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City of Detroit

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TO: Dan Carmody, President
Eastern Market Corporation

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: March 15, 2019

RE: 2019-2020 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2019-2020 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, March 20, 2019 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

DW:dh:ss

Attachments:
Issues and Questions
Eastern Market Distract Map

CC: Councilmembers
Auditor General's Office
David Massaron, Acting Chief Financial Officer
Tanya Stoudemire, Budget Director
Stephanie Grimes Washington, Mayor's Office

Eastern Market

FY 2019-20 Budget Analysis by the Legislative Policy Division

The mission of the Eastern Market Corporation is to mobilize leadership and resources to achieve stakeholders vision for the Eastern Market District and make the Eastern Market the undisputed center for fresh and nutritious food in southeast Michigan.

Stakeholders Vision for the Eastern Market District: Leverage the attraction and legacy of the Eastern Market and build a dynamic, diverse, and unique urban district by:

- Strengthening the identity of the Eastern Market as a food-related district by enhancing the operations of the existing public market and by developing business opportunities for specialty food retailers, food wholesale operations, restaurants, food distributors, and food processors
- Take advantage of the great economic development opportunities available throughout the Eastern Market District while maintaining authenticity (aka 'funkiness') and then using that funkiness to attract more creative people to live, work, visit, and invest in the district.
- Creating a mixed-use neighborhood that improves the business climate and enlivens streets and public spaces by carefully blending in a variety of residential forms. New uses should support and respect the food identity and existing food related uses of the district.
- Improving travel to and within the district and cultivating a unique sense of place by improving major corridors within the district. Streetscaping, façade enhancements, signage, parking, lighting, and landscaping all must be enhanced for the Eastern Market district to fulfill its potential.

The Mayor is recommending a \$225,200 subsidy for the Eastern Market for FY 20 in appropriation 13141 - **Non Dept Eastern Market Operations**, located in the Non Departmental budget (**Pg. B-35-11**). The Non-Departmental budget provides funds for activities, which are not the responsibility of any other single agency. Non-Departmental is also the depository agency for General Fund subsidy appropriations, enterprise activities and for a wide variety of General Fund revenues that cannot be credited to any specific department.

In the **Four Year Financial Plan¹**, for **FY 18-19 (FY 19)**, the Mayor has recommended no change in the Eastern Market subsidy of \$225,200.

The **Eastern Market** is just one of several agencies with a budgeted subsidy in the Non Departmental budget for FY 19 as illustrated below:

GENERAL FUND CONTRIBUTIONS		
Airport	\$	1,605,737
DDOT		63,500,000
Charles W. Museum of African-American History		1,900,000
Detroit Historical Institute		500,000
Detroit Zoological Institute		570,000
Eastern Market		225,000
Detroit Wayne Port Authority		250,000
Detroit Land Bank Authority		13,000,000

¹ Page B-35-11 of the City of Detroit Four-Year Financial Plan FY2020-2022

The Eastern Market issued its “Eastern Market 2025 Strategy,²” dated January 2016, with a shorter executive summary³ as well and are both available online. In its report, the Eastern Market listed the following data in relation to the Market:

- 2 MILLION SHOP AND BUY FOOD AT EASTERN MARKET EACH YEAR
- 22% OF MICHIGAN JOBS ARE FOOD/AG BASED
- \$360 MILLION OF WHOLESALE FOOD SOLD IN EASTERN MARKET
- \$418 MILLION OF MEAT SOLD IN EASTERN MARKET EACH YEAR
- 1,300 PERMANENTLY EMPLOYED IN EASTERN MARKET FOOD BUSINESSES
- \$631 MILLION IN MICHIGAN FOOD EXPORT TO CANADA
- 2:1 FOOD INDUSTRY WHOLESALE BUSINESSES NEED TO DOUBLE THE OPERATING FOOTPRINT IN EASTERN MARKET

The Goals of the Eastern Market 2025 Strategy include the following:

