

**D30N00**  
**Maryland Food Center Authority**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 08-09</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Estimated</u></b>	<b><u>Estimated</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
Nonbudgeted Expenditures	\$3,266	\$3,896	\$4,169	\$274	7.0%
<b>Total Expenditures</b>	<b>\$3,266</b>	<b>\$3,896</b>	<b>\$4,169</b>	<b>\$274</b>	<b>7.0%</b>

- In fiscal 2009, the total operating expenses increase by \$273,598, or 7%, compared to fiscal 2008.
- In fiscal 2009, the total operating revenues increase by \$176,452, or 3.7%.

***Personnel Data***

	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 08-09</b>
	<b><u>Actual</u></b>	<b><u>Estimated</u></b>	<b><u>Estimated</u></b>	<b><u>Change</u></b>
Regular Positions*	30.00	31.00	31.00	0.00
Contractual FTEs*	0.15	0.15	0.15	0.00
<b>Total Personnel</b>	<b>30.15</b>	<b>31.15</b>	<b>31.15</b>	<b>0.00</b>

\*As reported by the Maryland Food Center Authority.

- In fiscal 2008 there was a net increase of one regular position compared to fiscal 2007. This net increase resulted from the reduction of one attorney position and the creation of two new positions, one in administration and one which shares time between the produce and seafood markets.
- The number of positions is constant between the fiscal 2009 proposed budget and fiscal 2008.

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Major Trends**

***Maryland Food Center Authority (MFCA) Is Achieving Key Objectives:*** The main goal of MFCA is to maintain safe, sanitary, and efficient facilities. MFCA expects to meet objectives relating to this goal in fiscal 2008 and 2009.

### **Recommended Actions**

1. Nonbudgeted.

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**Maryland Food Center Authority**

***Operating Budget Analysis***

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**Program Description**

The Maryland Food Center Authority (MFCA) is a nonbudgeted agency. MFCA develops and oversees authority projects. MFCA is located at the approximately 400-acre Maryland Food Center in Jessup, Maryland. Three key components make up MFCA, including:

- the MFCA administration;
- the Maryland Wholesale Produce Market; and
- the Maryland Wholesale Seafood Market.

The administration provides financial accounting, promotional activities, and expansion opportunities. Produce and seafood dealers lease office, storage, and dock facilities from MFCA in the Wholesale Produce and Wholesale Seafood Markets. MFCA also owns the Rock Hall Seafood Processing Plant in Kent County which is currently being leased by the Town of Rock Hall. MFCA also provides leases to SYSCO Food Services of Baltimore (SYSCO) and SeaCap which are distribution companies and a truck parking lot, operated by Bob's Transport, Inc. These companies operate independently within the food center.

**Performance Analysis: Managing for Results**

The key goal of MFCA is to maintain safe, sanitary, and efficient facilities. One of the objectives for meeting this goal is to maximize the amount of recycled waste and minimize landfill waste. MFCA is working with tenants to achieve this goal, including the implementation of a composting effort in April 2006. MFCA reported a small increase in the percent of waste that did not go into a landfill between fiscal 2006 and 2007. A large increase from 10.5% in fiscal 2007 to 35% in fiscal 2008 in the percent of waste that did not go into a landfill is expected, with increases continuing through fiscal 2009. Achievement in this objective also has budgetary impacts because landfill disposal is more expensive per ton than recycling, and MFCA estimates reduced costs for landfills in both fiscal 2008 and 2009.

A second objective relating to this goal is to maintain facilities in quality condition. In fiscal 2008 and 2009, MFCA has completed, or expects to complete, several significant capital projects at each market. The first is major asphalt repairs to driving areas at both markets. In addition, MFCA is planning to replace 1,300 linear feet of rail line to one building in the Wholesale Produce Market. MFCA has completed a project involving installing a new access system at the two markets and is working on upgrading security cameras in the food center. MFCA plans to replace the guardhouses at the markets. MFCA is also in the process of considering possible renovations at the Wholesale Produce Market.

