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TO: Dan Carmody, President
Eastern Market

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 7, 2023

RE: 2023-2024 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2023-2024 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, March 9, 2023, at 3:00 p.m.** We would then appreciate a written response to the questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council members, the City Clerk's Office, and the Legislative Policy Division.

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

cc: Councilmembers
Auditor General's Office
Jay Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO
Steve Watson, Budget Director
Donald Rencher, Group Executive
James George, Agency CFO
Doug Ortiz, Budget Analyst
Malik Washington, Mayor's Office

Eastern Market

FY 2023-2024 Budget Analysis by the Legislative Policy Division

Since it began in the 1800s, Eastern Market has gradually become a cornerstone, nourishing its residents by providing fresh and nutritious food throughout Southeastern Michigan. In more recent years, the Eastern Market Partnership has built an infrastructure around the market to support its mission to enrich Detroit—nutritionally, culturally, and economically.

Eastern Market Corporation (d/b/a Eastern Market Partnership) ("Eastern Market") is a Michigan non-profit Corporation organized to combat community deterioration and to lessen the burdens of government by performing the following functions:

- Developing, maintaining, and promoting the Eastern Market district of Detroit, Michigan (the "Market") as a viable district for residential and commercial uses that complement the farmers ' market and food-based businesses in the district.
- Managing the market in Detroit known as "Eastern Market".¹

The Mayor is recommending a \$225,000 subsidy for the Eastern Market for FY 2024, in appropriation **26350 - Cultural Institutions Support**, in cost center **350097 - Eastern Market Corporation**, located in the Non-Departmental budget (**Pg. B35 - 9**). This subsidy of \$225,000, is a \$55,000 (50%) decrease from the current FY 2023 subsidy of \$280,000 for the museum.

In FY 2024, the Mayor is also recommending \$350,000 in capital spending for the Eastern Market for FY 2024, in appropriation **20507 - CoD Capital Projects**, in cost center **350097 - Eastern Market Corporation**, located in the Non-Departmental budget (**Pg. B35 - 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.

A 2019 Eastern Market Framework Study was conducted through a partnership of the Planning and Development Department, Detroit Economic Growth Corporation, Nature Conservancy, and Eastern Market Partnership and eventually, the City Planning Commission. The framework plan resulted in recommendations regarding land use, storm water management, design guidelines, and historic preservation for the study area. This effort resulted in a strategic planning process to help guide economic development in the Market district through 2025, referenced as the **Eastern Market 2025 Strategy**.² Design principles for Phase 1A of the strategy include plans to:

1. Accommodate four prototypical facilities in Food Innovation Zone.
2. Organize facility types within the Food Innovation Zone to match business needs and scale, and District urban design goals.
3. Design flexibility for phasing, expansions, and additional future demand.
4. Create truck access from Mack Avenue onto Chene Street.
5. Protect St. Aubin Street from truck traffic and negative impacts. Create a parking and landscaping strategy that will increase employment density and mitigate neighborhood impacts.
6. Establish visual and physical pedestrian/bike connections to Gratiot Avenue.
7. Establish Wilkins Street as a critical pedestrian/bike/ bus connection to Eastern Market.
8. Support walk-to-work connection with future residential development via greenways and/or stormwater management retention areas.
9. Design for safety and security.

¹ Eastern Market Corporation annual financial statements as of December 31, 2021, page 12.

² [Building the Market | Eastern Market](#)

Questions:

1. **In the Four Year Financial Plan³, for FY 2023-2024 (FY 2024),** The Mayor is recommending a \$225,000 subsidy for the Eastern Market for FY 2024, a \$55,000 (19.6%) decrease from the current FY 2023 subsidy of \$280,000. What is the rationale for this decrease?
2. What is the projected impact of the decreased subsidy to the Eastern Market on its daily operations and exhibits?
3. According to the Eastern Market Corporation annual financial statements as of December 31, 2021, page 29, for FY 2020, consolidated market revenue was \$2.2 M, total expenditures were \$4.3 M, resulting in a net loss of \$2.1 M; for FY 2021, consolidated market revenue was \$1.5 M, total expenditures were \$3.9 M, resulting in a net loss of \$2.4 M. Fortunately, the Eastern Market Corporation has net assets of \$13.7 M as of December 31, 2021 (page 7 of the 2021 annual financial statements). Please explain the Eastern Market's efforts to raise higher levels of market revenue to better cover expenditures. Please also explain any expenditure reduction initiatives.
4. According to page 19 of the Eastern Market's 2022 annual financial statements, Eastern Market has entered into a 10-year management and promotion agreement with the City that expires on June 30, 2022; the agreement includes a 10-year renewal option. Under this agreement, Eastern Market is responsible for the operation, promotion, and management of the Market on behalf of the City. Eastern Market is authorized to prepare and execute lease agreements and collect rents. Eastern Market is required to prepare an annual operating budget and to disburse funds in the following order: pay operating expenses of the market, pay debt service on loans used for improvements to the market, make alterations/improvements to the market, create an operating reserve account, and create a capital reserve account. Has the Eastern Market come before City Council requesting a 10-year renewal of the management and promotion agreement? If not, when does the market plan on presenting the renewal to Council for approval?
5. In FY 2024, the Mayor is recommending \$350,000 in capital spending for the Eastern Market for FY 2024. What major initiatives/capital expenses does the Eastern Market have planned for the upcoming FY 2024?
6. Please provide the FY 2023 operating budget for the Eastern Market, and a FY 2024 operating budget, if available.
7. Please provide the budgeted level of positions in FY 2023, the actual level of employees as of February 28, 2023, and the level of vacant positions.
8. Are there any plans for the Eastern Market to modify its staff or visiting hours in the upcoming FY 2024?

