



# Oak Park Elementary School District 97

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TO: Dr. Carol Kelley, Superintendent of Schools

FROM: Therese M. O'Neill, Asst. Supt. Finance & Operations  
Saad Bawany, Data Analyst

SUBJECT: Food Service Program

DATE: February 8, 2016

Please open the various attachments to this memorandum so you can simultaneously refer to data acquired to fully understand this comprehensive and detailed analysis.

The Goal Area 4 Work Team, otherwise known as the Resource Stewardship Committee, is responsible for identifying key non-instructional areas that have opportunities for improvement. Once areas are identified, we look to develop and implement both short-term and long-term action plans. As a part of this review process, we identified issues in relation to the Food Service Program. In conjunction with the Food Service Coordinator, we performed an in-depth analysis in concert with other, similar school districts. See below the four major issues addressed in this analysis:

1. The District 97 Food Service Program has been producing a deficit for three consecutive years, based on information extracted from the state submitted Annual Financial Reports (AFR) for FY 2013, FY 2014 and FY 2015. (FY2015 Deficit = ~\$258,000)
2. The Program is not consistently fully staffed throughout the school year.
3. Based on employee survey, employees have low morale due to working conditions, pay, benefits, and lack of trust.
4. Tracking and collection on negative account balances for students is contributing to overall annual deficit.

To briefly summarize the Food Service Program, District 97 is currently engaged in an intergovernmental agreement with OPRF (Oak Park and River Forest) High School which states it will provide daily, freshly prepared meals and deliver same to each of our ten schools. The meals are in compliance with all national Child Nutrition standards and the agreement was originally entered into in 2007, based on the model from Evanston/Skokie District 65, and has been re-approved every three to five years.

In order to conduct this analysis, we used the predetermined Forecast5 Peer Group, which consists of 18 other school districts in the Chicagoland Suburban area, to evaluate which school districts have a similar program in order to build our comparison sample. Since our program is such a rarity across most Illinois school districts, only 2 of the 18 districts were comparable. Many districts try to implement a self-operated program; however this is only possible if the schools have full-service kitchens and own all the necessary kitchen equipment. If not, most districts contract out with a large vendor (such as Preferred Meal Systems, Arbor Management, etc.) to take ownership of the entire program. In order to build a larger sample size, we evaluated a number of districts in our region and

surrounding areas. All in all, we built a sample of 6 comparable school districts (Evanston/Skokie SD 65, Glen Ellyn SD 41, Queen Bee SD 16, Prospect Heights SD 23, River Trails SD 26, and Mount Prospect SD 57) to be used in the analysis. See Attachment #1 "District Population" for further documentation.

For each district, we evaluated each part of the food service program in depth. We first noted there are several factors that impact the funding and expense of a program. In order to understand the funding allocations for each district, we used Forecast5 to build a "low income enrollment" graph. For example, a district with a high percentage of low income students would receive much more federal funding than a district with a lower percentage. In our District's case, we receive 63% of food service funding from local sources (mostly meal sales) and 36% from federal sources (free and reduced grant coverage). The largest expenses are usually salaries to pay for lunch staff, purchased services if there is a contracted food vendor, and supplies/materials. In order to correct the current trend and reduce losses and/or produce gains going forward, we analyzed Annual Financial Reports, meal prices, staff pay, and other potential program efficiencies. See Attachment #1 "Low Income Graph" and "AFR Rev-Exp" for further documentation.

We obtained the FY2013 and FY2014 AFRs (2015 was publicly unavailable) to gauge the program profitability. We extracted the food service revenue line items (Local, State, and Federal) as well as the expense line items (Salaries, Benefits, Purchased Services, Supplies, Capital Outlay, and Other) to create a simple income statement. It is important to keep in mind although these are state submitted reports; the detail contained in some of these categories could include portions of activity unrelated to the Food Service Program (i.e. pay for Playground Supervision). Thus, the amounts noted are considered estimates for our purposes and analyzed appropriately taking this into consideration. It is evident the trend of losses is not isolated to our district as four of the six sample districts also incurred losses in consecutive years. Our District had a loss in FY2013 and FY2014 of \$74,081 and \$172,147, respectively, and it continued to grow in FY 2015 (\$258,000). The four districts mentioned previously, recorded a loss ranging from \$19,000 - \$640,000 which is a very wide range, but not uncommon in Illinois as school districts intend to break even on an annual basis. Furthermore, of the two districts that recorded profit, only one of them did in FY2014 in the amount of ~\$54,000; not much in the grand scheme of budgets. See Attachment #1 "AFR Rev-Exp" for further documentation.

Paid Lunch Equity (PLE) is a requirement under Section 205 of the Healthy Hunger-Free Act of 2010 for all schools with lunch pricing programs that participate in the National School Lunch Program (NSLP). The purpose of this requirement is to determine whether or not meal prices should be increased to be more equal with funds brought in from free and reduced meal reimbursements. For FY2016, PLE determined a weighted average price of \$2.70 per meal would be necessary to meet standards. The weighted average is calculated by taking the total number of lunches served at the middle school level and multiplying that by \$2.80 (current price) and the same for elementary schools at the \$2.65 price, subsequently dividing the total dollars by the total number of lunches. It was determined our District fell just short at a weighted average price of \$2.69. Although we are out of compliance, the one cent difference is not an immediate concern as the state rounds to the nearest 5 cents when recommending an increase. As such, no action is required by the state. See Attachment #2a "SY 15-16 Price Calculator" for presentation of this calculation.

