

Three Rivers School District

Food Service Fund Challenges and Proposed Solutions

It is important to understand why the food service fund has realized operating losses over the past few years. The challenges facing the food service fund lie on both sides of the balance sheet, experiencing both a loss in revenues and an increase on labor costs and benefits.

Lost revenues

*Losing the boys and girls club meal program reduced revenues by about \$75,000

*New USDA regulations reduced participation overall by 10%. This decline in participation is in line with what other districts across the state and the country have experienced due to the new USDA regulations implemented over the past 2 years.

This could be projected at a loss of \$125,000 in total meal revenues

*Loss of 2 service days due to weather this year contributed to a loss of \$20,000 in revenues

*Loss of 2 service days due to the reduction in the school year calendar over the past year has had a negative impact of approximately \$20,000.

IVHS was put on provisional (all students served a no charge) status even though it was our recommendation that this was not financially viable. This resulted in a loss of revenues for the current school year of approximately \$24,000

Total program revenues have decreased over the past 3 years.

Total program revenues were as follows for the last 3 school years.

\$2,068,083 for 2011-12, \$1,976,198 for 2012-13 and an estimated \$1,806,311 for this year.

*total revenue drop over 3 years is \$261,772 or a decline of 12.5%

*Declines in enrollment over the past 2 years have reduced the number of students available to participate in the program. Enrollment has decreased as follows, 193 less students for the 2011-12 SY, 24 less students for the 2012-13 school year and 37 less students this year.

*We also feel that the closure of Jerome Prairie this year had an impact on Middle School participation. On average 135 lunches per day were served at Jerome Prairie, we do not see that those meals transferred to the other middle schools this year.

*Elementary average daily participation has essentially stayed flat when compared to last year.

*High School average daily participation has declined by about 8 meals per day when compared to last year.

*Middle School average daily participation has declined by about 60 meals per day when compared to last year; this could be due in part to the closure of Jerome Prairie.

Total Services days for the past 3 years has been 163 days for 2011-12, 165 days for 2012-13, 163 days for 2013-14.

Current elementary participation rates in the program are 47% for breakfast and 71% for lunch which is on the high end of averages for school districts in Oregon. Participation rates are at or above average when compared to national averages.

Increased Employee wage and Benefit Costs

Currently total District paid hourly Labor and benefits costs consume 58% of revenues. This is simply not self-sustaining. Industry average for a school meal programs would be for these costs to equal about 45% to 47% of total revenues.

If Three Rivers were to even reduce labor to 50% of revenues that would save \$200,000 per year and provide stability to the program

Total labor and benefit costs have increased during the past 3 years and continues to eat up a larger portion of program revenues each year. For the 2011-12 school year total labor and benefit costs were \$1,012,069 or 49% of revenues, total labor costs for the 2012-13 school year were \$1,015,628 or 51% of revenues, total labor costs for the 2013-14 school year were \$1,039,316 or 57.5%.

Food and Supply costs provided by Sodexo have decreased.

Food and supply costs, which are fully paid for by Sodexo, are currently at 38% of revenues, which is well below the industry average of 45%. This is important to note the board that the costs which are under Sodexo's control are well below the industry averages and if the board chose not to contract out, the program would most likely see these costs increase substantially, probably by between \$150,000 and \$200,000 per year if the district had to purchase all food and supplies without Sodexo's pricing. This would push the program into a deeper hole.

Total Sodexo paid food, supply and manager costs have declined over the past 3 years. 2011-12, about \$900,000; 2012-12 about \$850,000 and 2013-14 projected at \$775,000

Logistical Challenges of Three Rivers SD

Three Rivers SD is made up of many medium to small schools spread out over a vast geographical area, which provides numerous fiscal challenges to the food service program. We simply do not have the economies of scale in Three Rivers to take advantage of cost efficiencies like a city school district.

*Schools must be staffed to prepare, serve and account for all meals. In most cases, 3 staff members are needed to operate an elementary school, whether they have an enrollment of 200 or 600. The small comparable size of our schools leads to a higher labor cost per meal than that experienced in larger districts.

*another example is that Three Rivers has 3 high schools with a total enrollment of 1,600 students, which is the average size of one high school in a larger district. The fact is that each of the high schools in Three Rivers must be staffed with a similar number of employees as would be working in a high school of 1,600 students.

Challenges associated with new USDA regulations (the Healthy Free Hunger Kids Act)

During the past 2 years the regulations governing child nutrition programs has changed dramatically. Learning, understanding and implementing the vast number of new regulations has increased the workload burden on food service staff. Required changes in recipes, food items served and service methods have reduced satisfaction levels with our customers. The required increase in the price charged to parents for school meals has had further negative impacts on the value perception around school meal programs.

Moving Forward

We would propose the establishment of a food service advisory committee made up of parents, school administrators, students, a member of the school board, the business manager a food service employee and the food service manager. We would envision that this team would review the current status of the program and help craft expectations, strategies and goals for the program moving forward.

In addition, we would propose a site by site labor analysis, which we would do for the district over the summer months using meal data and staffing guides, followed by on site reviews in the fall to make recommendations on how to restructure staffing to find cost savings to the program.

We would also propose that we do a site by site review to see if there are any barriers to improving participation at each school, if we have students that are choosing not to participate in the program we need to fully understand why and implement tactics to encourage more students to participate.

We would also propose to bring a team of food service managers from across the region to perform a follow up assessment prior to November to look for additional opportunities in both meal and revenue expansion as well as cost efficiencies.

We think it is critical that the superintendent and board understand that it is not contracting out that is the issue but that the cost of district paid labor and benefits is simply not sustainable to this program and we need to look at what can be done to reduce these costs.

If nothing is done to address the labor costs then I can only see the financial results getting worse year by year, if the district choses to end contracting out then I would suggest the yearly loss would increase by \$150,000 to \$200,000 due to the savings in food and supplies the district realizes from Sodexo as well as the food service director that is currently paid for in our fixed price. In addition the district would lose the non-economic benefits of having a large team of professionals helping to support a very complex and highly regulated federal program.

I would also like to propose that Sodexo reduces our fixed price to the district to \$1.635 per meal for the 2014-15; this will result in a savings for next year of about \$50,000. I also know that in many of the district's schools we have old equipment or equipment that is not conducive to providing high quality meals in an appealing manner. To assist in this area Sodexo would propose to invest up to \$50,000 to purchase new or replacement equipment that could help reduce maintenance, repair and energy costs as well as to increase student participation. This is a total commitment by Sodexo of approximately \$100,000 to further support or partnership with Three Rivers School District.