## **Fiscal 2008 Actions**

In fiscal 2008, the budget increased by \$629,531, or 19.3%, over fiscal 2007 for MFCA. The majority of this increase is personnel related. Personnel expenses increased by \$392,186, or 27.0%. Most of this increase, \$229,217, occurs among regular earnings. In fiscal 2008, MFCA had a net increase of one new position: MFCA eliminated one attorney position but added two new positions. Other increases in earnings occurred as a result of salary increments. An increase of \$107,993 was associated with employee and retiree health costs.

The fiscal 2008 budget includes an increase of \$51,755 for advertising and promotion to enhance the promotion of the Wholesale Produce and Wholesale Seafood Markets. This level of promotion is expected to continue in fiscal 2009.

In addition, in fiscal 2007 and 2008, MFCA purchased additional equipment for the Wholesale Produce and Wholesale Seafood Markets. The depreciation for this is included in the budget. An increase of \$44,957 occurs as a result of this additional equipment.

## **MFCA Fiscal 2009 Proposed Budget**

MFCA, a nonbudgeted fund agency, submits its budget to the General Assembly for informational purposes only. **Exhibit 1** shows the major changes in operating expenses for MFCA between fiscal 2008 and 2009. The fiscal 2009 budget increases by \$273,598, or 7.0%. The underlying growth for fiscal 2009, absent health insurance costs, which distorts year-to-year comparisons, is \$238,845, or 6.6%.

The largest increase in the budget is for personnel expenses. These expenses increase by \$126,195, or 6.8%. The largest personnel-related increase, \$56,126, occurs as a result of salary increments and other compensation changes. An increase of \$45,568 is associated with the new category for Other Post Employment Benefits.

There are several additional significant changes in the fiscal 2009 proposed budget. An increase of \$63,236 is related to increased fuel and utilities cost. Most of this increase is the result of expected increases in water and sewer costs.

An increase of \$30,000 is the result of a change in the budgeting of legal services. MFCA maintained an attorney position as part of the authorized regular positions until fiscal 2008. In fiscal 2008, the costs for legal services were budgeted as a contractual service. In fiscal 2009, legal services are now included as part of technical and special fees.

As discussed earlier, one of the key performance measures for MFCA is to decrease the use of landfills in favor of recycling waste. In response to this effort, the fiscal 2009 budget anticipates a decrease of \$20,872 for landfill costs.

**Exhibit 1**  
**Governor’s Proposed Budget**  
**Maryland Food Center Authority**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Nonbudgeted Fund</b>	<b>Total</b>
2008 Working Appropriation	\$3,896	\$3,896
2009 Governor’s Allowance	<u>4,169</u>	<u>4,169</u>
Amount Change	\$274	\$274
Percent Change	7.0%	7.0%

**Where It Goes:**

**Personnel Expenses**

Increments and other compensation .....	\$56
Health Insurance – Other Post Employment Benefits .....	46
Other fringe benefit adjustments .....	35
Health insurance – pay-as-you-go .....	-11

**Other Changes**

Increase in the cost of fuel and utilities .....	63
Change in budgeting for legal services .....	30
Data processing equipment .....	18
Increased cost associated with classified advertisements.....	11
Costs associated with additional T-1 lines .....	11
Increase in temporary labor .....	11
Increase in out-of-state travel .....	9
Increase in railroad and building repairs .....	9
Increase in supplies .....	8
Increase in motor vehicle maintenance and repairs costs.....	6
Costs associated with employee functions .....	4
Decrease in costs associated with fully depreciated equipment.....	-20
Decrease in landfill costs.....	-21
Other changes.....	9

**Total** **\$274**

Note: Numbers may not sum to total due to rounding.

## MFCA Financial Statement

**Exhibit 2** shows the modified statement of operations for MFCA. This statement is presented on the accrual method of accounting. The MFCA modified statement of operations shows an estimated net income of \$88,822 in fiscal 2008 and \$62,098 in fiscal 2009. The estimated net income for these years is substantially lower than the net income of \$726,227 in fiscal 2007. Changes in both revenue and expenditure contribute to this change.

