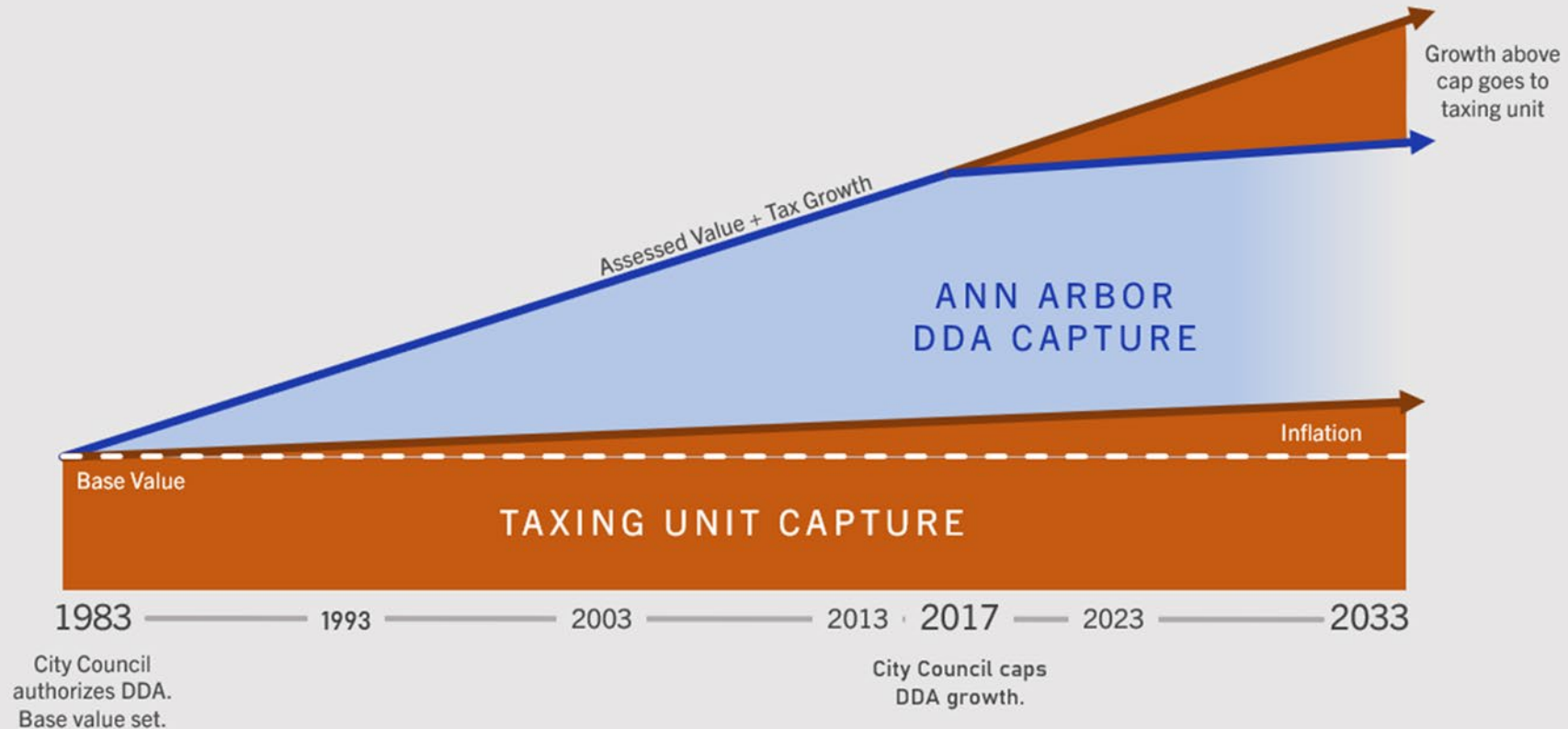
TIF **cannot be** used for the personal benefit of a person or corporation.



