



**To:** David Whitaker, Director Legislative Policy Division Staff  
**From:** Dan Carmody, President, Eastern Market Corporation  
**Date:** March 9, 2023  
**Re:** Responses to 2023-24 Budget Issues and Questions

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Please find below responses to your questions sent on March 7, 2023, regarding the proposed Fiscal Year 2024 Proposed Budget for Eastern Market.

- 1. In the Four-Year Financial Plan, 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?**

The City's Contribution for operations to Eastern Market Corporation (EMC) of \$225k is consistent with the level of financial support provided in the FY 2021 Adopted Budget and FY 2022 Adopted Budget. This support was increased on a one-time basis by \$55k in the FY 2023 Adopted Budget for increased utility costs.

We are requesting an increase from \$280,000 to \$300,000 for FY2023-2024, for a total increase of \$75,000 over the baseline subsidy.

The rationale for the increase is that bridge funding is needed to support operations between the time when EMC invested in various due diligence activities to apply for state/federal funding and develop a fundraising campaign and the time when funding from those sources is received by EMC.

In 2022, EMC enjoyed success obtaining more than \$15,000,000 from the State of Michigan and four different Federal sources. However, grant agreements have only recently begun to be executed, allowing us to spend funds that have been awarded. That allowable expenses must be made and then be reimbursed from these sources also strains cash flow.

EMC also invested in building the Authentic Eastern Market campaign and is beginning to get traction with major contributors. While the campaign is an incremental increase in typical year-to-year funding from corporate and philanthropic supporters, we did experience lower than anticipated support from those sources in 2022 as we took the time and worked with consultants to build a more comprehensive fundraising strategy. Altogether EMC invested nearly \$300,000 in planning and feasibility analysis.

We strongly believe the Authentic Eastern Market campaign will be successful and that our need for an increase from \$225,000 which has been the baseline support from the City of Detroit over the past few years will not be necessary beyond the FY2023-2024 budget cycle.

2. **What is the projected impact of the decreased subsidy to the Eastern Market on its daily operations and exhibits?**

There will not be any projected impact on 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.**

One of the four pillars of the Authentic Eastern Market campaign is to enhance the public market and the district with specific intention of improving the financial sustainability of the market by reducing costs and increasing earned revenue.

EMC has identified two investments that can reduce long term operating costs:

- Adding solar energy generation to Sheds 2 and 5 will reduce electric utility costs.
- Installing green stormwater management infrastructure to parking lots in Shed 3 and Shed 6 will reduce stormwater management fees.

Both projects will also make the public market more environmentally sustainable.

Increased earned revenue is expected to come from two sources:

- Smart parking technology will ensure the supply of free short-term parking for market customers as the Eastern Market District attracts more long-term parkers with growth of office and residential uses.
- Building a new Shed 4 will increase vendor stall rental income by having more heated space to fill with vendors from November to April and by having a small event space (12,000 sq. ft.) to compliment the medium and large spaces we currently rent for events in Sheds 3 and 5.

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?**

The Operation and Management Agreement between City of Detroit and Eastern Market Corporation was renewed through June 30, 2032 at the September 13, 2022 formal session of the Detroit City Council.

**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?**

We will continue with major repairs that we began in 2022 to extend the useful life of major renovations to Shed 2 (2007), Shed 3 (2012), and Shed 5 (2015). Such repairs include boiler repairs, replacement of windows that have broken weather seals, replacement of overhead and pedestrian doors, replacement of rusted traffic bollards, repair of concrete driveways, major storm sewer and water main replacement at Shed 2, and upgrade of Shed 2 electrical service.

**6. Please provide the FY 2023 operating budget for the Eastern Market, and a FY 2024 operating budget, if available.**

Please see the FY 2023 operating budget attached. Eastern Market is on a calendar year fiscal year (Jan. 1 - Dec. 31) for accounting purposes. We do not yet have a 2024 budget.

**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.**

We have budgeted 40.5 FTE positions for 2023 and as of February 28, 2023, had 36.5 FTEs on payroll.