Furthermore, in comparison with the sample districts, our milk price of \$.35 was the lowest of all districts as the price ranges up to \$.60. Our breakfast price of \$1.65 falls in the middle as the other schools range from \$1.25 to \$2.00. Our elementary school lunch price of \$2.65 and middle school lunch price of \$2.80 both fall relatively in the middle as well as the other elementary schools and middle schools ranged from \$2.55 to \$2.75 and \$2.50 to \$3.30, respectively. Lastly, our adult lunch

price of \$2.75 is much lower than the other districts which range from \$3.05 to \$3.80. See Attachment #1 "Meal Prices" for further documentation.

To discuss procedures revolving around student account balances, we contacted each sample school district. There were a total of seven inquiries addressing issues, especially about negative balances. See Attachment #1 "Account Balances" for summary documentation.

The online system used for funding student lunch accounts is consistent across our sample districts, as all use MealTime except one. The remaining lone district uses MOSAIC. When using the system to fund a student's account, there is an associated transaction fee which is either absorbed by the district or charged to the parents. In District 97, we extend the 4.9% per transaction fee to the parents, which is consistent with three other districts in our sample. Two districts consume the cost, and the lone MOSAIC district charges \$1.95 per transaction fee to the parents.

When a student's account reaches a negative balance, each district has a methodology for collecting on the balance and notifying parents. For instance, we have automated calls and emails going out to parents, while another district sends a reminder letter home with that student. These tasks affect the efficiencies and productivity of the program as they pull away our staff from other important responsibilities. Additionally, for the past four years, our District has been allowing students to receive up to five regular lunches while his/her account balance is in a negative position (two require Principal approval). In comparison to the sample districts, the maximum allowed by any of them is three, which is only for elementary schools. For middle schools, only one district allows any regular lunches to be served at all, a maximum of two; while the others have a zero tolerance policy. Once these thresholds have been exceeded, the student receives an alternate lunch.

While the contents of an alternate lunch may differ from district to district, all are consistent in the fact that students are not charged for this meal. The purpose of this meal is to provide the necessary nutrients per federal guidelines while being cost conscious. This results in a smaller, affordable, and maybe less appetizing meal. For example, District 97 serves apple sauce, graham crackers, vegetables/fruit, and milk. Also, in order to make the process discrete, school districts have certain procedures in place. For example, our District has students pick up their card from a rack every day, and if their card is missing, it means they will be served an alternate lunch. At the middle school level, the student would approach a different lunch window to receive his/her alternate. Some of the sample districts had similar procedures, while one actually provides the student a brown paper bag in the office to appear as if he/she brought it from home. The procedures surrounding alternate lunches also affect the efficiencies and productivity of the program, thus why it was researched. Students are continually served the alternate lunches until accounts are funded.

Our lunch staff consists of three different positions, Lunch Worker I (27), Lunch Worker II (10), and Lunch Manager (10) in addition to one Administrative Support position of Food Service Coordinator equaling a total of 48 budgeted employees. We are typically fully staffed for all positions except Lunch Worker I, in more recent years. These employees work less than three hours a day with no benefits and a low pay rate. When researching the sample districts, it was noted they all vary in their departmental structure due to enrollment size, number of schools, and alignment of responsibilities. We gathered additional information ranging from position titles, pay rate, work hours per position, benefits (leaves and health coverage), and pension status. Furthermore, we obtained job descriptions for each position to help measure and compare like positions. Through the analysis and interpretation of the data, it was noted our Lunch Worker I makes \$9.69/hour while the sample districts range from \$11.25 to \$12.29/hour for similar positions. We also noted the Lunch Worker II (\$11.83) and Lunch Manager (\$15.10) positions are being paid at market value and health insurance/pension packages were consistent across all districts. It is important to note, our pay rates noted above for Lunch Managers and Lunch Worker II's are for new employees, while our older employees are under the

grandfathered (higher) rate, \$17.85 and \$13.21 respectively. The grandfathered rates are above market value and used for 70% of corresponding personnel. Sick and personal leave benefits vary across districts; sometimes impacted by whether or not the position is unionized. In District 97, no lunch staff is part of a union and only Lunch Managers receive sick leave benefits (8 days, non-cumulative). The other districts range from 12 to 17 days, sick and personal days combined. See Attachment #1 "Staff Pay & Benefits" for further documentation.

