

School Board Meeting/Workshop:

May 12, 2014

Subject:

Food Service Report/Budget

Presenter:

Marilyn Splinter

SUGGESTED SCHOOL BOARD ACTION:

None – Price increase will be recommended with the 2014-15 budget approval

DESCRIPTION:

Review & Accountability

Food service is an enterprise account, a business within the school district. We have specific regulations to follow defining how we conduct our business to be eligible for federal and state reimbursement. We have directives from the state on what can be charged to food service and how it is to be identified. We have standards of operation that must be met to be in compliance with terms of Minnesota Department of Health licensure. Accountability is required for meals served, student eligibility, financial transactions and food safety. We carefully practice accountability in all aspects of our business.

State Agency Monitoring – MDE Food & Nutrition Services

We apply to participate in the school meals program on an annual basis. Part of the participation is to be reviewed and monitored by the state agency. State agencies are required to conduct an administrative review of all school food authorities at least once during a three-year review cycle period. The scope of the administrative review focuses on two primary review components: Critical areas of review and general areas of review.

The critical areas of review are performance standard one and performance standard two. Performance standard one focuses on the certification and benefit issuance process and the accuracy of meal counting and claiming. Performance standard two focuses on whether meals, claimed for reimbursement, meet meal pattern and nutritional quality requirements. The general areas of review are resource management and other general areas of program compliance.

The review process has been revised to align with the Healthy Hunger Free Kids Act. BHM Schools will likely be selected for a review in the 2014-15 school year.

Staffing & Productivity

Food service expenses and revenues are interrelated. As an enterprise account, if we do not earn money, we do not have money to spend. The cost per meal can change significantly if the enrollment or participation changes in any particular school, or the district. We staff our kitchens based on meal equivalents per labor hour. All production and sales during the school day are included in the meal equivalents. We use a formula to convert breakfast, lunch and ala Carte sales into meal equivalents. One lunch is equal to one meal equivalent. We benchmark an acceptable range for operation before we need to make changes to establish appropriate levels of productivity. We try to operate consistently at the top of the acceptable range. Business and operating conditions change and we adapt and

revise our work plan to maintain labor standards. Times of service are set by the school day schedule in the building. We are given the schedule for meal service and we adapt our meal production schedule and staffing pattern to accommodate the need.

Labor is our biggest cost. We monitor meal equivalents per labor hour every month. We adjust hours assigned as business changes. Food service staff remember, for a very long time, when hours are reduced. Increases in hours seem to blend right in, like it has been that way forever.

Since labor is our biggest cost, it is important to invest in well-trained staff. Retention of highly skilled staff is in actuality a cost savings. It gives us greater efficiency and productivity. We continue to support staff education and training, especially in tight economic conditions.

We require our food service staff to be certified at Level One of the School Nutrition Association (SNA) by their first anniversary of employment in the district. This is a nationally recognized professional certification program requiring successful completion of core curriculum in key areas: sanitation, nutrition, food production, program administration and human relations. There are three levels of certification. Level one requires twenty hours of specialized training in key areas. Our staff receive an hourly wage increase when they achieve certification at level two (90 hours) and an additional increase for certification at level three (150 hours). Certification, renewed annually, is maintained through participation in continuing education events, classes and conferences.

We have 51 people assigned to food service jobs in our schools. All of our staff, who have completed one year of service, are certified with SNA or will be by the beginning of the 2014-15 school year. Twenty-three of our staff have achieved and maintained a level three certification and twelve are at level two. In addition to the SNA certification, twenty-nine hold a Food Manager Certificate with the Minnesota Department of Health. Our practice is to have two MDH Certified Food Managers in each school; we must have one on duty during hours of operation which is a requirement of the Minnesota Food Code. Our kitchens are inspected twice a year by the Minnesota Department of Health. Our inspections are consistently very, very good. I greatly respect the work consistently accomplished by our food service staff and am very proud of their accomplishments.

