



City of Culver City

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Staff Report

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CC - CONSENT ITEM: Approval of a Five-Year Agreement with Sustainable Management Services, LLC., to Manage the Culver City Farmers' Market for an Amount Not-to-Exceed \$627,440 Plus 20% of Net Revenues Generated by the Culver City Farmers' Market.

Meeting Date: September 19, 2022

Contact Person/Dept: Todd Tipton / CDD - Economic Development Division

Phone Number: (310) 253-5783

Fiscal Impact: Yes No

General Fund: Yes No

Commission Action Required: Yes No

Public Notification: (E-Mail) Meetings and Agendas - City Council (09/14/2022) (E-Mail)
Downtown Business Association (09/01/2022)

Department Approval: Sol Blumenfeld, Community Development Director (9/01/2022)

RECOMMENDATION:

Staff recommends the City Council approve a five-year agreement with Sustainable Management Services, LLC., to manage the Culver City Farmers' Market (Market) for an amount not-to-exceed \$627,440 plus 20% of net revenues generated by the Market.

BACKGROUND:

The Market has operated continuously on Tuesday afternoons since its establishment in 1995 and has become an amenity to downtown, the surrounding residential neighborhoods, and the community.

The Market manager ("Manager") is responsible for all aspects of the Market's operation, including vendor selection, vendor space assignment, setup and breakdown supervision (including traffic control), maintenance, marketing, social media and promotion, coordination, creating a public seating area, hosting cooking demonstrations and interactive children's activities, conducting seasonal special events, overseeing the community outreach table, security, invoicing, collecting revenue, and other operations/duties required by the Market functions or as assigned by the City.

The Market is currently located on Main Street in Downtown, between Venice Boulevard to the north and Culver Boulevard to the south, a distance of approximately 450 linear feet. The northernmost portion of the Market crosses the City boundary with Los Angeles and therefore requires a street use permit from the City of Los Angeles.

The Market has been managed by Sustainable Management Services, LLC., (SMS) since 2017 and currently includes approximately 42 individual vendors (subject to seasonal adjustments), is certified by the California Department of Food and Agriculture, produces gross receipts averaging approximately \$3,000 per week and supports a variety of supplemental nutrition programs including Electronic Benefits Transfer (EBT), Special Supplemental Nutrition Program for Women Infants and Children (WIC), CalFresh, Market Match, Farmers Market Nutrition Program and California Nutrition Incentive Program (CNIP).

SMS’s current agreement expires in September 2022 and as a result, staff issued a Request for Proposals (“RFP”) via Planetbids in June 2022 seeking Market management services. Among other things, the RFP explained the possibility that the Market could be relocated to Media Park if the City Council decided to do so. If the City Council directs the Market be relocated, the Manager is expected to oversee and manage the transition.

DISCUSSION:

The City received one response to the RFP from SMS. SMS proposes the following annual costs for all aspects of the Market’s operation:

Year	Proposed Annual Budget	Reimbursement from outside agencies*	Adjusted Annual Budget
1	\$127,635	(\$14,196)	\$113,439
2	\$127,635	(\$14,196)	\$113,439
3	\$128,900	(\$14,352)	\$114,548
4	\$144,500	(\$16,432)	\$128,068
5	\$144,500	(\$16,432)	\$128,068
Subtotal	\$673,170	(\$75,608)	\$597,562
5% Contingency for unanticipated expenses			<u>\$ 29,878</u>
Total			\$627,440

*The reimbursement from outside agencies is for labor needed to operate the supplemental nutritional programs and is paid by the Federal Government.

SMS’s proposal was complete and responsive and identifies all items needed to operate a successful market including compliance with the City’s insurance requirements. Based on this, SMS’s familiarity and understanding of the Culver City community, its past performance, vision for the Market and overall experience, staff recommends the City Council approve a five-year agreement with SMS for an amount not-to-exceed \$627,440 plus 20% of the Market’s net revenues.

FISCAL ANALYSIS:

The Market generated approximately \$214,418 in gross revenues for the City in Fiscal Year 2021-2022. In prior agreements (and in the proposed agreement) the Market manager was paid a management fee and an incentive based on net revenues generated by the Market. The incentive equates to 20% of the Market's net revenues. Assuming a 2% increase in gross revenues annually, Market expenses and projected revenues are as follows:

Year	Projected Gross Revenues (assumes 2% annual increase)	Proposed Adjusted Budget (including Management Fee)	Projected Revenues (before incentive payment)	Approximate Incentive (20% of projected revenues)	Projected Net Revenues (after incentive payment)
1	\$218,706	\$113,439 (including \$15,600 Management Fee)	\$105,267	\$21,053	\$84,214
2	\$223,080	\$113,439 (including \$15,600 Management Fee)	\$109,641	\$21,928	\$87,713
3	\$227,542	\$114,548 (includes \$15,600 Management Fee)	\$112,993	\$22,598	\$90,395
4	\$232,092	\$128,068 (including \$17,472 Management Fee)	\$104,025	\$20,805	\$83,220
5	\$236,734	\$128,068 (including \$17,472 Management Fee)	\$108,666	\$21,733	\$86,933

Based on the above, SMS's projected annual compensation during the term of the agreement is as follows:

Year	Anticipated Total Compensation (Management Fee + Incentive)
1	\$36,653 (\$15,600 + \$21,053)
2	\$37,528 (\$15,600 + \$21,928)
3	\$38,198 (\$15,600 + \$22,598)
4	\$38,277 (\$17,472 + \$20,805)
5	\$39,205 (\$17,472 + \$21,733)

The cost to operate the Market (including the 5% contingency) over the five-year term is \$627,440. Adequate funding is available for the first year of operations in the Adopted Budget for Fiscal Year 2022-2023. Additional funding will be appropriated in future fiscal years.

MOTION:

That the City Council:

1. Approve a five-year agreement with Sustainable Management Services, LLC., to manage the Culver City Farmers' Market for an amount not-to-exceed \$627,440 plus 20% of net revenues generated by the Culver City Farmers' Market;
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.