

## **Mt. McKinley Meat & Sausage (MMM&S)**

### **Time Lines 1980 - 2014**

- Early 1980's - The Alaska Agricultural Action Council, through an appropriation from the Alaska Legislature financed the construction of Mt. McKinley Meat & Sausage (MMM&S).
- 1983-1985 - Privately operated by a loan from the Alaska Agricultural Action Council. The Division of Agriculture inherited the loan made by the Alaska Agricultural Council.
- 1986 - The Agricultural Revolving Loan Fund (ARLF) obtained possession of the facility through a cooperative settlement resulting from a loan default.
- December 1986 Under a memorandum of agreement between Alaska Department of Natural Resources (DNR) and the Alaska Department of Corrections (DOC), MMM&S was reopened.
- 1986-2000 DOC operated the plant for the DNR, Division of Agriculture (DoAg) using it as a training opportunity for inmates while continuing to provide a slaughter facility for Alaskan farmers.
- 2001 - DOC asked DoAg to cover some expenses, including staff costs.
- 2000 - MMM&S was offered by a Request for Proposal (RFP) for sale with a minimum bid of \$600,000. The restrictions were to continue operations as a slaughterhouse/processing plant. No responsive requests were received.

- 2002- A proposal to lease and operate the MMMS plant for \$1.00 per year was released in October 2002. The intent of this proposal was to pass the plant into private hands and out of state control. This proposal required the lessee to continue operations at the plant at not less than the current level of service. It required the lessee to slaughter all domestic Alaskan animals presented and to purchase said animals at prices currently established. The term of lease was for five years with option to purchase at the end of the lease. No responsive requests were received.
- December 2003 - DOC discontinued all financial management support and DoAg took over operation of the facility still using inmate labor.
- December 2003- DoAg completed a detailed review of the operation of MMM&S to increase efficiency while in State ownership (MMM&S Report with Review and Recommendations).
- August 2005 - On August 11, 2005 the Board of Agriculture and Conservation (BAC) voted to "authorize an updated appraisal or letter of opinion of MMM&S based on fair market value as is where is, assuming no restrictions on future use of property." In a separate motion the BAC moved and voted unanimously to "authorize the Division to begin the process to sell MMM&S immediately, and to close the State directed operation on October 14, 2006."
- October 2005 - On October 14, 2005 the BAC received testimony from the public on the closure. The majority of comments received during testimony requested the continued subsidized operation by the state. No alternatives to closing MMM&S were proposed during the hearing.

- November 2005                    On November 8, 2005 the BAC moved to recommend "that the BAC proceed with MMM&S disposal and closure...with the minor revision that the State directed operation closure date be extended to December 31, 2006."
- December 2006 -                The BAC is responsible for the administration of ARLF. The last official action taken (December 2006) regarding the continued operation of MMM&S was to keep it open and remain receptive to evaluating any alternative proposal to operating or privatizing the facility. This decision was based on positive services and support provided by MMM&S to the agricultural industry.
- May 2014 -                      The BAC was seeking public input on options to transition MMM&S from state ownership to the private sector. To gather input from the red meat industry, other processing plants, and the Alaska chefs and restaurants, the DoAg developed three surveys; Red Meat Industry, Red Meat Processing Plants, Chef & Restaurants. On question on each of the three surveys asked "Would you be interested in owning/operating a USDA slaughter facility?" 91.43% said No.
- July 2014 -                      The Board held a meeting for oral comments on options for the plant's future during a public comment session. 35 members of the public attended and 33 members of the public stated they did not want the plant to close.

### **Why is it important to the agriculture community?**

MMM&S is the only USDA certified slaughter facility in south central Alaska, serving industry needs from Homer to Delta. This facility provides the USDA stamp, which is a federal requirement to move product into commerce. This facility provides custom slaughter, wrapping, and purchases cull or excess animals from producers. Once purchased, these live animals are processed and then sold to state agencies or other entities. MMM&S is the only USDA certified slaughter facility in south central Alaska and producers depend on the USDA stamp to market their products.