- **AUTHENTICITY**
KEEP IT A REAL, FOOD-FOCUSED ECONOMY
- **DEVELOPMENT EQUITY**
ENHANCE THE MARKET AS A PLACE OF GENUINE ECONOMIC DEMOCRACY
- **CONNECTIVITY**
BRIDGE NEIGHBORHOODS AND BREAK DOWN BARRIERS
- **DENSITY**
ENCOURAGE DIVERSE GROWTH; REBUILD THE URBAN FABRIC
- **DIVERSITY**
INCREASE THE MIX: PEOPLE, FOOD, AND OPPORTUNITIES

The Eastern Market Corporation has developed this plan to expand its footprint to five times its current size (250 acres) by 2025, to give food distributors and processors space for more modern facilities as new federal food handling requirements are phased in. However, its plan must mesh with the larger plan that's in development for the district, given that the city owns a significant amount of the property in the area through the Detroit Land Bank.⁴

1) Please briefly discuss some of the key elements from the Eastern Market 2025 Strategy.

2) How will the elements of the Eastern Market 2025 Strategy impact the City of Detroit’s general fund budget?

3) How will the elements of the Eastern Market 2025 Strategy impact the City of Detroit’s capital budget?

4) Please provide the Council copies of the Eastern Market Corporation’s 2018-19 and 2019-20 operational and capital budgets.

² Link to the full 114 page Eastern Market 2025 Strategy can be found here: <http://9b32aa63de0c5aa2a1c4-ac3abd6e34c389d1c003fbc359fc9e18.r96.cf1.rackcdn.com/Final-Report-Digital-Lo-Res.pdf>

³ Link to the Eastern Market 2025 Strategy Executive Summary: <https://ca1a13c2c38f5e8e7468-ac3abd6e34c389d1c003fbc359fc9e18.ssl.cf1.rackcdn.com/Exec-Summary-160201.pdf>

⁴ “Eastern Market plan seeks to balance food, other uses” February 04, 2018 ,Crain’s Detroit Business: <http://www.crainsdetroit.com/article/20180204/news/652096/eastern-market-plan-seeks-to-balance-food-other-uses>

5) Please briefly describe the Eastern Market's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2019. Please provide which appropriation/cost center the new initiative/request/proposal is impacting the City of Detroit in FY 2020?

6) What is the current budgeted level of positions and current actual number of filled positions at the Eastern Market?

7) According to page 61 of the Eastern Market's 2018 annual financial statements (see attached), the Foundation Contributions decreased by \$1,110,750 (-36%), in 2018, going from \$3,077,391 in 2017 to \$1,966,641 in 2018. What was the cause for this steep decline in Foundation Contributions and what is its impact on the Eastern Market?

NON-DEPARTMENTAL (35)

General Fund contributions to enterprise agencies - the Coleman A. Young International Airport and the Detroit Department of Transportation are recorded in the Non-Departmental agency. General Fund contributions to cultural agencies (listed below) are included in the Non-Departmental agency budget. Operating support from the General Fund is provided in Non-Departmental for the **Detroit Wayne Port Authority**, and the **Detroit Land Bank Authority**.

GENERAL FUND CONTRIBUTIONS	
Airport	\$ 1,605,737
DDOT	63,500,000
Charles W. Museum of African-American History	1,900,000
Detroit Historical Institute	500,000
Detroit Zoological Institute	570,000
Eastern Market	225,000
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The Non-departmental agency records the General Fund obligation to repay principal and interest on various Limited-Tax General Obligation debt resulting from the city's bankruptcy and prior outstanding Distributable State Aid debt issues.

Other activities include capital initiatives and funding for blight remediation which are recorded in Fund 4533 - City of Detroit – Capital Projects and Fund 1003 – Blight Remediation, respectively.

