

School Board Meeting/Workshop:

May 13, 2013

Subject:

Food Service Program Report

Presenter:

Marilyn Splinter

SUGGESTED SCHOOL BOARD ACTION:

No action required

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.

Each year we apply to the Minnesota Department of Education, Food & Nutrition Services to participate in the School Meals Programs. We tell them where and how we plan to operate, including how we will plan our menus. The accountability aspect of the programs is reinforced by two evaluations, which occur about every five years. The evaluations are the School Meals Initiative (SMI) and the Coordinated Review Effort (CRE). The reviews are conducted by MDE/FNS and USDA personnel. We were reviewed by the state in 2010. The previous two reviews were state and federal.

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 2013-14 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.

From September 2012 through April 2013 we served 114,572 student breakfasts in 146 days and 531,465 student lunches in 144 days. The new meal patterns and increase in PSEO have had a considerable effect on the volume of business at BHS. We are down about 369 lunches per day; the decrease is primarily at the high school. We adjusted staffing accordingly. The percentage of BHS student participation, based on meal equivalents and the number of students

who actually are on campus is over 100%. Our business changes and we have to adapt. The decrease in meals served at our high school has also been experienced at many other high schools. The changes in menus and portions due to the Healthy Hunger Free Kids Act, (HHFKA), hit our high school the hardest. It is evident in the number of meals served.

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 2013-14 our meal prices will need to increase by \$0.10. This assumption has been included in the proposed 2013-14 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.

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

Breakfast	Sept '09-April '10	Sept '10-April '11	Sept '11-April '12	Sept '12-April '13
Free	46.8%	42.5%	48.35%	45.52%
Reduced	21.5%	25.48%	19.35%	19.31%
Paid	31.4%	31.55%	32.30%	34.94%

Lunch	Sept '09-April '10	Sept '10-April '11	Sept '11-April '12	Sept '12-April '13
Free	20.1%	20.33%	22.66%	23.77%
Reduced	11.2%	12.64%	10.75%	10.62%
Paid	66.4%	64.90%	66.59%	63.56%

Ala Carte sales are primarily generated at the secondary schools. This fiscal year, through April 30th, elementary schools generated 6.60% and secondary 93.40%. 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 of 2010 has really shaken up school meal programs. Many changes. Lots of publicity. Significantly higher food costs with nominal increase in funding. Our fresh produce costs are up 30% this year over last year. The produce costs in general are higher this year, but we also are spending more to be in compliance with federal regulations. This is the trend other districts are seeing as well. Fortunately for us, we have been working towards the changes we thought would be coming, based on the preliminary Institute of Medicine "School Meals: Building Blocks for Healthy Children" report issued four years ago. The final report was published in 2010.

The main changes in the new regulations are:

- only meal planning method is food based
- grouped by age/grade targets
- minimum and maximum calories
- minimum and maximum portions of food groups
- increased portions of fruits and vegetables
- sub-group requirements for vegetable varieties
- whole grains
- 10% Saturated Fat
- no added Trans Fats
- 1% or non-fat milk
- increased Vitamin A
- reduced sodium

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.

The age/grade groupings in the new regulations are K-5, 6-8 and 9-12, the pattern which we petitioned to use for the previous four years. We also petitioned to use a different food based menu plan which included more fruits and vegetable, only 1% or non-fat milk, increased Vitamin A and step downs in sodium content.

The alternate menu planning method we submitted to MDE/FNS, received approval for, and have utilized was right on track with the menu planning profile in the new regulations. The elementary students saw very little change in their school lunch from 2011-12 to 2012-13. The biggest change was that they needed to choose one fruit or vegetable plus two more items for it to be a reimbursable meal.

Our focus has been on selling nutritious, appealing meals. We have encouraged students to take and eat fruits and vegetables all along. Now we just have to plan menus according to vegetable subgroups as well.

We worked hard to develop menus that met the requirements for the USDA \$0.06 Certification. The interpretation of the regulations we were given last spring changed and evolved during the months of implementation. The changes in interpretation have been very helpful in planning menus and being in compliance with regulations. I expect to see further modifications to the regulations as we progress.

Bringing our menus into compliance with federal regulations, and proving it, has been very time consuming. It has been very labor intensive and costly. The \$0.06 certification doesn't begin to pay the increased cost we are experiencing under the HHFK Act.