MMM&S is also a job-training opportunity for DOC inmates, providing hands-on experience in the meat processing industry and preparing them for possible employment after they are released.

### **How is it staffed?**

MMM&S is staffed by three Division of Agriculture production managers and inmates from the Palmer Correctional Center. DoAg managers are responsible for the oversight and training of inmates.

A DoAg Production Manager transports the inmates to/from MMM&S from the Palmer Correctional Center four days a week. During busy months (August – November) 13 inmates are needed to operate the facility smoothly, while the remainder of the year the requirement drops to 10. Continuity of the labor pool is an important factor as it benefits the operation, improves product quality, and provides consistent training opportunities for the inmates.

Many inmates who begin working at MMM&S have never held a job. The production managers report that inmates not only learn a job skill but also the satisfaction that comes from a hard day's work. Inmates who demonstrate the needed skills and/or show a good work ethic can request a letter of recommendation from a MMM&S production manager once paroled. Some inmates have gained successful employment in the meat processing industry.

### **How Is it Funded?**

MMM&S is an asset of the Agricultural Revolving Loan Fund (ARLF), which is housed within the Division of Agriculture. The BAC is responsible for oversight of

the fund and continues to support the ongoing operation of MMM&S, understanding that the benefit MMM&S provides to the agriculture industry.

The ARLF pays DOC a \$35,000 Reimbursable Services Agreement (RSA) to cover all costs associated with inmate labor at MMM&S.

Operating expenses include salaries for the three production managers, the \$35,000 RSA covering inmate labor and all other costs associated with running a slaughter facility.

**Conclusion:**

The BAC, the Division, the DNR and members of the agricultural industry have discussed the future of MMM&S at length on many occasions. The Division has made three attempts since 2000 to facilitate transfer of the facility from State ownership to private or Cooperative ownership without success.

The BAC is responsible for the administration of the ARLF, including the future direction with regard to MMM&S operations. ARLF funds are being used to supplement operational costs at MMM&S and have done so since the 2003 transition to the Division. The BAC has continually recognized and supported the industry need for a USDA kill floor in Southcentral Alaska.

**STATE OF ALASKA INVESTMENT**

**MMM&S**

**Through August 1, 2005**

Description	Year	Amount	Total
ARLF Loan to Don Chemical by General Fund Appropriation	1981	\$2,000,000	\$2,000,000
ARLF Paid to First Nat'l Bank executed judgement on Don Chemical to protect ARLF collateral	1988	\$740,840	\$2,740,840
ARLF Paid for Building/Equipment Improvements	1986-1998	\$600,955	\$3,341,795
ARLF paid to DOT/PF Building repairs	2002	\$201,122	\$3,542,917
ARLF paid for operational expenses to Department of Corrections (DOC) by RSA	2002-2005	\$550,033	\$4,092,950
ARLF FY05 net loss	2005	\$50,000	\$4,142,950
<b>Total</b>		<b>\$4,142,950</b>	<b>\$4,142,950</b>

\* DOC operational expenses not reimbursed by ARLF are not reflected in this total. Once totaled the DOC expenditures on MMM&S will be included in a revised total.

**APPRAISAL SUMMARY**

The subject property is a 3.50-acre tract located at 385 East Outer Springer Loop Road, which is approximately one-third mile east of the Glenn Highway. The building improvements located on the subject property are designed for owner occupancy or for a single tenant. They include two separate buildings comprised of the meat processing plant and a maintenance shop. The quality of the space is commensurate with the current use of the property as a meat processing and packaging facility. The main building is 14,918 square feet in size and consists of the processing area, kill floor, office space, freezer/cooler space, and smoking area.

