

## MEMORANDUM

TO: Public Market Advisory Commission

FROM: Sarah DeWitt, Farmers Market Manager

DATE: February 27, 2014

SUBJECT: Market Fee Increase Proposal

The Market FY2014 Budget and FY2015 Proposed Plan Memorandum, dated April 9, 2013, which has been included for reference, explained that 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 has a shortfall effective in Fiscal Year 2013 and years moving forward. This has required the use of market fund balance to cover the shortfall as recurring revenue generation solutions are explored.

The Budget Memorandum also gave the following information regarding solutions for recurring expenditures and additional revenue:

*“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.”*

The Market Revenue Generation and Stall Fee Evaluation Memorandum, dated October 17, 2013, which has also been included for reference, focused on information regarding the 2010 stall fee increase and the current stall fees; comparative data from other farmers markets both in and outside of Michigan; and an evaluation of the fee increase that would be necessary to cover the market's expenses.

The comparative market information was gathered from 12 markets, including the Ann Arbor Farmers Market, to evaluate how the market's fees compare with that of comparable markets. Consideration was given to the number of market days offered per week and per year, as well as the total number of hours each market is open. Of the markets evaluated, the average yearly stall fee is \$775.70 and the average daily stall fee is \$33. This average is significantly higher than the fees charged at the Ann Arbor Farmers Market.

The preliminary fee increase evaluation included in the Revenue Generation Memorandum was based upon the market's status as an enterprise fund. The original evaluation estimated that fees would need to be raised approximately 47% in order to meet the operating costs of the market in Fiscal Year 2015. In light of information from the Government Accounting Standards Board (GASB) that impacts pension liability accounting across the city, the Market, in the proposed FY2015 budget, will become part of the General Fund effective July 1, 2014. This change results in the elimination of two significant operating expenses to the market budget: the municipal service charge and depreciation. This accounting change has allowed for a recalculation of the proposed fee increases, which will be lower on average than originally estimated. The proposed fees appear below:

## Proposed FY15 Market Fees

<b>Current FY14 Stall Fees</b>			<b>Proposed FY15 Stall Fees</b>	
<i>1 stall yearly</i>	\$300.00		<i>1 stall yearly</i>	\$450.00
<i>2 stalls yearly</i>	\$690.00		<i>2 stalls yearly</i>	\$950.00
<i>3 stalls yearly</i>	\$1,164.00		<i>3 stalls yearly</i>	\$1,500.00
<i>4 stalls yearly</i>	\$1,710.00		<i>4 stalls yearly</i>	\$2,200.00
<i>Surcharge for corner stalls</i>	\$50.00		<i>Surcharge for corner stalls</i>	\$65.00
<i>Daily stall fee</i>	\$25.00		<i>Daily stall fee</i>	\$30.00
<i>Evening market fee</i>	\$10.00		<i>Evening market fee</i>	\$12.00
<i>Parking fee</i>	\$4.00		<i>Parking fee</i>	\$5.00

### Summary

The proposed fee increases enable the market to continue providing significant benefits to its vendors while generating the necessary revenue to adequately cover the market's operating expenses. The increased expenses to the market in the form of 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.

Prepared by: Sarah DeWitt, Farmers Market Manager  
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