TIF System

How TIF Works

1983 Base set
1983-2016 DDA average annual growth 11%
2017 Cap implemented
2017-2024 DDA average annual growth 3.5%



TIF System

Revenue Impacts

- FY17-FY25 over cap total (9-yr span) is \$17M.
- The over cap for FY25 alone is \$3M (25% of capturable revenues).
- The FY33 over cap revenue reduction will be \$12.8M (50% of capturable revenues).



Revenues



Expenditures

*In the TIF System,
revenues 'drive'
expenditures*

TIF - Recommended Changes to TIF Projects Included in the City CIP in FY 25 and FY 26

Project	Category	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	Changes from DDA capital project list supported 11.2.2022
Bike/Ped Counters	Active Transportation	75,000						No change. Scheduled to be complete by year-end FY 2024.
Miller-Catherine Bikeway Extension	Active Transportation		1,200,000					Schedule change. Align with change to City Engineering and Transportation Project schedule. Move construction & DDA funding from FY 23 & 25 to FY 25. Total remains the same.
Division Street (Packard to Catherine)	Active Transportation							Complete.
Miller/Catherine (Division to First)	Active Transportation							Complete.
N. Main Street (Huron to Kingsley)	Active Transportation			200,000	2,000,000			Schedule change. Align w/ change to MDOT Project Schedule. Move from FY 25/26 to FY 26/27. Total remains the same.
People-Friendly Streets 2 (Design dollars)	Active Transportation							Complete.
Annual DDA General Capital Improvements and Maintenance	Other Transportation	400,000	450,000	450,000	500,000	500,000	500,000	No change.
Streetlight Capital Maintenance	Other Transportation	150,000	150,000	150,000	150,000	150,000	150,000	No change.
State St (Washington to William) Streetscape and Sidewalk Expansion	Other Transportation	1,126,952						Substantially complete.
Downtown Circulation Study (incl. 5th & Division study)	Other Transportation	320,000	80,000					Schedule change. Shift the majority of dollars to FY 24 and the remaining in FY 25 due to delay in study start. Total remains the same.
Fifth & Division Implementation (end to end)	Other Transportation			1,000,000	1,500,000			No change.
District Geothermal Feasibility Study (previously Downtown Energy Utility Study)	Other Transportation	150,000						Combine with OSI District Geothermal Feasibility Study. Maintain dollars to study solar feasibility, if possible.
Geothermal and Solar Installation	Other Transportation					2,000,000	2,000,000	No change.
Downtown Alley Improvements	Street Construction		700,000					No change.
Fourth Avenue Transit Street & AAHC Utilities (at 350 S 5th)	Street Construction	100,000	350,000	3,140,000				Increase by \$800,000 in FY 26 to reflect project grant awarded by the MEDC.
Ann Street bumpout + parking (First to Ashley)	Street Construction				250,000			Schedule change. Align with change to City Engineering project schedule. Moved DDA funding from FY 24 to FY 27. Total remains the same.
Downtown Public Restroom Assessment and Capital Support	City-Owned Buildings			380,000				Reduce by \$170,000 - pilot service funding does not need to be reflected in the CIP. The remaining \$380,000 is shifted to FY 26 to provide flexibility for next steps. Total remains the same.
Main Street Irrigation	Water System	150,000						Complete.
Total Proposed		2,471,952	2,930,000	5,320,000	4,400,000	2,650,000	2,650,000	

TIF System CIP

- The DDA participates in the City's Capital Improvement Plan (CIP) process as required by City Ordinance.
- CIP values are approved without regard to year and can 'rollover' from year to year.

TIF System

FY24 Budget vs Projected

		FY23	FY24	FY24	FY24	FY24
		Activity	Budget	Projected	Variance	% Var
Revenues	TIF Revenues	8,152,700	8,438,200	8,727,100	288,900	3%
	Interest	164,200	17,000	506,700	489,700	2881%
	Other	3,900	4,000	4,000	-	0%
	Total Revenues	8,320,800	8,459,200	9,237,800	778,600	9%
Expenditures	Administration	1,592,200	2,952,900	2,283,500	(669,400)	-23%
	Grants	380,800	1,667,800	1,667,800	-	0%
	Debt	3,458,100	3,269,900	3,269,900	-	0%
	CIP	6,150,500	5,263,900	5,263,900	-	0%
	Total Expenditures	11,581,600	13,154,500	12,485,100	(669,400)	-5%
Fund Balance	Beginning	13,767,000	10,506,200	10,506,200	-	0%
	Net Rev/Exp	(3,260,800)	(4,695,300)	(3,247,300)	1,448,000	-31%
	Ending Fund Balance	10,506,200	5,810,900	7,258,900	1,448,000	25%