**Property Type:** Meat Processing Plant  
**Property Owner:** State of Alaska, Division of Agriculture  
**Location:** 385 East Outer Springer Loop, Palmer, Alaska  
**Description:** Tract H-2C-2, Palmer Industrial Park RSB  
**Site Size & Shape:** 152,460 Sq Ft (3.50 Acres), Rectangular  
**Improvements:** 14,918 Square Foot Meat Processing Building  
2,650 Square Foot Maintenance shop  
**Parking:** Adequate, Paved Parking Area  
**Highest and Best Use:** As Developed, Domestic/Wild Game Meat Processing Facility  
**Zoning:** Industrial (City of Palmer)  
**Property Rights:** Fee-Simple Estate  
**Date of Inspection & Appraisal:** September 21, 2005  
**Date of Report:** October 27, 2005  
**Exposure Time:** 12 Months

**Indicated Value By**

**Sales Comparison Approach:** \$1,200,000  
**Income Approach:** \$1,270,000

As a result of the application of the appraisal process, subject to the assumptions and limiting conditions herein included, and subject to the appraiser's certification, it is our opinion, as of September 21, 2005, the market value of the fee-simple estate in the subject property is:

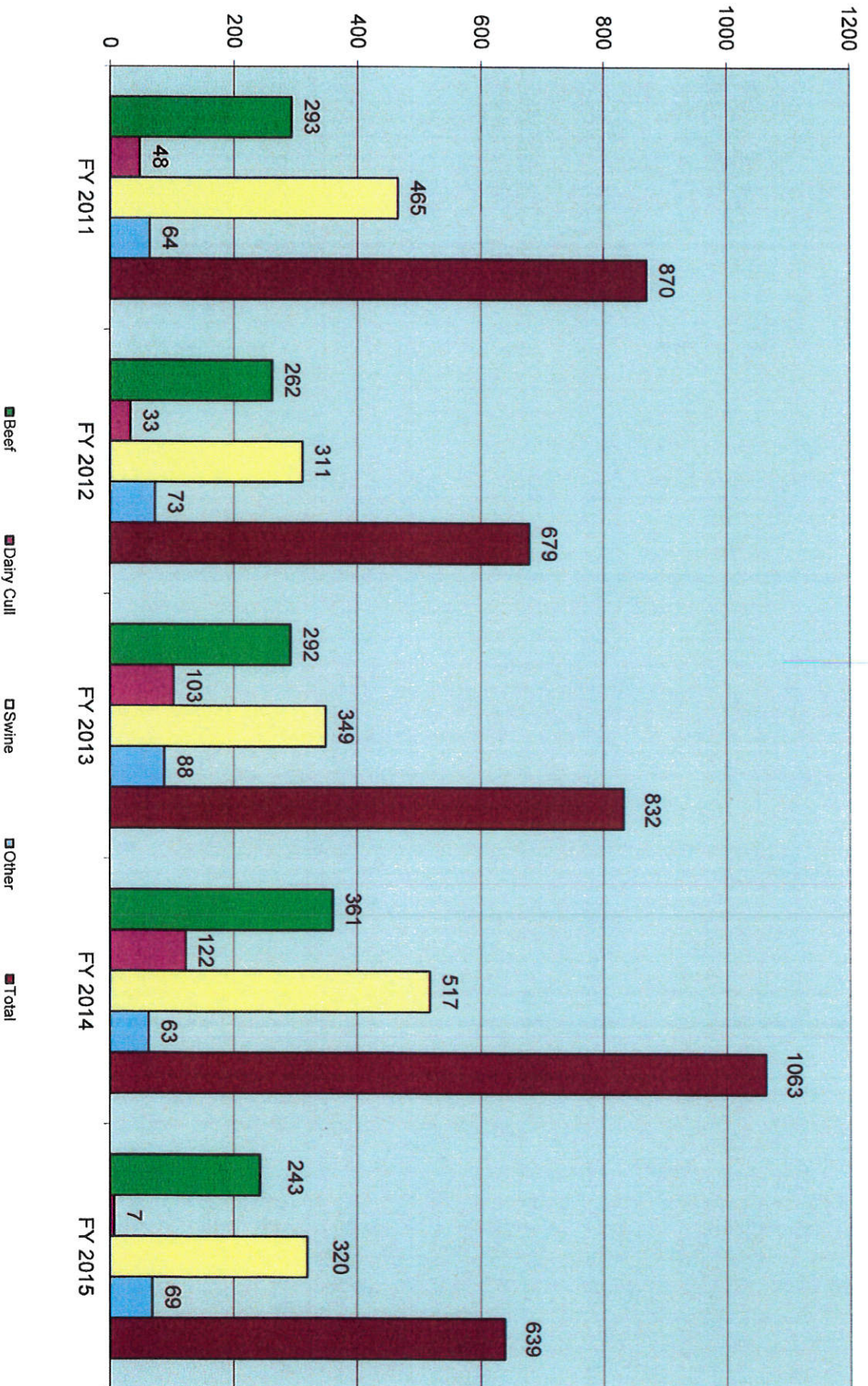
**ONE MILLION TWO HUNDRED THOUSAND DOLLARS**  
**(\$1,200,000)**