**CITY OF DETROIT
BUDGET DEVELOPMENT
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER
EXPENDITURES**

Department # - Department Name Fund # - Fund Name Appropriation # - Appropriation Name Cost Center # - Cost Center Name	FY2019 Adopted	FY2020 Recommended	FY2021 Forecast	FY2022 Forecast	FY2023 Forecast
00852 - Non-Departmental Claims Fund (Insurance Premium)	12,100,000	24,100,000	24,100,000	24,100,000	24,100,000
350220 - Claims Fund (Insurance Premiums)	12,100,000	24,100,000	24,100,000	24,100,000	24,100,000
00870 - Non-Departmental Centralized Payments	23,822,269	17,323,500	15,820,824	15,820,824	17,095,371
350800 - Centralized Payments	23,822,269	17,323,500	15,820,824	15,820,824	17,095,371
04739 - Non-Departmental General Revenues/Expenditures	25,566,219	24,892,000	19,892,000	20,009,000	20,243,000
351020 - Non-Departmental	25,566,219	24,892,000	19,892,000	20,009,000	20,243,000
05414 - Non-Departmental African American History Museum	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
350290 - Museum of African American History - Operations	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
10397 - Non-Departmental Board of Ethics	409,918	418,228	418,716	419,213	419,720
350165 - Board of Ethics	409,918	418,228	418,716	419,213	419,720
12161 - Non-Departmental Zoo Operations	570,000	570,000	570,000	570,000	570,000
350095 - Zoo Operations	570,000	570,000	570,000	570,000	570,000
12162 - Non-Departmental Historical Operations	500,000	500,000	500,000	500,000	500,000
350093 - Historical Operations	500,000	500,000	500,000	500,000	500,000
13125 - Non-Departmental Media Services & Communications	1,746,427	1,493,237	1,495,245	1,497,293	1,499,382
350325 - Communication Services	610,809	506,784	507,329	507,885	508,452
350326 - Media Services	1,135,618	986,453	987,916	989,408	990,930
13141 - Non-Departmental Eastern Market Operations Subsidy	225,200	225,000	225,000	225,000	225,000
350097 - Eastern Market Operations Subsidy	225,200	225,000	225,000	225,000	225,000
13181 - Non-Departmental Distributable State Aid Bond	15,065,118	33,165,745	37,959,989	38,010,698	37,950,488
351030 - DSA Debt	15,065,118	33,165,745	37,959,989	38,010,698	37,950,488
13366 - Non-Departmental PEG Fees	2,000,000	-	-	-	-
350324 - PEG Fees	2,000,000	-	-	-	-
13608 - Non-Departmental Pension & Employee Benefits Pension	4,173,215	3,704,243	3,710,127	3,716,129	3,722,251
350015 - Pension & Employee Benefits/Pension	4,173,215	3,704,243	3,710,127	3,716,129	3,722,251
13637 - Non-Departmental Elected Officials' Compensation	1,350,272	1,366,563	1,368,734	1,370,948	1,373,207
350007 - Elected Officials' Compensation	1,350,272	1,366,563	1,368,734	1,370,948	1,373,207

EASTERN MARKET CORPORATION
(A Michigan Non-Profit Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets (continued):		
Other changes in unrestricted net assets:		
Transactions involving noncontrolling interest (Note M):		
Member contributions	\$ -0-	\$ 6,880
Net Increase (Decrease) in Unrestricted Net Assets from Continuing Operations	(696,070)	261,403
Excess (deficiency) of revenue over expenses and losses from discontinued operations (Note N)	-0-	(792,575)
Net Increase (Decrease) in Unrestricted Net Assets	(696,070)	(531,172)
Changes in Temporarily Restricted Net Assets:		
Foundation contributions	1,966,641	3,077,391
Net assets released from restrictions (Note B)	(2,128,484)	(2,588,828)
Net Increase (Decrease) in Temporarily Restricted Net Assets	(161,843)	488,563
Net Increase (Decrease) in Net Assets	(857,913)	(42,609)
Net Assets, Beginning of Year	9,816,112	9,858,721
Net Assets, End of Year	\$ 8,958,199	\$ 9,816,112

See notes to consolidated financial statements.