*Reductions in CIP projections
are a result of project cuts to
keep spending in line with
limited revenues*

TIF System

FY25 Planned vs Requested

		FY24	FY25	FY25	FY25	FY25
		Projected	Planned	Requested	Variance	% Var
Revenues	TIF Revenues	8,727,100	8,733,500	9,028,200	294,700	3%
	Interest	506,700	17,000	17,000	-	0%
	Other	4,000	4,000	4,000	-	0%
	Total Revenues	9,237,800	8,754,500	9,049,200	294,700	3%
Expenditures	Administration	2,283,500	2,810,000	2,741,500	(68,500)	-2%
	Grants	1,667,800	938,700	1,128,400	189,700	20%
	Debt	3,269,900	3,324,400	3,134,700	(189,700)	-6%
	CIP	5,263,900	1,870,000	1,870,000	-	0%
	Total Expenditures	12,485,100	8,943,100	8,874,600	(68,500)	-1%
Fund Balance	Beginning	10,506,200	5,810,900	7,258,900	1,448,000	25%
	Net Rev/Exp	(3,247,300)	(188,600)	174,600	363,200	-193%
	Ending Fund Balance	7,258,900	5,622,300	7,433,500	1,811,200	32%

TIF System

Key Points

- The DDA's TIF revenues are capped which limits our infrastructure work
- The CIP creates capacity, but limited revenues means only some projects can be implemented
- FY24 Budget vs Projected shows revenues up and expenditures down – the net variance is an increase to fund balance of \$1.5M
- FY25 Planned vs Requested shows revenues up and expenditures reduced – the net variance is an increase to fund balance of \$.4M