**Mt McKinley Meat and Sausage Plant**  
**AGRICULTURAL REVOLVING LOAN FUND**  
**Statement of Revenues and Expenses**  
**For fiscal years ended June 30, 2005-2015**

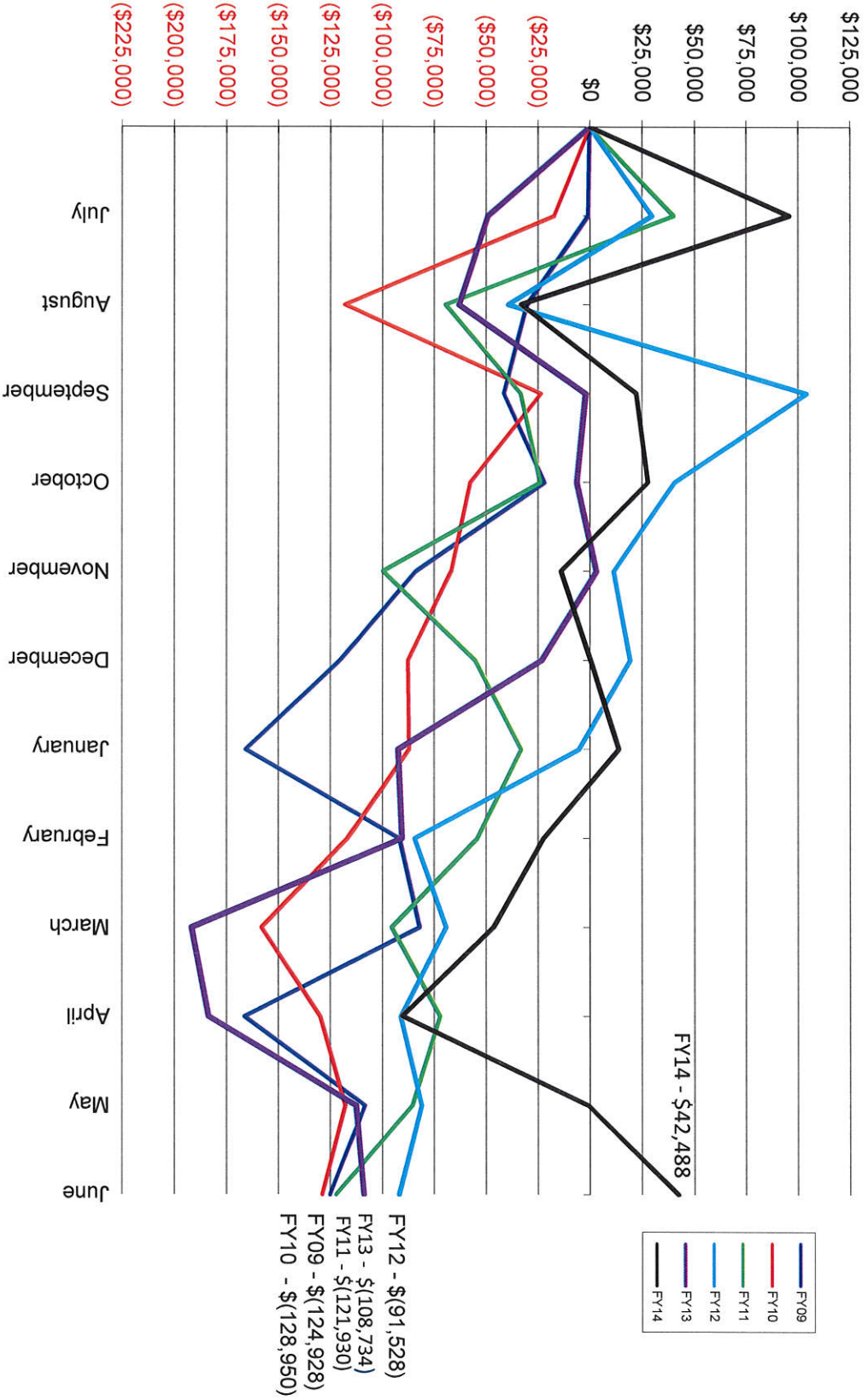
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>											
Services	\$ 166,232	\$ 151,519	\$ 119,879	\$ 111,484	\$ 113,730	\$ 120,590	\$ 105,170	\$ 92,799	\$ 72,335	\$ 60,629	\$ 61,665
Sale of Products	1,417,607	1,679,875	1,629,660	1,227,282	1,088,606	918,549	894,898	956,026	1,115,693	1,302,897	1,284,064
Freight	18,973	19,687	15,230	10,636	9,521	29,354	34,100	37,806	26,679	28,594	28,379
<b>Total Revenues</b>	<b>1,602,812</b>	<b>1,851,082</b>	<b>1,764,769</b>	<b>1,349,402</b>	<b>1,211,857</b>	<b>1,068,493</b>	<b>1,034,168</b>	<b>1,086,632</b>	<b>1,214,706</b>	<b>1,393,120</b>	<b>1,374,107</b>