**8. Are there any plans for the Eastern Market to modify its staff or visiting hours in the upcoming FY 2024?**

As of January 30, 2023, Dietrich Knoer is the new President of the Eastern Market Development Corporation (EMDC), EMC's real estate development subsidiary. He replaces David Tobar who served in that position since 2016 before leaving in 2022 for a contractual position with the City of Detroit to help lead construction of the Joe Louis Greenway. As part of succession planning a new president of Eastern Market Corporation will begin work on April 1, 2023. At that time, Dan Carmody will become Chief Executive Officer and serve in that position through the end of 2024. We are reviewing plans to relaunching a Thursday Night Market series in the summer of 2024. We previously attempted a Thursday Night Market in 2019 that was not successful. With the increasing success of the Sunday Market, we believe it is time to relaunch an evening market option.

			<b>2023 Proposed Budget</b>		Jan 2022 - Dec 2022 Budget (Approved)	2023 Budget Approved
<b>Ordinary Income/Expense</b>						
	Income					
		<b>40000 · CONTRIBUTED REVENUE</b>				
			<b>40005 · INDIVIDUALS</b>		150,000	100,000
			<b>40010 · CORPORATE · AUTHENTIC EASTERN MARKET CAMPAIGN</b>		831,000	810,000
			<b>61090 · REGRANTING EXPENSE</b>		-70,000	-520,000
			<b>40020 · DISTRICT SECURITY CONTRIBUTIONS</b>		7,000	15,000
			<b>40025 · IN-KIND REVENUE</b>		15,000	15,000
		<b>Total 40000 · CONTRIBUTED REVENUE</b>			933,000	3,408,000
		<b>41000 · FOUNDATION/GRAN T REVENUE</b>				
			<b>41005 · FOUNDATION</b>		1,640,000	800,000
			<b>41010 · FEDERAL GOVERNMENT</b>		750,000	258,888
			<b>41015 · STATE &amp; LOCAL GOVERNMENT</b>		380,000	705,000
		<b>Total 41000 · FOUNDATION/GRAN T REVENUE</b>			2,770,000	1,763,888
		<b>42000 · OPERATIONS EARNED REVENUE</b>				
			<b>42005 · ANNUAL STALL LEASE REVENUE</b>		500,000	550,000
			<b>42010 · DAY STALLS RENT</b>		312,500	365,000
			<b>42015 · FACILITIES RENTALS</b>		170,000	275,000
			<b>42020 · INTEREST / DIVIDENDS</b>		3,000	3,000
			<b>42025 · MERCHANDISE SALES</b>		2,500	5,000
			<b>42030 · MERCHANDISE COGS</b>		0	0
			<b>42035 · OTHER INCOME</b>		471,000	0
			<b>42040 · ROYALTIES</b>		50,000	60,000
			<b>42050 · TAILGATE PARKING</b>		0	150,000
			<b>42055 · RENTAL INCOME</b>		40,000	85,000

		Total 42000 · OPERATIONS EARNED REVENUE		1,549,000	1,493,000
		43000 · PROGRAM EARNED REVENUE			
			43005 · DKC CLASSES	6,000	10,000
			43010 · FARMSTAND SALES	45,000	50,000
			43015 · FARMSTAND COGS	-35,000	-40,000
			43020 · FARMSTAND SITE FEES	37,000	25,000
			43025 · GEM SALES	275,000	140,000
			43030 · GEM COGS	-230,000	-120,000
			43035 · KITCHEN RENTALS	75,000	106,000
			43040 · COMMUNITY FOOD SALES	0	75,000
			43045 · COMMUNITY FOOD COGS	0	-125,000
		Total 43000 · PROGRAM EARNED REVENUE		173,000	121,000
			Returned Check Charges		
	Total Income			5,425,000	6,785,888
	Expense				
		60000 · SALARIES, WAGES & BENEFITS			
			60005 · SALARIES & WAGES	2,404,580	2,500,000
			60010 · FICA TAXES	183,950	191,250
			60015 · SUTA TAXES	17,000	17,500
			60020 · INSURANCE - HEALTH	265,000	264,000
			60025 · INSURANCE-WORKERS COMP	50,000	25,000
			60030 · RETIREMENT	5,000	5,000
		Total 60000 · SALARIES, WAGES & BENEFITS		2,925,530	3,002,750
		61000 · ADMIN EXPENSES			
			61005 · BAD DEBT EXPENSE	0	15,000
			61010 · BANK SERVICE CHARGES	3,000	3,000
			61015 · MERCHANT FEES	18,000	16,000
			61017 · EBT MERCHANT FEES	2,000	2,000
			61020 · INTEREST EXPENSE	45,000	45,000
			61030 · DUES & SUBSCRIPTIONS	9,000	9,000
			61035 · FOOD AND CATERING	6,000	20,000

