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TO: Mayor and Council

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SUBJECT: FY22-3 Budget: Downtown Development Authority (DDA)

DATE: March 26, 2021

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**Question #4:** By what means/process do items make it into the DDA Budget? Is it approved by the DDA Board and sent to Council as a whole, and are we allowed to suggest changes to discretionary funds available to the DDA? (Councilmember Hayner)

**Response:**

**Budget Process:**

Public Act 57 of 2018 delegates responsibility for the development of the DDA's budget to the executive director. And it establishes the role of City Council in the DDA's budget process:

***RECODIFIED TAX INCREMENT FINANCING ACT (EXCERPT)***

***Act 57 of 2018***

***125.4228 Budget; cost of handling and auditing funds.***

*Sec. 228. (1) The director of the authority shall prepare and submit for the approval of the board a budget*

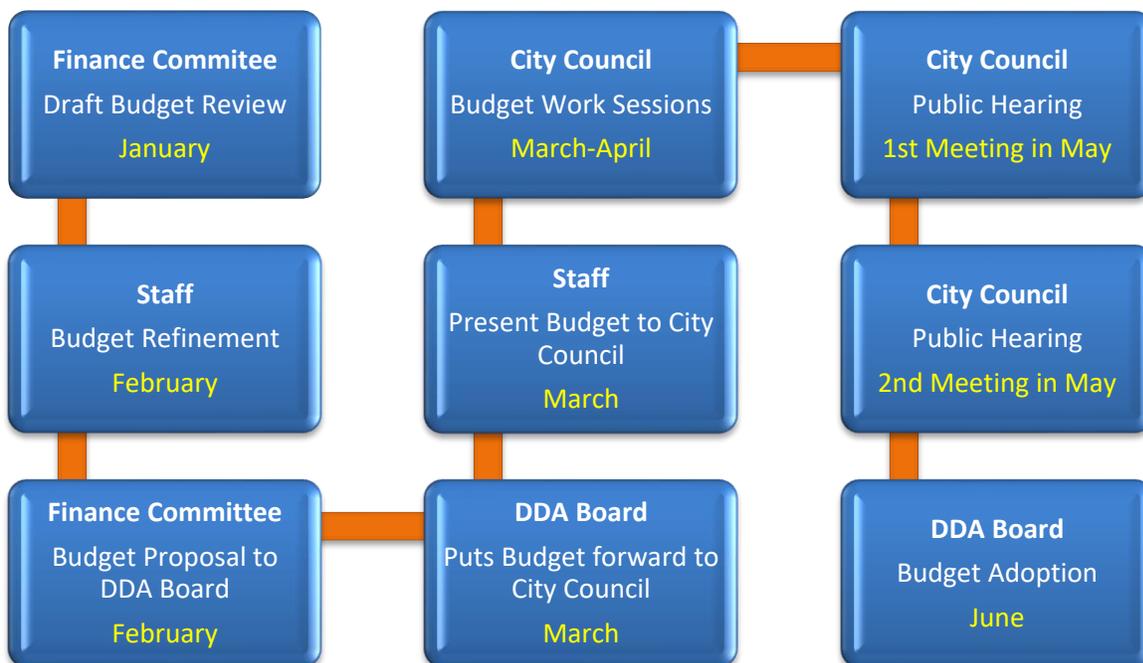
*for the operation of the authority for the ensuing fiscal year. The budget shall be prepared in the manner and*

*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.*

To the framework established by statute, the DDA’s process includes additional steps:



As far as how items get incorporated into the budget, the process varies depending on the nature of the item. Capital items, for instance, are included in the City’s CIP, and go through the steps established by the City. Prior to submitting those requests, DDA staff, Committees, and the DDA Board review each item against our goals and objectives and consider its impact on the DDA’s financial position. Once approved, these items are included in the budget during staff development.

Approval/Changes:

There is no process for individual City Council Members to make suggestions for changes to the DDA’s budget. The budget process, as established by the State, requires formal approval by both public bodies.

However, outside of the budget process, individuals and organizations may make requests of the DDA. It would then be the DDA Board’s responsibility to determine if those requests meet the goals and objectives of the Authority, whether the request aligns with the DDA Renewal Plan, and if there is capacity within the approved budget for those items or whether they might wish to create capacity for them in future budgets. They would also weigh how those requests should be prioritized against the other responsibilities and obligations of the Authority for things like debt service, ongoing contracts and agreements, maintaining appropriate levels of operating capital, and ensuring adequate fund balance is maintained in each fund. It should be noted that most of the requests made to the DDA come from its partner organizations which allows those dollars to support multiple layers of goals and objectives at the same time.

Summary:

In summary, the budget process includes a framework established by the State, and further defined by the City and the DDA for the purpose of allowing a detailed prioritization and vetting process to occur before the budget comes to City Council for approval. The approval process is a formal one, requiring action by both bodies for the budget to be finalized. When City Council approves the DDA budget, it is being approved at the fund level and not a line-item level. Consequently, City Council may request the DDA consider specific expenditures, but ultimately the DDA board has the authority to expend funds as they deem appropriate within each fund.