<b>Expenses:</b>											
Personal Services	363,486	362,010	341,188	313,817	311,345	299,275	292,818	277,450	270,216	253,454	276,769
Travel	-	-	-	-	-	-	59	-	-	-	-
Contractual Services	207,808	188,842	176,421	160,215	157,296	166,323	199,000	178,144	199,329	238,954	209,223
Commodities	1,186,534	1,257,742	1,355,894	966,897	865,146	731,845	667,219	719,137	834,604	1,096,424	1,012,456
<b>Total Expenses</b>	<b>1,757,827</b>	<b>1,808,594</b>	<b>1,873,503</b>	<b>1,440,929</b>	<b>1,333,787</b>	<b>1,197,443</b>	<b>1,159,096</b>	<b>1,221,198</b>	<b>1,304,148</b>	<b>1,588,832</b>	<b>1,498,448</b>
<b>Net Earnings / (Loss)</b>	<b>\$ (155,016)</b>	<b>\$ 42,488</b>	<b>\$ (108,734)</b>	<b>\$ (91,528)</b>	<b>\$ (121,930)</b>	<b>\$ (128,950)</b>	<b>\$ (124,928)</b>	<b>\$ (134,566)</b>	<b>\$ (89,442)</b>	<b>\$ (195,712)</b>	<b>\$ (124,341)</b>