			61040 · MISCELLANEOUS EXPENSE		5,000	5,000
			61045 · POSTAGE & SHIPPING		3,000	3,000
			61050 · PRINTING		3,000	8,000
			61055 · OFFICE SUPPLIES		6,000	12,000
			61060 · TELEPHONE		5,000	9,000
			61065 · INTERNET		12,000	3,500
			61070 · TRAINING		5,000	30,000
			61075 · BUSINESS GIFTS		1,500	1,500
			61080 · PAYROLL PROCESSING		5,000	7,600
			61085 · COMMUNITY SPONSORSHIPS		5,000	12,000
			61095 · FUNDRAISING EXPENSE		50,000	88,000
		Total 61000 · ADMIN EXPENSES			183,500	289,600
		62000 · OPERATIONS EXPENSES				
			62005 · EQUIP R&M		20,000	10,000
			62010 · VEHICLE R&M		15,000	20,000
			62015 · EQUIPMENT / SUPPLY RENTAL		50,000	75,000
			62016 · EQUIPMENT LEASES		28,000	28,000
			62025 · INSURANCE GENERAL LIABILITY		96,000	165,000
			62030 · GASOLINE		20,000	30,000
			62035 · INFORMATION TECHNOLOGY		90,000	75,000
			62040 · SOFTWARE		40,000	75,000
			62045 · WEBSITE		3,000	3,000
			62050 · LICENSES / REGISTRATIONS		10,000	10,000
			62055 · GROUNDS & MARKET SUPPLIES		65,000	65,000
			62060 · PROPANE		2,500	7,000
			62070 · UNIFORMS		2,000	7,500
			62075 · PROGRAM SUPPLIES		75,000	75,000
			62080 · CUSTOMER TRANSPORTATION		0	0
		Total 62000 · OPERATIONS EXPENSES			516,500	645,500
		63000 · PROMOTIONAL EXPENSES				
			63005 · ADVERTISING		45,000	45,000
			63010 · MARKETING		10,000	60,000
		Total 63000 · PROMOTIONAL EXPENSES			55,000	105,000

		<b>64000 · OCCUPANCY EXPENSES</b>				
			64005 · BUILDING R&M		125,000	125,000
			64006 · WASTE DISPOSAL		70,000	70,000
			64010 · GROUNDS & PARKING LOTS		80,000	95,000
			64015 · PROPERTY TAXES		30,000	40,000
			64020 · UTILITY - ELECTRIC		110,000	120,000
			64025 · UTILITY - GAS		50,000	50,000
			64030 · UTILITY - WATER		35,000	35,000
			64035 · STORMWATER / DRAINAGE		85,000	120,000
			64040 · OFFICE SPACE RENT		15,000	15,000
			64045 · MANAGEMENT FEES		30,000	35,000
			64050 - EMDC PROPERTY EXPENSE		0	10,000
		<b>Total 64000 · OCCUPANCY EXPENSES</b>			630,000	715,000
		<b>65000 · PROFESSIONAL FEES</b>				
			65005 · SECURITY TECHNOLOGY		5,000	2,500
			65010 · LEGAL & ACCOUNTING		65,000	120,000
			65015 · OUTSIDE LABOR		25,000	45,000
			65020 · CONTRACTUAL		275,000	1,200,000
			65025 · EVALUATION		35,000	35,000
		<b>Total 65000 · PROFESSIONAL FEES</b>			405,000	1,402,500
		<b>66000 · TRAVEL &amp; MEETINGS</b>				
			66005 · MEALS & ENTERTAINMENT		2,000	20,000
			66010 · CONFERENCES		2,000	25,000
			66015 · TRAVEL		4,000	15,000
			66000 - TRAVEL & MEETINGS - Other		0	1,000
		<b>Total 66000 · TRAVEL &amp; MEETINGS</b>			8,000	61,000
	<b>Total Expense</b>				4,723,530	6,221,350
<b>Net Ordinary Income</b>					701,470	564,538