After collecting, measuring, and interpreting all the data presented in the attachments and summarized above, we were able to develop the following recommendations to help improve the Food Service Program, commencing with the 2016-17 school year:

1. Meal Prices: We recommend changing the price for milk from \$0.35 to \$0.45, breakfast from \$1.65 to \$1.75, elementary school lunch from \$2.65 to \$2.80, middle school lunch from \$2.80 to \$3.00, and adult lunches from \$2.75 to \$3.25. This recommendation is based on the premise that PLE raised the compliance standard to \$2.78 for weighted average lunch prices beginning FY2017. With current prices we would be well out of compliance as our weighted average price currently stands at about \$2.69. A significant variance like this would contribute to deficits in the future. In addition, our District has not increased prices since FY2008 which results in a less than 1% increase year over year. It is also important to note, many of our prices were ranked in the middle to low end range of the comparison with sample districts. See Attachment #2b "SY 16-17 Price Calculator" for presentation of PLE calculation.

**Financial Implication:** *The price increases in each of these meals and milk should result in at least \$80,000 of new revenue, assuming number of unit sales is consistent with FY2015. In addition, the District would be in compliance with the PLE requirement for FY2017 as the new weighted average price would equal \$2.86. See Attachment #1 "Recommendations Analysis" for detail calculation.*

2. Negative Balance Allowances: We recommend changing the allowance for number of regular lunches served to a student with a negative balance from five to two for both elementary and middle schools. Thereafter, the student would receive an alternate lunch until his/her account is properly funded. This change in practice would be consistent with Evanston/Skokie D65's policy, whose program is most similar. Furthermore, some of the sample districts allow no regular lunches at all to be served at the middle school, which is stricter than our proposed practice change. We feel removing the allowance entirely for the middle school students would be too drastic at this point, hence our proposal of two regular lunches. In addition, we recommend removing the stipulation of Principals having to approve any of these allowed lunches on behalf of the student. The change would attribute to cost savings for free lunches handed out by our District, reducing our total costs, in addition to eliminating a burden of responsibility for Principals. Although the cost savings appear minimal, the change would contribute to making the program more efficient and productive.

**Financial Implication:** *The cost savings would result in an estimated \$909 (203 elementary school lunches (\$2.65 per) and 133 middle school lunches (\$2.80) not served for free) when using FY2015 data as a basis. See Attachment #1 "Recommendations Analysis" and Attachment #3 "Ordered vs Served 2014-2015" for detail calculation.*

3. Transaction Fees: We recommend changing the MealTime transaction fee percentage charged to parents from 4.9% to 2.45% per transaction. The District would absorb 50% of the fee while cutting the parents fee by 50%. This would alleviate some costs for the parents, partly offsetting the increase in lunch prices, encouraging them to fund accounts more frequently, and inviting new parents who have refused to use the system in the past due to the

fee. More participants would decrease the number of cash/check payments, better streamlining the process of student tracking for our Food Service Coordinator

**Financial Implication:** *The estimated transaction fee payments for FY2016 amounts to \$27,988 (charged to parents). Assuming FY2017 amounts are consistent, absorbing 50% of the fees would result in \$13,494 of additional District expense. See Attachment #1 "Recommendations Analysis" for detail calculation.*

4. **Staff Pay Rate:** We recommend changing the hourly pay rate for Lunch Worker I's from \$9.69 to \$10.75. As noted in the summary analysis above, the current rate is well below similar positions' rates at our sample districts. In addition, the higher pay rate will help boost employee morale, attributing to longer tenures and increasing the chance of retaining a full staff. Although this appears to result in additional costs, we firmly believe overall it will help reduce costs as the quality of the program will be improved and become more efficient.

**Financial Implication:** *The estimated salary costs for the food service program will increase by approximately \$11,753 (27 employees at rate increase of \$1.06 for 2-3 hours and 176 work days.) See Attachment #1 "Recommendations Analysis" for detail calculation.*

5. **Staff Benefits:** We recommend increasing Lunch Manager sick leave benefits from 8 days to 10 days (accumulative), and introduce 2 personal days per year, similar to Evanston/Skokie District 65 after whom we have modeled our food service program. As noted in the summary analysis above, our policy ranks on the very low end. The additional 4 days will help boost employee morale, attributing to their willingness to continue to perform quality work and encourages them to stay at our District.

**Financial Implication:** *The additional sick days for the Lunch Managers will increase costs by approximately \$4,086 (3 employees at \$15.10 and 7 employees at \$17.85, accruing 4 additional work days at 6 hours each) See Attachment #1 "Recommendations Analysis" for detail calculation.*

In summary, the Goal Area 4 Work Team is making strides beginning with the cultivation of responsibility to address opportunities for improvement, presented by the non-instructional areas of the District (such as the Food Service Program). Although, the financial implications noted above result in a positive net grand total of ~\$52,000 and appear minimal, the surplus makes up about 20% of the FY2015 loss (\$258,000). In addition, these actions provide stability of labor and reduce tasks for some individuals that take up valuable portions of their time. We are recognizing the burden on parents with increased meal prices, by offsetting some of the cost with absorbing half of the MealTime transaction fees. Additionally, we are making efforts to keep our employees happy and intact to better serve the students in our community. Overall, we believe all changes will lead to a more efficient and seamless program resulting in positive feedback and little or no deficit. We want to demonstrate to our District, parents, and community that we are motivated and determined to continually monitor and improve all facets of the school environment, not just instructional areas.

These recommendations will be brought to the March 15, 2016 Regular meeting for formal approval.

sb/tmo

attachments (4)