Facility Use

The district facility use procedure includes guidelines for the use of the food service space. We coordinate, with the school district and community organizations, to facilitate the use of our food service facilities for events that benefit the district and the community. We help order and prepare food for the event or assign a food service staff person, who is certified by the School Nutrition Association and holds a Minnesota Department of Health Food Manager Certificate, to supervise the use of our facilities. The food service staff is compensated for the catering work according to the terms of their contract. The group hosting the event is billed for the expenses associated with the food service labor. We want community food events to be prepared and served in a safe and sanitary manner, which will also contribute to the success of the event.

The scope of our catering activities is focused on events directly connected with the school district and community or private events utilizing school facilities.

Scope of Service

Each school day, we serve a very large number of meals in a very short period of time. From September 2009 through April 30, 2010 we served 92,522 student breakfasts in 145 days, and 579,155 lunches in 146 days. From September 2010 through April 2011 we served 106,410 student breakfasts in 145 days and 591,143 student lunches in 145 days. From September 2011 through April 2012 we served 114,397 student breakfasts in 146 days and 585,602 student lunches in 146 days.

The Healthy Hunger Free Kids Act (HHFKA), the new meal pattern regulations, went into effect July 1, 2012. From September 2012 through April 2013 we served 114,572 student breakfasts in 146 days and 531,465 student lunches in 144 days. We served approximately 370 fewer lunches per day. The decrease was primarily at the high school, and staffing was adjusted accordingly. The business changed and we have made many changes trying to adapt. We are continuing to adapt and review all business practices to increase effectiveness and efficiency. The decrease in meals served at our high school was not an isolated event. Many high schools in the state, and across the country, had similar experiences.

The HHFKA has a Paid Price Equity clause, which basically means that the paid price of the meal(s) must equal the reimbursement received for a free meal. We have received a complicated, multi-step formula to determine what price we will be required to charge for a paid student lunch. To be in compliance for 2014-15 our meal prices will need to increase an average of \$0.10. This assumption will be included in the proposed 2014-15 food service budget. The food service budget is usually approved by the Board as part of the district budget at the June meeting.

When a family applies for free/reduced priced meals, we send information about what a reimbursable meal is, and emphasize that the students have access to breakfast free of charge. We also emphasize in the notification letter free meals means breakfast and lunch and that reduced priced meals means breakfast free of charge and lunch for \$0.40 (or free of charge, depending on the bills in the state legislature).

A summary of student meals served, by eligibility is listed below:

| Breakfast | Sept '10-April '11 | Sept '11-April '12 | Sept '12-April '13 | Sept '13-April '14 |
|------------------|--------------------|--------------------|--------------------|--------------------|
| Free | 42.5% | 48.35% | 45.52% | 45.20% |
| Reduced | 25.48% | 19.35% | 19.31% | 18.50% |
| Paid | 31.55% | 32.30% | 34.94% | 36.30% |

| Lunch | Sept '10-April '11 | Sept '11-April '12 | Sept '12-April '13 | Sept '13-April '14 |
|--------------|--------------------|--------------------|--------------------|--------------------|
| Free | 20.33% | 22.66% | 23.77% | 24.10% |
| Reduced | 12.64% | 10.75% | 10.62% | 10.60% |
| Paid | 64.90% | 66.59% | 63.56% | 65.30% |

Ala carte sales are primarily generated at the secondary schools. This fiscal year, through April 30, elementary schools generated 6.5% and secondary 93.5%. This is consistent with our intent and business plan. Part of the business plan for elementary schools is to reinforce the concept of choosing a balanced meal on a daily basis.

The elementary schools ala carte sales are extra milk, juice or items on the menu. The items available to middle school students during breakfast are extra milk, juice or items on

the menu. The middle school lunch time ala carte options include extra menu items and snack items that are sold for \$1.00 or less. The nominal price limits the portion size and the products offered. The high school business plan was developed with more customer options in mind. There are more choices, both in meal menus and the ala carte items available. The students are more satisfied when they have the option to choose.

Menu Development

The Healthy Hunger Free Kids Act that went into effect in January 2010 changed the rules for school meal programs. The big change for lunches occurred in 2012-13. Breakfast patterns changed for 2013-14 and will change again for 2014-15. The changes resulted in significantly higher food and labor costs with nominal increase in funding.

The next phase of the HHFKA is sodium reduction. We have been addressing the sodium content of our meals for many years. The use of nutrient analysis software brought it to the forefront and made it easier to evaluate changes.