### Exhibit 2 Modified Statement of Operations Maryland Food Center Authority Fiscal 2007-2009

	<u>Actual</u> <u>2007</u>	<u>Estimated</u> <u>2008</u>	<u>Estimated</u> <u>2009</u>	<u>Change</u> <u>2007-2008</u>	<u>Change</u> <u>2008-2009</u>
<b>Revenue</b>					
Produce Market Rent	\$1,369,793	\$1,405,030	\$1,447,181	2.57%	3.00%
Seafood Market Rent	481,821	496,573	511,470	3.06%	3.00%
Charge Back Tenant Taxes	25,591	25,790	25,790	0.78%	0.00%
SYSCO Food Services of Baltimore Rent	141,741	144,664	149,004	2.06%	3.00%
SeaCap	96,119	101,401	104,443	5.50%	3.00%
Truck Parking Lot Rent	91,400	92,700	95,481	1.42%	3.00%
<i>Charge Back Tenant Expenses</i>					
Produce Market	756,865	996,899	1,072,064	31.71%	7.54%
Seafood Market	725,018	854,341	924,521	17.84%	8.21%
<b>Rental Income</b>	<b>\$3,688,347</b>	<b>\$4,117,398</b>	<b>\$4,329,954</b>	<b>11.63%</b>	<b>5.16%</b>
Entrance Fees	\$511,086	\$463,208	\$477,104	-9.37%	3.00%
Miscellaneous	16,030	12	12	-99.93%	0.00%
Interest	391,227	200,000	150,000	-48.88%	-25.00%
<b>Total Operating Revenue</b>	<b>\$4,606,691</b>	<b>\$4,780,618</b>	<b>\$4,957,070</b>	<b>3.78%</b>	<b>3.69%</b>
<b>Expenses</b>					
Operating Budget	\$3,049,309	\$3,661,452	\$3,935,711	20.07%	7.49%
Capital Facilities Maintenance and Depreciation	614,281	796,082	724,999	29.60%	-8.93%
Taxes	216,874	234,262	234,262	8.02%	0.00%
<b>Total Expenses</b>	<b>\$3,880,464</b>	<b>\$4,691,796</b>	<b>\$4,894,972</b>	<b>20.91%</b>	<b>4.33%</b>
<b>Net Income</b>	<b>\$726,227</b>	<b>\$88,822</b>	<b>\$62,098</b>	<b>-87.77%</b>	<b>-30.09%</b>

Notes: This statement is completed using the accrual basis of accounting. As a result, expenses may not equal what appears in the appendices. The capital budget is not included in the expenses reported in the appendices.

Source: Maryland Food Center Authority; Department of Legislative Services

### *D30N00 – Maryland Food Center Authority*

The combined operating expenses and capital expenses are projected to increase through fiscal 2009. The change in operating expenses, \$273,598, is discussed in the previous section. The capital facilities, maintenance, and depreciation expenses are projected to decrease by \$71,083 between fiscal 2008 and 2009. The changes in these expenses are discussed in the following section.

Total operating revenue on the other hand, is projected to increase in both years to \$4.8 million in fiscal 2008 and \$5.0 million in fiscal 2009. This is an increase of \$173,927 in fiscal 2008 and \$176,452 in fiscal 2009.

One notable decrease in the total operating revenue is the projected decline in interest income in fiscal 2008 and 2009. The declining interest income is the result of significant capital projects in fiscal 2008 and 2009 which will reduce the MFCA cash balance. This reduction leads to the lower projected interest income.

There are two types of rental income for the Wholesale Produce and Wholesale Seafood Markets. The first is the rent for a unit that is occupied. This income appears in the budget for the administration of MFCA. The second type of rent is charge back, listed as Charge Back Tenant Expenses in Exhibit 2. Charge back plus entrance fees equal the operating expenses for each market. Numbers presented in Exhibit 2 for charge back in each market and entrance fees are preliminary and will vary from the fiscal year actual expenditures. These numbers will vary between fiscal years based on the projected expenditures in the two markets.

#### **Maryland Wholesale Produce Market**

The Wholesale Produce Market is expected to be fully occupied in fiscal 2008 and 2009. The leases for the Wholesale Food Market expired on December 31, 2007. MFCA is considering renovations of this market and so extended the current lease agreements by one year. On January 1, 2008, the rent for the units at the Wholesale Produce Market increased by 3.0%. As a result of this increase in rent, MFCA expects to receive an additional \$35,237, or 2.6%, more rental income from produce market rent in fiscal 2008 than in fiscal 2007. The delay in the increase of rent from the beginning of the fiscal year prevents a full 3.0% increase in rental income from this market compared with fiscal 2007. In fiscal 2009, MFCA is projecting a 3.0% higher income from produce market rent, an increase of \$42,151.