³ Page B- Pg. B35 - 9 of the City of Detroit Four-Year Financial Plan FY2023-2024

Non-Departmental (35)

The Non-Departmental agency records the salaries and benefits for the 11 elected officials of the City of Detroit: Mayor, City Clerk, and City Council members, in the **Elected Officials Compensation** cost center. General Fund contributions are made to enterprise agencies, cultural agencies, other external agencies.

General Fund Contributions	FY 2024 Mayor Proposed
Coleman A. Young International Airport	\$3,953,472
Detroit Department of Transportation	\$74,368,185
Detroit Transportation Corporation (People Mover)	\$6,500,000
Charles H. Wright Museum of African American History	\$1,900,000
Detroit Historical Society	\$500,000
Detroit Zoological Society	\$570,000
Eastern Market	\$225,000
Detroit Wayne Port Authority	\$250,000
Detroit Land Bank Authority	\$11,000,000
Detroit Community Education Commission (GOAL Line)	\$250,000

General Fund debt service and legacy pension appropriations were both previously included in Non-Departmental but are now included in the Debt Service and Legacy Pension Department (18) effective FY 2023-2024.

Operating Budget Highlights

Initiative	FY 2024 Mayor Proposed	FY 2024 Mayor Proposed FTE
Increase Project Clean Slate Expungements from 2,000 to 3,000 per year	\$600,000	-
Workforce Investments	\$7,000,000	-

**CITY OF DETROIT
BUDGET DEVELOPMENT
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES
DEPARTMENT 35 - NON-DEPARTMENTAL**

Department # - Department Name					
Fund # - Fund Name					
Appropriation # - Appropriation Name	FY2023	FY2024	FY2025	FY2026	FY2027
Cost Center # - Cost Center Name	Adopted	Mayor Proposed	Forecast	Forecast	Forecast
35 - Non-Departmental	289,160,585	166,382,027	168,751,160	172,278,894	174,151,018
1000 - General Fund	279,446,605	163,867,664	166,535,213	170,010,134	171,828,186
14001 - Non Dept Budget Reserve	30,719,808	-	-	-	-
352101 - Budget Reserve	30,719,808	-	-	-	-
20866 - Over-Assessment Program	2,000,000	-	-	-	-
351020 - Non-Departmental	2,000,000	-	-	-	-
25350 - Board of Police Commissioners	3,872,579	3,779,322	3,855,954	3,910,952	3,965,209
350002 - Board of Police Commissioners	3,872,579	3,779,322	3,855,954	3,910,952	3,965,209
26350 - Cultural Institutions Support	4,450,000	3,195,000	3,195,000	3,195,000	3,195,000
350093 - Detroit Historical Museum	1,000,000	500,000	500,000	500,000	500,000
350095 - Zoo Operations	570,000	570,000	570,000	570,000	570,000
350097 - Eastern Market Corporation	280,000	225,000	225,000	225,000	225,000
350290 - Charles H. Wright Museum of African American Histor	2,600,000	1,900,000	1,900,000	1,900,000	1,900,000
26351 - Blight Remediation Projects	10,520,000	11,000,000	11,000,000	11,000,000	11,000,000
350014 - Land Bank Operations	10,520,000	11,000,000	11,000,000	11,000,000	11,000,000
27350 - Project Clean Slate	-	1,552,713	1,583,949	1,604,547	1,625,157
350370 - Project Clean Slate Operations	-	1,552,713	1,583,949	1,604,547	1,625,157
27351 - Transportation Services Support	75,481,118	87,528,005	88,773,744	90,127,514	91,358,047
350040 - DTC Contribution for Operations	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
350080 - DDOT Contribution for Operations	65,800,000	74,368,185	75,356,929	76,696,634	77,911,099
350081 - DDOT Contribution for Legacy Debt	-	2,456,348	2,622,776	2,605,483	2,590,360
350090 - Airport Contribution for Operations	2,931,118	3,953,472	4,044,039	4,075,397	4,106,588
350140 - Detroit Port Authority	250,000	250,000	250,000	250,000	250,000