The statute identifies a ten year phase in. Food manufacturing will need to make significant changes for schools to be able to meet the expectation. Student taste preferences must also be retrained to accept the food at the lower sodium level.

We worked hard to develop menus and recipes that were accepted by our students and met regulations, following the training provided by the grant funded "Great Trays Project". Bringing our menus into compliance with federal regulations, and proving it, was very time consuming. Enhancements to the nutrient analysis software have speeded up this process and made it much easier. The cost of the required changes far exceeds any funding attached to the law.

We are now rethinking and evaluating menus to see where we can reduce costs and increase student satisfaction at the same time. We will move away from some of the "Great Trays Training". We are determined to improve our participation and productivity.

The NutriKids SiteLite module has helped our staff transition to the new methods of operation. This module covers production records, recipe sizing, inventory, menu forecasting and grocery lists. It is a valuable tool that helps us monitor our compliance with federal and state regulations.

The nutrient analysis we develop in the process of planning menus is not intended for medical use. We do provide menu nutrient analysis reports to the Health Offices for their reference in assisting students with diabetes. Each month we develop nutrient analysis reports for nine different serving lines. An example of one week's menu analysis is attached for your reference.

Student Eligibility

BHM Schools implemented on-line electronic applications in the 2010-11 school year. The number of families submitting an electronic application is not as high as we expected. It is a service that many of our young families feel comfortable using.

NutriApps information is matched to our student data base prior to importing it into RIGHTrak, the software we use to manage student eligibility and meal accounts. Only complete applications with enrolled students are imported. The import is managed with a bridging software piece. If there are applications with problems, they are held back for individual evaluation. Authorized staff import all applications. BHM staff authorized to

complete this task, and also the only ones authorized to process paper applications, are the Director of Food Service and the Food Service Secretary.

The total number of free and reduced students has increased over the years. The number can vary from day to day as students enroll and leave the district. Applications for meal benefits may be submitted at any time during the school year. Families may apply for free/reduced meal benefits by completing an electronic application or completing a paper application. The paper application is posted on the website and printed copies are available in each school location. If circumstances change during the school year, families may update their application with a telephone call. Families may also be Directly Certified under an agreement between the Department of Health & Human Services (HHS) and the Minnesota Department of Education (MDE). The information from HHS about families qualifying for public assistance, SNAP or MFIP, is matched with the student data BHM Schools reports to MDE. MDE provides us with an electronic report of the directly certified students. The reports are provided periodically throughout the year.

The percentage, as well as the total number, of students eligible for free or reduced priced meals has increased.

October 1, 2013 MARSS Report % by Building

| | | | |
|---------------------------------|-------|------------------------------|-------|
| Buffalo Community Middle School | 26.8% | Montrose Elementary School | 41.6% |
| Buffalo High School | 23.5% | Northwinds Elementary School | 23.4% |
| Discovery Elementary School | 18.8% | Parkside Elementary School | 37.6% |
| Hanover Elementary School | 11.1% | Tatanka Elementary School | 33.2% |

The October 1, 2013 MARSS data is being utilized to reference the levels of free/reduced eligibility, as the numbers can vary from day to day. If a big family that qualifies for free/reduced enters or leaves a school, it can have a significant effect on the percentage of free/reduced. For example if a school had 60 students eligible for free and one family with six students moved, it would be a 10% reduction.

Families applying for free/reduced meals for the first time are often very concerned about confidentiality. We take confidentiality seriously. Confidentiality is a required skill for every food service employee.

A chart listing the free and reduced students by school, breakfasts and lunches served per year compared to the number of service days may be found below. A graph illustrating this information is also attached.