#### **Maryland Wholesale Seafood Market**

The Wholesale Seafood Market is also expected to be fully occupied in fiscal 2008 and 2009. The Wholesale Food Market experienced a 3.0% increase in rent in fiscal 2008. MFCA projects an increase of \$14,752, or 3.1%, in fiscal 2008 for rent from the market. This increase is slightly higher than the 3.0% rent increase in fiscal 2008, because partial year vacancies in two units in fiscal 2007 reduced rental income for that year. MFCA projects an increase in rent for the market in fiscal 2009 of \$14,897, or 3.0%.

## **SYSCO**

MFCA leases land in the food center complex to SYSCO, a food distribution company. SYSCO operates independently; however, MFCA receives rent from the land leased to SYSCO in the food center. In fiscal 2008, MFCA projects an increase of \$2,923, or 2.1%, in rent from SYSCO. In fiscal 2009, MFCA predicts a slightly larger increase in rent from SYSCO, an increase of \$4,340, or 3.0%.

## **SeaCap**

MFCA leases the Cross Dock Facility to a local seafood distribution company, SeaCap. SeaCap operates independently; however, MFCA receives rent from the space leased to SeaCap. MFCA projects an increase of \$5,282, or 5.5%, in rent from SeaCap in fiscal 2008. In fiscal 2009, MFCA projects a smaller increase in rental income from SeaCap of \$3,042, or 3.0%.

## **Truck Parking Lot**

MFCA leases the truck parking lot to Bob's Transport, Inc. The rent for the truck parking lot increases by \$1,300, or 1.4%, in fiscal 2008. In fiscal 2009, MFCA projects an increase in rent from the truck parking lot of \$2,781, or 3.0%.

## **Capital Improvements, Maintenance, and Development Projects**

**Exhibit 3** provides additional information on the capital improvements, maintenance, and depreciation line that appears in the modified statement of operations. The costs that appear are not necessarily the full cost of the projects because the accounting method that is used by MFCA records depreciation costs as the actual expense in the budget. This method capitalizes the cost of a project over a specific period of time instead of only in the year the project is completed. Discussion in this section describes the budgeted cost of the project to highlight the magnitude of new capital projects. As a result, the amounts will not match what appears in Exhibit 3. The depreciation for some projects do not appear in their own line in Exhibit 3.

### **Fiscal 2008**

In fiscal 2008, MFCA budgeted for two major capital projects. The first is major asphalt repairs with a budgeted cost of \$1.7 million. The repairs at the Wholesale Produce Market have been completed. MFCA anticipates a major asphalt replacement in the Wholesale Seafood Market in the spring of 2008.

The second major capital project in fiscal 2008 involves the replacement of the railroad line for building B of the Wholesale Produce Market; the rail to the other building was replaced previously. The estimated cost of this project is \$1.1 million. This money will be used to remove and replace approximately 1,300 linear feet of rail, and the project is expected to begin in the spring of 2008.

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**Exhibit 3**  
**Capital Improvements, Maintenance, and Development Budget Summary**  
**Fiscal 2007-2009**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b><u>Actual</u></b>	<b><u>Estimated</u></b>	<b><u>Estimated</u></b>
Landscaping	\$13,020	\$20,000	\$15,000
Normal Maintenance	59,005	132,600	47,350
Markets Security Cameras		4,500	17,000
Phone System		2,890	2,890
Guardhouse			1,667
Major Asphalt Repairs		56,667	56,667
Roof Replacement			15,000
Rail Replacement Building B		36,667	36,667
Cameras – Truck Parking Lot		7,550	7,550
Land Appraisals	11,300		
Parcel C-3 – Traffic Impact Study	3,958	10,000	
Produce Market	310,546	310,547	310,547
Seafood Market	152,262	152,262	152,262
Storm Water Management Pond	2,233	443	443
Cross Dock	61,957	61,957	61,957
<b>Total Expenditures</b>	<b>\$614,281</b>	<b>\$796,082</b>	<b>\$724,999</b>

Note: This statement uses the accrual basis of accounting.

