

MEMORANDUM

TO: Public Market Advisory Commission

FROM: Sarah DeWitt, Farmers Market Manager

DATE: April 9, 2013

SUBJECT: FY 14-15 Budget Information

The Ann Arbor Farmers Market operates as an Enterprise Fund. Put simply, annual budgeted revenues must meet or exceed annual budgeted expenses. Revenues are generated from vendor fees, parking revenue from the DDA, merchandise sales, rental of the market space during non-market hours, and assorted other activities. Expenses are related to the operation of the Market and include staffing, advertising, inspector services, utilities, a municipal service charge, and other assorted items. The surplus in any given fiscal year is placed in the Market Fund balance, which held \$684,145 as of February 28, 2013.

Due to necessary increases in expenditures for staffing and contracted services, in addition to a recurring revenue loss resulting from a change in contract between the City of Ann Arbor and the Ann Arbor Downtown Development Authority, the market annual operating budget is projecting a shortfall beginning in Fiscal Year 2013. This will require the use of market fund balance to cover the shortfall as recurring revenue generation solutions are explored. The major categories affected in the market budget are explained in detail below:

Token Program Impacts on Staffing, Materials, & Bank Fees

In the last five years the Ann Arbor Farmers Market has experienced a significant increase in the number of transactions conducted in association with the market's token programs. Each of these programs supports the market vendors in offering customer flexibility in payment methods and encouraging increased spending at the market, along with bringing new shoppers to the market

Credit card tokens are available to customers who do not bring cash to shop at the market. The goals of the credit card tokens are to both assist farmers by covering the transaction fees associated with credit card transactions and to create a convenient method for shoppers who otherwise might not make a purchase because the vendors largely accept only cash payments. The addition of this new payment method has been highly successful, resulting in \$76,870 specifically designated for Ann Arbor Farmers Market purchases since December of 2010. Credit card token transactions made up nearly 30% of all token transactions in 2012, an increase of 14% from 2011.

The market's addition of Electronic Benefit Transactions (EBT) in 2008 (for customers participating in the Federal Supplemental Nutrition Assistance Program (SNAP)) has allowed the market to become more accessible to low-income individuals who otherwise might not feel able shop at the Ann Arbor Farmers Market. Beginning in 2010 the market has processed \$83,165 of new market revenue in the form of SNAP benefit transactions. This program, which

requires a greater degree of administrative work on the part of market staff, provides a significant additional source of revenue for the market's vendors.

The volume of EBT transactions has significantly increased since 2010, when the market began participating in Double Up Food Bucks (DUFb), a program of the Ann Arbor-based organization, Fair Food Network. The Ann Arbor Farmers Market has received funding for this program to incentivize the use of SNAP benefits at farmers markets and to support Michigan produce farmers. The program doubles the money SNAP recipients receive when they purchase EBT tokens at farmers markets, specifically allocating the matching funds to be spent on Michigan fruits and vegetables at participating farmers markets.

In 2010 the market distributed \$4,878 in DUFb funds to customers, subsequently reimbursing vendors for those funds. The DUFb program has brought more than \$60,000 in additional spending money to Ann Arbor Farmers Market since 2010 and has greatly benefitted the market's customers and produce vendors. DUFb has also increased EBT sales significantly, because shoppers must receive SNAP tokens in order to be eligible for DUFb. These programs have encouraged customers who use SNAP benefits to spend their funds at the farmers market and helped to diversify the market's customer base.

Dollar Amount (value of tokens distributed)	2010	2011	2012	3 Year Total
<i>EBT</i>	\$12,817	\$31,052	\$39,296	\$83,165
<i>Credit Card</i>	\$270*	\$22,231	\$54,371	\$76,872
<i>DUFb</i>	\$4,878	\$24,778	\$31,838	\$61,494
Total	\$17,965	\$78,061	\$125,505	\$221,531
Number of Transactions	2010	2011	2012	3 Year Total
<i>EBT</i>	748	1,844	2,237	4,829
<i>Credit Card</i>	9*	678	1,788	2,475
<i>DUFb</i>	342	1,502	1,969	3,813
Total	1,099	4,024	5,994	11,117
<i>*Begins in December 2010</i>				

The market additionally accepts WIC Project Fresh and Senior Market Fresh coupons, which are not obtained on-site at the market but are processed through our market office for vendor reimbursement. This relieves the vendors of the administrative and financial burden of processing the coupons to receive reimbursement. In 2012 the market processed more than \$6,000 in coupons for these two programs.