Students Qualifying for Free & Reduced Price Meals

| | 04/04 | 04/05 | 04/06 | 04/07 | 04/08 | 04/09 | 04/10 | 04/11 | 4/12 | 4/13 | 4/14 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|
| Parkside | 148 | 153 | 142 | 129 | 134 | 160 | 190 | 167 | 166 | 166 | 215 |
| Hanover | 62 | 51 | 46 | 56 | 52 | 65 | 64 | 59 | 44 | 64 | 49 |
| Montrose | 99 | 106 | 106 | 128 | 134 | 143 | 154 | 154 | 141 | 147 | 141 |
| Tatanka* | 180 | 175 | 172 | 149 | 141 | 159 | 186 | 209 | 198 | 220 | 196 |
| Discovery** | 89 | 110 | 108 | 84 | 59 | 95 | 121 | 168 | 163 | 167 | 186 |
| Northwinds | n/a | n/a | n/a | 108 | 123 | 154 | 174 | 197 | 185 | 174 | 158 |
| Middle School*** | 261 | 311 | 328 | 359 | 350 | 366 | 388 | 414 | 453 | 461 | 476 |
| High School | 244 | 295 | 277 | 335 | 326 | 375 | 423 | 442 | 442 | 435 | 414 |
| Total | 1083 | 1201 | 1179 | 1348 | 1319 | 1517 | 1700 | 1810 | 1792 | 1834 | 1835 |

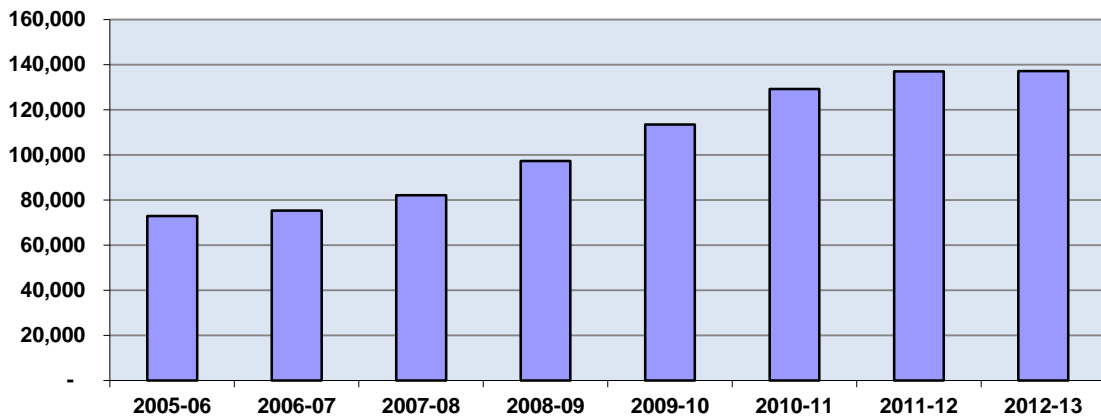
*Tatanka includes Phoenix students and K-5 enrollment.

**Discovery includes ECFE Family Literacy students and K-5 enrollment.

***Middle School includes Cornerstones, ALC, East Wright and PRIDE students.

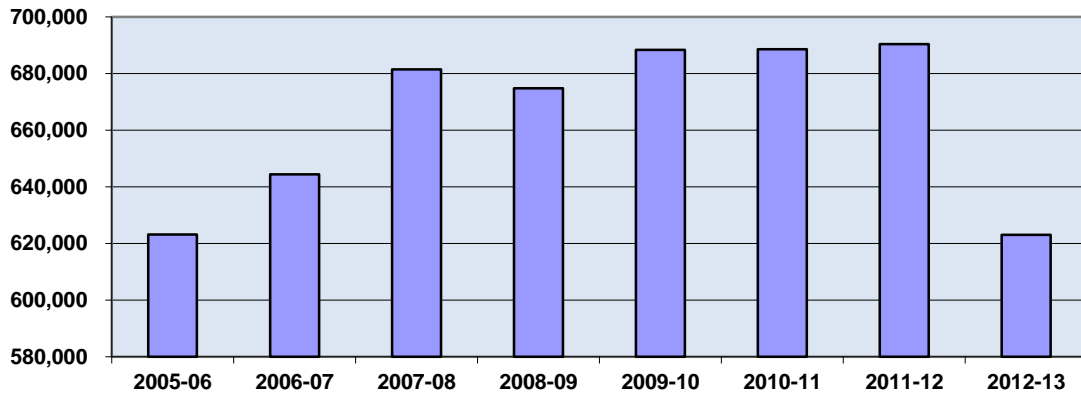
Student Breakfast Meals Served

| Year | Breakfast Meals Served | Days |
|---------|------------------------|------|
| 2007-08 | 82,208 | 174 |
| 2008-09 | 97,415 | 172 |
| 2009-10 | 113,543 | 174 |
| 2010-11 | 129,323 | 173 |
| 2011-12 | 137,053 | 173 |
| 2012-13 | 137,203 | 171 |