Parking System

- Parking Fund
- Parking CIP Fund
- *Interfund transfers omitted*

Parking System

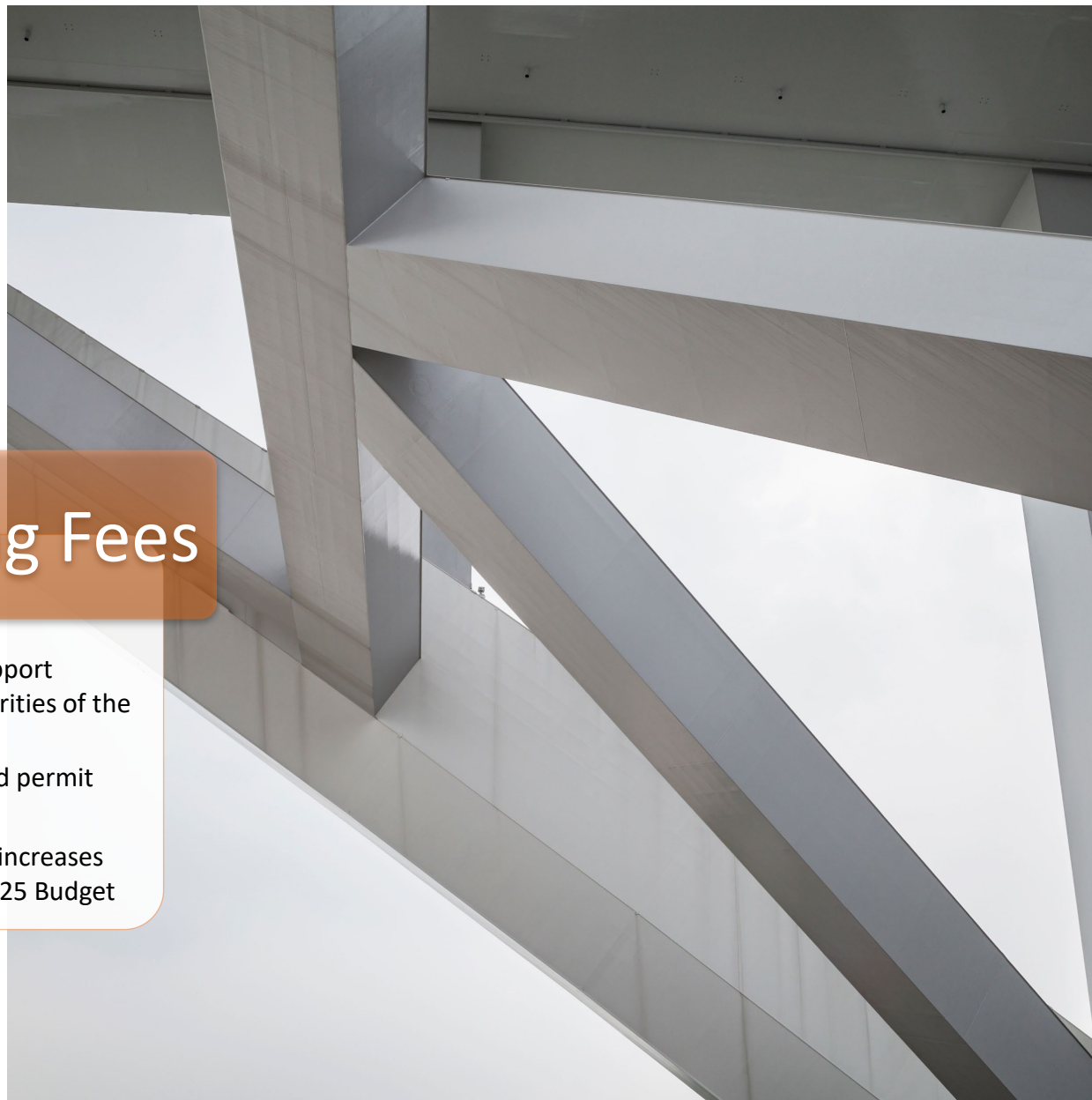
Parking Fees & Priorities

- Financially sound parking system
- Maintain parking structures
- Provide quality customer service
- Build flexibility for changing conditions
- Support downtown vitality
- Encourage range of transportation options

Priorities

Parking Fees

- Fees established to support commitments and priorities of the system
- Off-Street transient and permit
- On-Street metered
- Rate study's proposed increases included in updated FY25 Budget



Parking System

Expenditure Impacts

- FY24 rate study is complete
- FY25-FY27 proposed rates are scheduled to be considered by the DDA Board in March/April
- Proposed rate increases are included in FY25 Budget

*In the Parking System,
expenditures 'drive' revenues
(rates)*



Expenditures



Revenues

Parking- Recommended Changes to Parking CIP Totals Included in the City CIP in FY25 and FY26

Project	FY24	FY25	FY26	FY27	FY28	FY29	Total	Changes from DDA capital project list supported 11-2-2022
Parking Facilities General	569,000	400,000	115,000	343,000	343,000	343,000	2,113,000	No change.
Parking Equipment	300,000	200,000	325,000	325,000	325,000	325,000	1,800,000	No change.
Structure Restoration	3,095,800	2,800,000	3,202,000	2,294,950	1,581,850	3,097,350	16,071,950	Adjusted FY25 and FY26 numbers to match new 20-year maintenance plan numbers.
Parking Structures Elevators	775,000	700,000	700,000	220,000	220,000	220,000	2,835,000	No change.
Total Parking Projects	\$ 4,739,800.00	\$ 4,100,000.00	\$ 4,342,000.00	\$ 3,182,950.00	\$ 2,469,850.00	\$ 3,985,350.00	\$ 22,819,950.00	

Parking System CIP

- The DDA participates in the City's Capital Improvement Plan (CIP) process as required by City Ordinance.
- CIP values are approved without regard to year and can 'rollover' from year to year.