## MM&S Slaughter Statistics by Fiscal Year and Type As of January 31, 2015 - FY15



**Mt. McKinley Meat and Sausage**  
**Income(Loss)**  
**FY 2009 - FY 2014**



## FY14 & FY15 Revenues

- The majority of the revenues are generated by purchased boxed meat that is resold (88.4 % of plant revenues in FY 15 and 90.8% in FY 14); slaughtering livestock is a very small percentage of meat plant operations.
- FY 15 revenues from Freight, Kill Floor/Cut & Wrap Fees were \$185,205 or 11.6% of total revenues of \$1,602,812.
- FY 14 revenues from Freight, Kill Floor/Cut & Wrap Fees were \$171,205 or 9.2% of total revenues of \$1,851,082.
- FY 15 sales to DOC were \$923,074 or 57.6% of total sales of \$1,602,812; FY 14 sales to DOC were \$1,179,445 or 63.7% of total sales of \$1,851,082;
- The majority of the revenues for meat plant operations are from sales to DOC of boxed meats purchased and resold to DOC at mark-up; Losses at the plant would be significantly higher if not for DOC purchases.

**AGRICULTURAL REVOLVING LOAN FUND**

<b>MEAT PLANT REVENUES</b>	<b>FY15</b>	<b>FY14</b>
<i>PRIVATE SALES:</i>		
FREIGHT	\$ 14,867	\$ 13,764
KILL FLOOR/CUT& WRAP FEES	157,252	137,978
SALE OF PRODUCTS	507,619	519,895
 <i>INSITUTIONAL SALES:</i>		
FREIGHT	4,106	5,924
KILL FLOOR/CUT& WRAP FEES	8,980	13,541
SALE OF PRODUCTS	909,988	1,159,980
 TOTAL REVENUES	 <u>\$ 1,602,812</u>	 <u>1,851,082</u>

## AGRICULTURAL REVOLVING LOAN FUND

MEAT PLANT EXPENDITURES	FY15	FY14
MEAT PLANT PERSONNEL WAGES	\$ 363,486	\$ 362,010
MISC/COURIER	509	-
MAT SU BOROUGH ASSET PROPERTY TAXES	5,423	5,516
SOFTWARE MAINTENANCE	-	1,920
WORKSAFE REQUIRED CDL RANDOM TESTING	-	280
FREIGHT	805	3,704
LONG DISTANCE/LOCAL/CELL PHONE SVCS	2,965	2,672
FUEL	19,600	17,593
ELECTRICITY	83,185	62,560
WATER & SEWAGE	4,751	4,937
DISPOSAL	14,631	17,868
NATURAL GAS/PROPANE	20,747	17,671
MISC REPAIRS/MAINTENANCE	7,520	7,678
OFFICE FURN & EQUIP	301	382
PLANT EQUIP/MACHINERY/INSTALL	8,213	12,970
USDA FOOD SAFETY INSPECTIONS	1,554	1,622
DEC/RISK MNGMT/OTHER SOA DEPTS CHARGES	1,169	1,227
INMATE LABOR	36,434	30,241
BUSINESS SUPPLIES	4,162	1,855
LIVE ANIMAL PURCHASE FOR RESALE	102,763	66,483
BOXED MEAT FOR RESALE	1,015,681	1,115,754
CLEANING	6,640	10,779
PACKAGING SUPPLIES / PAPER PRODUCTS	44,363	47,952
BUILDING MATERIALS	2,296	2,104
ELECTRICAL	3,510	2,224
PLUMBING	1,336	4,568
LUBE OILS/GREASE/SOL	1,212	705
PARTS AND SUPPLIES	2,678	2,982
PAINT & PRESERVATIVE	338	831
SM TOOLS/MINOR EQUIP	1,555	1,504
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,757,827</b>	<b>\$ 1,808,594</b>

**Personal Services Detail for PCN 20-6122 (391)**

Scenario FY: 2017  
 Scenario: FY2016 Division Use  
 Department: Natural Resources (10)

PS FY: 2016  
 RDU: Agriculture  
 Component: Agr Revolving Loan Pgm Admin (2235)

**Position Detail:**

Last Edit By: JHARALSON  
 Position Status: Existing  
 Bargaining Unit: General Gov't Employees (GP)  
 Class: P7666 Corr Indus Prod Mgr II  
 Location: Palmer (ECF)  
 Position Type: FACL Full Time  
 Retirement: A PERS Other  
 Salary Schedule: 400 BASE  
 Strike Class: 3  
 Overtime Eligible: Yes  
 Position Frozen: No  
 Position Split: No  
 Project: 0  
 Region: 01