Student Lunch Meals Served

| Year | Lunch Meals Served | Days |
|---------|--------------------|------|
| 2007-08 | 681,545 | 174 |
| 2008-09 | 674,894 | 172 |
| 2009-10 | 688,361 | 174 |
| 2010-11 | 688,583 | 173 |
| 2011-12 | 690,453 | 173 |
| 2012-13 | 623,108 | 170 |



Account

We have Angel Accounts for each school. The food manager has access to the account and will transfer funds to a student’s account to tide them over when a shortfall occurs. The funds transferred are a gift, not a loan. The Angel Account is funded by donations from a corporate foundation, employees, families and community members. I do product surveys for a market research company where sometimes I am compensated for completing the survey. When this occurs, I donate the stipend to the Angel Account. When I am asked to donate to a charity, I think how much would I give? Then I donate that amount to the Angel Account. Having these funds available has eliminated a lot of stress and anxiety for students and staff.

Paypams & Black Board Connect

PAMS (Parent Account Management System), an on-line credit or debit card payment system for student meal accounts, is a complimentary service we provide for our families. Over 65% of meal account payments come in on-line as a credit or debit card transaction.

The Paypams system utilizes web access and e-mail to communicate with their customers. Parents designate what services they need including setting automatic payments either on a specified day or when the account balance reaches a designated amount. Accounts may also be set up to send e-mail messages when the account balance reaches the low balance threshold. When the parent receives the low balance message, they may choose to make a credit/debit card payment or send money to the school.

The credit/debit card payments, received electronically by the district’s bank, are valid and approved payments. Because of this validation process, the credit card payments are not instant. Depending on when the parent initiated the credit card payment, if it comes in with the scheduled automated communications, it could take a day for the payment to be credited to the student’s meal account. We do manual communications several times a day to pull in payments to get money into student’s accounts as soon as possible.

The district does not take the credit card payment directly. Parents deal directly with Paypams. We do assist families when they are having Paypams account difficulties by logging in as the system administrator.

The volume of payments received through the on-line system has grown steadily since installation in January 2004. Paypams became a complimentary service provided to our

families in August 2007. Food service pays the transaction fees involved with the use of www.paypams.com. The fees are recognized as a business cost. The use of the on-line payment system has increased dramatically since it became a complimentary service. It has also reduced parent inquiries about meal account activity by about 80%. Parents can monitor the meal account activity on a daily basis; they can see what was purchased as well as the account balance. Below is a summary of payments received through Paypams.

| Year | Number of Payments | Total Payments Value |
|--------------------------|---------------------------|-----------------------------|
| August 2006 – April 2007 | 2,110 | \$78,350 |
| August 2009 – April 2010 | 19,041 | \$572,897 |
| August 2010 – April 2011 | 23,884 | \$694,282 |
| August 2011 – April 2012 | 27,562 | \$826,769 |
| August 2012 – April 2013 | 27,513 | \$857,794 |
| August 2013 – April 2014 | 30,736 | \$910.890 |

Another service we offer families with elementary and middle school students is Blackboard Connect calls for low and negative meal account balances. We have three categories for meal account balance messages. The low balance paid (less than \$6), low balance reduced (\$0.80 or less) and negative balance. The web-based system is set to call the primary telephone number listed in the student data base at 5:30 p.m., Monday-Thursday. Families may opt out of the courtesy calls by contacting the Food Service office.

USDA Commodity Entitlement

The USDA commodity distribution program provides entitled funding for the student lunches served last school year. The funds for the entitlement come from tariffs charged on imported products. The current allocation is \$0.22 per meal or about \$157,000. We usually spend our entitlement and take advantage of bonus commodities offered periodically. Bonus commodities are food items purchased by USDA to support the market price and then distributed to eligible programs.