Annual restoration package- Estimated cost \$1.6M

- Liberty Square- replacement of perimeter wall coping system, concrete and masonry repairs, exterior weatherproofing
- 4th & Washington- concrete repairs, joint sealants, coating, striping, exterior masonry repairs and brick sealer

Additional projects-

- Forest Lights- replace existing 20+ year old metal halide fixtures
- 4th & Washington Lights- replace existing 20+ year old metal halide fixtures
- 4th & Washington Generator- install generator to provide emergency power
- Liberty Square Stairs- replacement of treads and landings in both stairwells

Parking System

CIP – Annual Restoration



EXISTING Roof Level Fencing (Fourth & Washington)



PROPOSED Roof Level Fencing

Proposed Roof Level Fencing Replacement \$1.1M

- 8-ft high fencing from top of slab
- 9-gauge galvanized steel chain link in 1-1/4-inch diamond mesh, vinyl coated, and twisted and barbed top selvage
- Galvanized steel top/bottom rails, tension bars, tie wires, and fittings (vinyl coated)
- Fabricated steel posts with anchor plates; galvanized and powder coated after fabrication
- Meets the established criteria

Parking System

FY24 Budget vs Projected

CIP project planning is informed by the DDA's newly updated 20-year plan

		FY23	FY24	FY24	FY24	FY24
		Activity	Budget	Projected	Variance	% Var
Revenues	Parking Fees	19,686,900	20,832,200	21,873,900	1,041,700	5%
	Interest	246,800	25,000	702,200	677,200	2709%
	Other	132,800	120,000	120,000	-	0%
	Total Revenues	20,066,500	20,977,200	22,696,100	1,718,900	8%
Expenditures	Administration	789,100	1,810,200	1,467,300	(342,900)	-19%
	Operations	8,021,300	11,202,500	11,154,300	(48,200)	0%
	Grants	330,000	845,000	600,000	(245,000)	-29%
	City 20%	3,931,600	4,166,400	4,639,800	473,400	11%
	Debt	2,508,300	2,517,500	2,517,500	-	0%
	CIP	1,710,900	6,590,000	6,590,000	-	0%
	Total Expenditures	17,291,200	27,131,600	26,968,900	(162,700)	-1%
Fund Balance	Beginning	13,767,000	16,542,300	16,542,300	-	
	Net Rev/Exp	2,775,300	(6,154,400)	(4,272,800)	1,881,600	-31%
	Ending Fund Balance	16,542,300	10,387,900	12,269,500	1,881,600	18%

Parking System

FY25 Planned vs Requested

		FY24	FY25	FY25	FY25	FY25
		Projected	Planned	Requested	Variance	% Var
Revenues	Parking Fees	21,873,900	21,457,100	22,332,000	874,900	4%
	Interest	702,200	25,000	30,000	5,000	20%
	Other	120,000	120,000	120,000	-	0%
	Total Revenues	22,696,100	21,602,100	22,482,000	879,900	4%
Expenditures	Administration	1,467,300	1,638,200	1,698,400	60,200	4%
	Operations	11,154,300	11,623,000	11,860,300	237,300	2%
	Grants	600,000	700,000	700,000	-	0%
	City 20%	4,639,800	4,291,600	5,000,000	708,400	17%
	Debt	2,517,500	2,528,500	2,528,500	-	0%
	CIP	6,590,000	3,000,000	3,000,000	-	0%
	Total Expenditures	26,968,900	23,781,300	24,787,200	1,005,900	4%
Fund Balance	Beginning	16,542,300	10,387,900	12,269,500	1,881,600	18%
	Net Rev/Exp	(4,272,800)	(2,179,200)	(2,305,200)	(126,000)	6%
	Ending Fund Balance	12,269,500	8,208,700	9,964,300	1,755,600	21%

Parking System

Key Points

- The DDA's new parking fees are included in the FY25 budget request
- FY24 Budget vs Projected shows revenues up and total expenditures down – the net variance is an increase to fund balance of \$1.9M
- FY25 Planned vs Requested shows revenues up and expenditures increased – the net variance is a decrease to fund balance of (\$0.1M)