Edit Date: 10/20/2015 07:18 AM  
 Budgeted Months: 12.0  
 Component Months: 12.0  
 Merit Date: 07/16/2016  
 Salary Change Date: 07/16/2016  
 Calculation Method: Monthly - Steps and Salary Change Date  
 Range/Step 1: 18 A 4,778.00/mth. for 12.0 mths.  
 Range/Step 2: 18 B 0.00/mth. for 0.0 mths.

**Total Salary: 57,336**  
**Total Premium Pay: 0**  
**Total Benefits: 37,575**  
**Total COLA: 0**  
**Total Position Cost: 94,911**

**COLA:**

Effective Dates	Percent	COLA Cost
1. 07/01 thru 06/30	0.00%	0
2. [ none ]	0.00	0
<b>Total COLA:</b>		<b>0</b>

**Premium Pay:**

Overtime Pay: 0.00 Hours: 0.0	Higher Class Pay: 0.00
Graveyard Pay: 0.00 Mths: 0.0	Standby Pay: 0.00
Swing Shift Pay: 0.00 Mths: 0.0	Subsistence Pay: 0.00
Hazardous Pay: 0.00	Additional Pay: 0.00
Seaduty Pay: 0.00	<b>Total Premium Pay: 0.00</b>

**Benefits:**

<b>Department Benefits:</b>	FULL	<b>Statewide Benefits:</b>	FULL
Leave Cash-In: 2.26%= 1295.79		Health Insurance: 1,389.00 / Mth.= 16,668.00 / Yr	
Risk management: 2.82%= 1616.88		Life Insurance: 3.48 / Mth.= 41.76 / Yr	
Unemployment Insurance: 0.40%= 229.34		Legal Trust Fund: 8.00 / Mth.= 96.00 / Yr	
Term leave: 1.15%= 659.36		Other: 0.67 / Mth.= 8.04 / Yr	
Short Term Non Perm: 0.00%= 0.00		<b>Total Statewide Benefits: 1,401.15 / Mth.= 16,813.80 / Yr</b>	
Unique Rate: 0.00%= 0.00		<b>SBS Benefits:</b>	FULL
Bargaining Unit Override Rate: 0.00%= 0.00		Supplemental Benefits: 6.13%= 3,514.70	
<b>Total Department Benefits: 6.63%= 3,801.37</b>		<b>Medicare Deduction:</b>	FULL
<b>Retirement Benefit:</b>	FULL	Medicare Cost: 1.45%= 831.37	
Retirement Benefit: 22.00%= 12,613.92		<b>Total Benefits: 37,575</b>	
0.00 / Mth.= 0.00			

**Notes:**

**Funding Detail:**

	Percent	Amount
1021 Agricultural Loan Fund	100.00%	94,911.00
<b>Totals:</b>	<b>100.00%</b>	<b>94,911.00</b>

**Actuals as of 07/31/2015:**

Bargaining Unit: GP	FYTD Overtime Pay: 0
Class: P7666 Corr Indus Prod Mgr II	FYTD Graveyard Pay: 0
Location: ECF	FYTD Swing Shift Pay: 0
Salary Schedule: 400	FYTD Hazardous Pay: 0
Retirement Code: A	FYTD Seaduty Pay: 0
Range / Step: 18 / P	FYTD Subsistence Pay: 0
Merit Date: 07/16/2016	FYTD Standby Pay: 0
FYTD Regular: 3,799	FYTD Additional Pay: 0