We use the traditional “brown box” commodities and participate in the Commodity Rebate Program to receive our entitlement and bonus commodities. The Commodity Rebate Program diverts the commodity product directly to the manufacturer. Schools buy commercial products approved by USDA for commodity value reimbursement. The cash reimbursement is received from the state after submitting a claim based on invoices of approved items purchased from a distributor. Our primary vendor sends an e-file directly to MDE/FNS for the refund program. This process eliminates a great deal of clerical work and reduces chances of errors.

Minnesota School Foodservice Buying Group (MSFBG)

BHM School District is a member of the MSFBG, a joint powers buying group hosted by Anoka-Hennepin School District. Any self-operated school food service program may be a member. The membership fee covers the cost of administering the program. The fee is scaled according to enrollment.

The Buying Group bids high volume products directly from the manufacturer. The schools that are members buy the same product at the same laid in cost. The only difference is the service fee charged by their primary vendor. It is a good thing for schools, especially the small ones that don't have the volume to drive low bid pricing.

An example of the cost savings is cereal. The amount we save on cereal more than pays for the membership fee and the cost of my time sitting as a voting member on the MSFBG

Board. This year the price bid for General Mills Bowl Pack Cereal (96/1 ounce), was \$15.12. This is about \$10/case less than we paid for it twenty years ago.

2014-15 Budget & Program Plans

Staffing for 2014-15 will adjusted to focus on performing at the upper range of targeted meal equivalents per labor hour. The adjustments will be put into place at the beginning of the 2014-15 school year. We are looking at all of our operating and business practices to streamline operations and increase efficiency. If we are doing a nonessential task out of habit, we will evaluate the ripple effects if we discontinued the activity and make decisions and changes accordingly. The laws and rules changed and we are still in the process of catching up with impact on business. We will become more efficient, effective and we will balance the budget.

The 2014-15 income guidelines are likely to be adjusted for the current economic conditions. Historically a cost of living increase has been added.

The reimbursement rates will likely remain about the same. The percentage of students eligible for free and reduced meals will likely continue to increase a small percentage.

Revenue from ala carte sales is expected to decline with the implementation of the new regulations for all foods sold during the school day. We have the proposed regulations but will likely see the final rules by the date for implementation, July 1, 2014.

We will plan for an average of a \$0.10/meal increase in the paid meal prices to be in compliance with the Paid Meal Equity clause of the HHFK Act. The reduced lunch price is set at the federal level. There are bills in progress at the state legislature to fund the \$0.40 fee for a reduced priced meal with a Minnesota reimbursement starting in 2014-15. This is similar to the state paying the breakfast reduced price of \$0.30, with a reimbursement.

We are not planning any equipment changes or additions. We will budget for repairs and earmark some money for equipment, in case of an emergency or equipment failure.

Our plan of work will include menu and recipe development for compliance with HHFKA regulations. The specific bench marks are fruits, vegetables, whole grains, legumes/dry beans, Vitamin A and sodium.

We will also assure access to potable water in the area where meals are served. A drinking fountain in or near the serving area will suffice. If this is not the situation, a portable station will be provided in an appropriate manner.

We will work to provide convenient, friendly and confidential service to families accessing the school meals program.

Conclusion

Change is one of the few things we can all count on. It is an opportunity to try different methods of business operations. Change brings challenges. If we don't successfully learn new skills and accomplish needed changes, we will be left behind and someone else will be doing the job better.

I remember reminding my son of the three reasons to go to football or hockey: to develop skills, play fair and have fun. This mind set applies to our food service staff as well. They are reminded of the following concepts annually, if not more often:

If nine days out of ten you don't enjoy coming to work there is something wrong. If there is something wrong, you have three choices: fix it; accept it; or leave. If you can't fix it or accept it, then you need to go find something to make you happy. Life is too short not to be happy.

They are also reminded that if we don't know there is a problem, we can't fix it. If someone has an idea and doesn't share it, we lose an opportunity to improve. Many changes will occur in the coming year. As these changes occur, food service will work to stay focused on our purpose, which is to feed kids while operating a successful, self-sufficient enterprise. We are very fortunate to have very dedicated and skilled food service staff. This is a solid organization and it is a great place to work. We thank you for your consistent support and look forward to the challenges of the coming year.

ATTACHMENT(S):

Students Qualifying for Free and Reduced Priced Meals
BCMS Line 1 - May