The significant financial benefits of these various token programs to market customers and vendors have come with associated costs, in terms of staff time and administration. From 2010 to 2012, the market saw a 550% increase in the number of token transactions processed in the market office on market days. In 2012 market staff completed a total of 5,994 token transactions with its customers, a 49% increase from 2011. Due to the growth of the token reimbursement programs, and in order to adequately accommodate the number of customers and vendors utilizing token transactions, a support staff person must be present to support the market manager on market days. Overall staff hours dedicated to token processes amounted to 25 hours per week during the peak season, May-October, which equates to \$6,300 of seasonal staff time specifically designated for these programs. Materials, including purchasing more

tokens and token reimbursement receipt forms, amounted to \$1,200. A portion of this amount, \$550, was covered by the DUFEB grant amount. Over the last three years as the number of transactions via credit, debit and EBT cards has increased, credit card processing fees for the market have also increased by approximately \$1,000 annually.

In order to continue providing outstanding customer service to both visitors and vendors at the Market, it is necessary to increase the budget for staffing by \$10,000 in FY14 forward. This addition in staff time allows for the market to continue the token programs which have greatly benefitted vendors and customers alike. The programs facilitate easy access to the full diversity of individuals who choose to shop at the Ann Arbor Farmers Market. Staff support for these programs ensure that market vendors have every opportunity to make sales while allowing the shopper a convenient shopping experience. The market's commitment to excellent customer service is supported through the additional staff that interacts with customers repeatedly, helping them to access the appropriate token types and locate specific market vendors. Excellent customer service to the market vendors is also ensured through the timely processing of token reimbursements.

Wednesday Evening Market Growth & Impacts

Since its inception in 2011 the Wednesday Evening Market has had an increase in participating vendors, customer traffic, and season length. The market has offered local food businesses a new outlet for sales and exposure in the Ann Arbor market. In 2011 the market hosted 26 vendors during the months of June through September. In 2012 the market increased to 45 vendors for the months of May through September. The market goals of establishing sound operational procedures, adding new, high quality vendors, and ensuring a balanced product mix and good vendor attendance require approximately 10 hours per week in non-market day staff time, in addition to 8 hours of work on Wednesdays during the market. There is an additional administrative staff person working 4 hours per week during the Evening Market, to provide token program assistance and answers to customer questions in the market office. The Evening Market expenses and revenue are trending toward the market becoming self-sustaining. Onetime costs for materials and larger advertisement expenses in the market's first two seasons will not continue as significant expenses for the market. The Evening Market continues to offer further sales opportunities for current and new vendors while achieving a balance between the limited capacity for accepting new vendors to the daytime markets with the desire to encourage new businesses and accept new vendors on a continuing basis. The benefit of the Evening Market extends to daytime vendors as well as evening vendors, all of whom are able to sell in a diversified, competitive, healthy market environment.

Contracted Services Increase

In order to adequately carry out Section III.4 of the Public Market Operating Rules, which stipulates that vendors will be inspected every two years to ensure their producer's-only status, the budgeted expense for inspector compensation will need to increase. The current budget allocates \$6,500 for contracted services to an inspector. In order to effectively conduct inspections in accordance with the two year schedule set forth by the operating rules, it is estimated that \$10,000 needs to be budgeted annually.

Loss in Parking Revenue

Since 2006, the Ann Arbor Downtown Development Authority (DDA) has provided a source of revenue to the market in the form of a rental fee, paid to the market for allowing the DDA to generate revenue from parking fees collected on non-market days in the market parking lot. This arrangement resulted in approximately \$32,000 annually for the market budget.

In FY12 the market fund received revenue in the amount of \$116,034 from the DDA as part of an arrangement to sever its then existing contract with the City of Ann Arbor. Only \$32,000 was budgeted for DDA revenue in FY12, so the balance (\$84,000) was placed in the Market fund balance. The DDA now pays the market a percentage of the pay-per-use revenues collected at the market parking lot. Beginning with Fiscal Year 2013, the market receives approximately \$12,000 annually under the DDA's new contract with the City. This results in a recurring annual revenue loss of \$20,000 to the market budget.

In the short term, the lost revenue for the market budget will be primarily covered by the one-time payment made in 2012. It is proposed that the additional \$84,000 placed in fund balance be utilized to cover the shortfall caused by the lower parking revenue and the increase in staffing and inspection expenses in the market budget for FY13 and FY14.

Solutions for Recurring Expenses & Additional Revenue

The increases in the market's operating costs are associated with significant benefits to the market's vendors and customers. The administrative support provided by market staff to facilitate token programs, operate the Evening Market, complete timely inspections, and provide convenience and excellent customer service to customers have resulted in new and secured sources of revenue for market vendors and support the market's mission to serve as a direct link between area farmers' fields and products, and our local kitchens and quality of life.

In order to adequately handle the recurring expenses detailed in this memorandum, staff will work with the Public Market Advisory Commission to explore other revenue sources, including but not limited to vendor stall and parking fee increases, additional market merchandise, and grant opportunities.

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