We use a software program, NutriKids, to assist us with menu planning. The enhancements they provided to us in December helped make proving we were in compliance much easier. We are implementing the NutriKids SiteLite module this year. This module covers production records, recipe sizing, inventory, menu forecasting and grocery lists. The requirements to be in compliance with federal regulations are so complicated, we needed to provide better tools at the kitchen level so our staff could successfully do their jobs. The need to be in compliance has taken some of the flexibility out of menu planning. Many menu items are no longer offered as they do not fit the minimum and maximum calorie requirements. Which isn't bad, it is just different.

The nutrient analysis we develop is not intended for medical use. The information is used to help us plan better menus and to provide carbohydrate content information to the health offices. The health offices use the carbohydrate content (Carb Counts) to assist the students with diabetes to manage their disease and medication.

New Menu Item Tasting

We have been so consumed with being in compliance with the new regulations, that our Tasting Tuesday with students has been occasional rather than on a schedule. We have used it to sample different fruits and vegetables. We received three varieties of USDA Commodity fresh pears this year. Some of the schools did samplings of the different varieties so the students would know that they were supposed to be different colors. The middle school will make a test batch of a new menu item and take small portions out to the different groups of kids and ask them to try it. The students let us know if they would chose the item if it was on the menu. This sampling has been quite successful and has helped us change menus to be in compliance. This process is also an informal focus group and a means to gather feedback.

Student Eligibility

BHM Schools implemented on-line electronic applications in the 2010-11 school year. Use of this means to apply for meal benefits is slowly increasing, but we have not experienced the level of use as other districts. Use will continue to grow as habits change. Mostly young families have utilized the service.

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. A real live person has to authorize the import of 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 or paper application. The paper application is posted on the website and printed copies are available at 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, 2012 MARSS Report % by Building

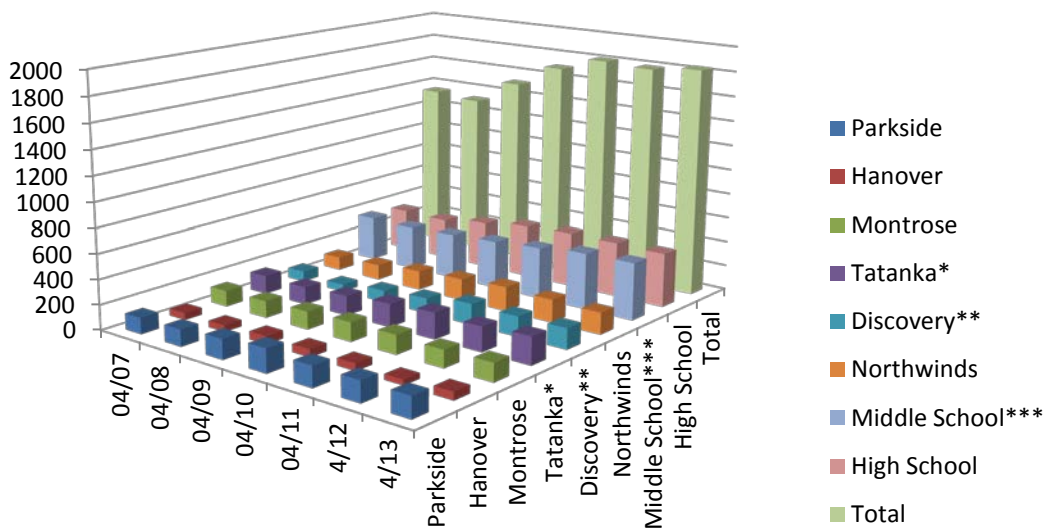
Buffalo Community Middle School	26.7%	Montrose Elementary School	44.3%
Buffalo High School	25.4%	Northwinds Elementary School	28.3%
Discovery Elementary School	19.1%	Parkside Elementary School	37.4%
Hanover Elementary School	12.2%	Tatanka Elementary School	34.1%

The October 1, 2012 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 meals and one family with six students moved out, 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.

Graphs illustrating free and reduced students by school, breakfasts and lunches served per year compared to the number of service days may be found below.