Source: Maryland Food Center Authority

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### **Fiscal 2009**

In fiscal 2009, several new capital projects are included in the budget. The first project is for a roof replacement at the Wholesale Produce Market. This project is budgeted at \$300,000.

The second project is for security cameras at the two markets, budgeted at \$125,000 in fiscal 2009. As part of the new access system to the markets, MFCA began in fiscal 2008 to upgrade the security cameras at the two markets. This smaller project focused on the entrance and exit areas of the markets. A larger security camera project is planned for fiscal 2009, which will cover the parking and driving areas, as well as the building docks. MFCA is also working with SeaCap and the truck parking lot to provide security cameras to these areas.

A third new capital project in fiscal 2009 is for the replacement of guardhouses in the Wholesale Produce and Seafood Markets. This replacement will create additional room in the guardhouse for the guards and additional space needed in the guardhouse to accommodate the new access system, cash registers, and other security equipment. This project is budgeted at \$50,000.

***Recommended Actions***

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1. Nonbudgeted.

## ***Audit Findings***

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Audit Period for Last Audit:	December 21, 2004 – August 21, 2007
Issue Date:	January 2008
Number of Findings:	1
Number of Repeat Findings:	1
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

***Finding 1:*** **The Maryland Food Center Authority lacked adequate controls to ensure all collected cash receipts were deposited.**

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
Maryland Food Center Authority**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	30.00	31.00	31.00	0	0%
02 Contractual	0.15	0.15	0.15	0	0%
<b>Total Positions</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,453,803	\$ 1,845,989	\$ 1,972,184	\$ 126,195	6.8%
02 Technical and Spec. Fees	19,370	20,966	54,775	33,809	161.3%
03 Communication	34,636	56,960	53,996	-2,964	-5.2%
04 Travel	80,487	96,300	105,400	9,100	9.4%
06 Fuel and Utilities	284,007	272,840	336,076	63,236	23.2%
07 Motor Vehicles	122,348	181,124	167,954	-13,170	-7.3%
08 Contractual Services	863,383	927,240	959,028	31,788	3.4%
09 Supplies and Materials	45,278	51,200	59,150	7,950	15.5%
10 Equipment – Replacement	11,000	31,050	32,250	1,200	3.9%
11 Equipment – Additional	3,646	28,850	46,960	18,110	62.8%
13 Fixed Charges	348,223	383,195	381,539	-1,656	-0.4%
<b>Total Objects</b>	<b>\$ 3,266,181</b>	<b>\$ 3,895,714</b>	<b>\$ 4,169,312</b>	<b>\$ 273,598</b>	<b>7.0%</b>
<b>Funds</b>					
07 Nonbudgeted Fund	\$ 3,266,181	\$ 3,895,714	\$ 4,169,312	\$ 273,598	7.0%
<b>Total Funds</b>	<b>\$ 3,266,181</b>	<b>\$ 3,895,714</b>	<b>\$ 4,169,312</b>	<b>\$ 273,598</b>	<b>7.0%</b>

**Fiscal Summary  
Maryland Food Center Authority**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
41 Administration	\$ 1,259,926	\$ 1,581,266	\$ 1,695,999	\$ 114,733	7.3%
42 Maryland Wholesale Produce Market	1,167,466	1,355,500	1,441,324	85,824	6.3%
47 Maryland Wholesale Seafood Market	838,789	958,948	1,031,989	73,041	7.6%
<b>Total Expenditures</b>	<b>\$ 3,266,181</b>	<b>\$ 3,895,714</b>	<b>\$ 4,169,312</b>	<b>\$ 273,598</b>	<b>7.0%</b>
Nonbudgeted Fund	\$ 3,266,181	\$ 3,895,714	\$ 4,169,312	\$ 273,598	7.0%
<b>Total Appropriations</b>	<b>\$ 3,266,181</b>	<b>\$ 3,895,714</b>	<b>\$ 4,169,312</b>	<b>\$ 273,598</b>	<b>7.0%</b>