**Personal Services Detail for ~~CON 20-6159 (391)~~**

**Scenario FY:** 2017  
**Scenario:** FY2016 Division Use  
**Department:** Natural Resources (10)

**PS FY:** 2016  
**RDU:** Agriculture  
**Component:** Agr Revolving Loan Pgm Admin (2235)

**Position Detail:**

Last Edit By: ~~JEHARALSON~~  
 Position Status: Existing  
 Bargaining Unit: General Gov't Employees (GP)  
 Class: P7665 Corr Indus Prod Mgr I  
 Location: Palmer (ECF)  
 Position Type: FACL Full Time  
 Retirement: A PERS Other  
 Salary Schedule: 400 BASE  
 Strike Class: 3  
 Overtime Eligible: Yes  
 Position Frozen: No  
 Position Split: No  
 Project: 0  
 Region: 01

Edit Date: 10/20/2015 07:19 AM  
 Budgeted Months: 12.0  
 Component Months: 12.0  
 Merit Date: 01/01/2017  
 Salary Change Date: 01/01/2017  
 Calculation Method: Monthly - Steps and Salary Change Date  
 Range/Step 1: 16 A 4,148.00/mth. for 12.0 mths.  
 Range/Step 2: 16 B 0.00/mth. for 0.0 mths.

Total Salary: 49,776  
 Total Premium Pay: 0  
 Total Benefits: 34,838  
 Total COLA: 0

**Total Position Cost: 84,614**

**COLA:**

Effective Dates	Percent	COLA Cost
1. 07/01 thru 06/30	0.00%	0
2. [ none ]	0.00	0
<b>Total COLA:</b>		<b>0</b>

**Premium Pay:**

Overtime Pay: 0.00	Hours: 0.0	Higher Class Pay: 0.00
Graveyard Pay: 0.00	Mths: 0.0	Standby Pay: 0.00
Swing Shift Pay: 0.00	Mths: 0.0	Subsistence Pay: 0.00
Hazardous Pay: 0.00		Additional Pay: 0.00
Seaduty Pay: 0.00		<b>Total Premium Pay: 0.00</b>

**Benefits:**

Department Benefits:	FULL
Leave Cash-In:	2.26%= 1124.94
Risk management:	2.82%= 1403.68
Unemployment Insurance:	0.40%= 199.10
Term leave:	1.15%= 572.42
Short Term Non Perm:	0.00%= 0.00
Unique Rate:	0.00%= 0.00
Bargaining Unit Override Rate:	0.00%= 0.00
<b>Total Department Benefits:</b>	<b>6.63%= 3,300.14</b>

Statewide Benefits:	FULL
Health Insurance:	1,389.00 / Mth.= 16,668.00 / Yr
Life Insurance:	3.48 / Mth.= 41.76 / Yr
Legal Trust Fund:	8.00 / Mth.= 96.00 / Yr
Other:	0.67 / Mth.= 8.04 / Yr
<b>Total Statewide Benefits:</b>	<b>1,401.15 / Mth.= 16,813.80 / Yr</b>

SBS Benefits:	FULL
Supplemental Benefits:	6.13%= 3,051.27

Retirement Benefit:	FULL
Retirement Benefit:	22.00%= 10,950.72
	0.00 / Mth.= 0.00

Medicare Deduction:	FULL
Medicare Cost:	1.45%= 721.75
<b>Total Benefits:</b>	<b>34,838</b>

**Notes:**

**Funding Detail:**

	Percent	Amount
1021 Agricultural Loan Fund	100.00%	84,614.00
<b>Totals:</b>	<b>100.00%</b>	<b>84,614.00</b>

**Actuals as of 07/31/2015:**

Bargaining Unit: GP	FYTD Overtime Pay: 0
Class: P7665 Corr Indus Prod Mgr I	FYTD Graveyard Pay: 0
Location: ECF	FYTD Swing Shift Pay: 0
Salary Schedule: 400	FYTD Hazardous Pay: 0
Retirement Code: A	FYTD Seaduty Pay: 0
Range / Step: 16 / O	FYTD Subsistence Pay: 0
Merit Date: 01/01/2017	FYTD Standby Pay: 0
FYTD Regular: 3,204	FYTD Additional Pay: 0