Students Qualifying For Free & Reduced Priced Meals



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

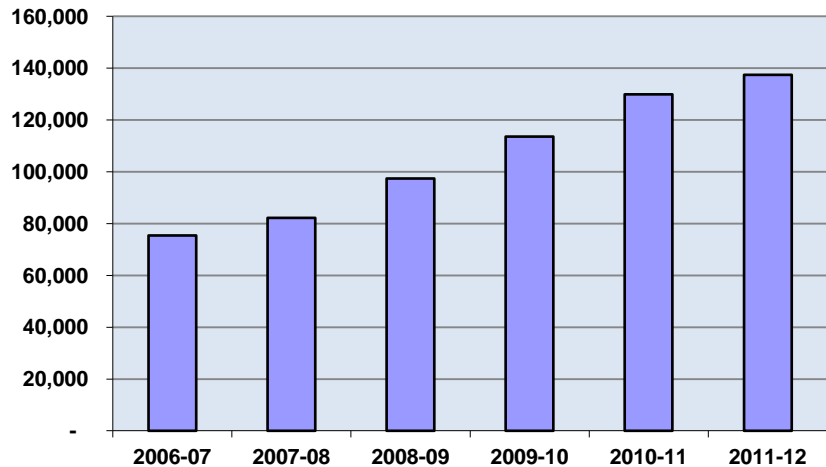
*Tatanka includes Phoenix students and K-5 enrollment.

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

***Middle School includes Cornerstones and PRIDE students.

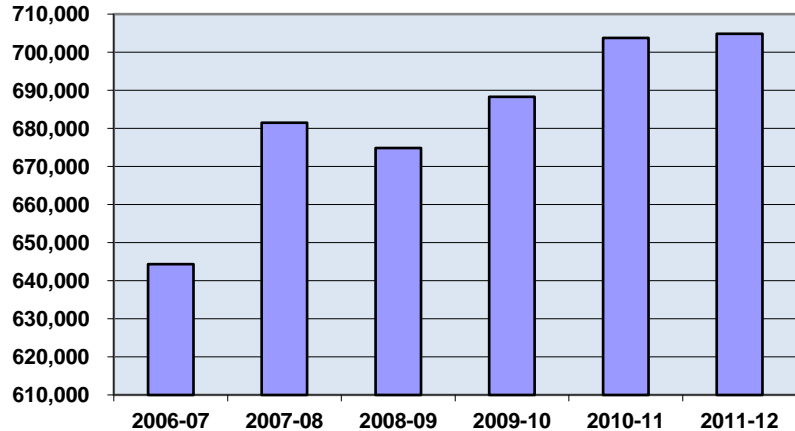
Student Breakfast Meals Served

Year	Breakfast Meals Served	Days
2006-07	75,416	172
2007-08	82,208	174
2008-09	97,415	172
2009-10	113,543	174
2010-11	129,938	173
2011-12	137,472	173



Student Lunch Meals Served

Year	Lunch Meals Served	Days
2006-07	644,402	172
2007-08	681,545	174
2008-09	674,894	172
2009-10	688,361	174
2010-11	703,780	173
2011-12	704,884	173



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 an option for families.

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 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, it could take a day or so for the payment to be credited to the student meal account.

The district does not handle the confidential credit card information for parents. Parents deal directly with PayPams. Payments may be made through PayPams using major credit cards or their PayPal account. The purpose of accepting PayPal payments through PayPams is another level of security that some may find reassuring, a method to limit how many places or services have access to sensitive financial information.

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

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 \$5), 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 the MDE/FNS for the refund program. This process eliminates a great deal of clerical work and reduces chances of errors.

New for the 2013-14 school year is our participation in the Department of Defense (DOD) Fresh Produce Program. Previously, this was not offered to our district, as we consistently used our

entitlement dollars. After the 2012-13 school year, USDA will no longer be offering fresh fruits and vegetables under the “brown box” program. Having fresh fruits and vegetable offered as commodities sounds like a good idea, however, the logistics of delivering the produce at the right time in the right condition was not very successful. The DOD Fresh Produce program will help us use our entitlement funds more effectively.

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.

2013-14 Budget & Program Plans

Staffing for 2013-14 will begin at the currently approved level. It will be adjusted for enrollment and participation, based on meal equivalents per labor hour, as needed during the school year.

The 2013-14 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 by a small percentage.

Revenue from ala Carte sales, adult meals and catering have continued to decline. There will be new regulations covering ala Carte items available during the school day. They may go into effect in 2013-14 or the following year. The comment period on the proposed regulations closed in April.

We will plan for 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. It has been \$0.40 since I started working with school meals in 1988. At that time, the \$0.40 was about half price.

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.