

Subject:

FOOD SERVICE REPORT

Presenter:

Marilyn Splinter

SUGGESTED SCHOOL BOARD ACTION:

None

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. This year it was just the state review. Our previous two reviews were state and federal.

At the end of September we were notified that we were up for review. The SMI was for one full (five day) week in October 2009 for a specified school. The High School was designated to complete this exercise. BHS food service collected labels and recipes for every lunch item served at the high school. The amount of each menu item planned, prepared, sold and leftover was documented and submitted for analysis. The SMI analysis is a weighted average to demonstrate the average nutrient content of the meals selected.

The CRE was completed last week. The schools visited for observation of meals served, production records, HACCP plan and other aspects of the programs were Parkside and Buffalo High School. The majority of the three day review was spent on policies, procedures, practice in handling free and reduced applications, application verification, civil rights, HACCP, wellness plan and financial management.

A written report of the CRE from MDE/FNS should be received in a couple weeks. The report will include findings and suggestions. The verbal report at the exit interview indicated that we had an "exceptionally good" review. There were items to be corrected, clarified or revised. When we receive the state report, a plan will be developed and implemented to correct or improve situations as advised.

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, ala Carte sales and catered contracts 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. When we experienced a significant change in our business plan last year, due in part to the district's need to eliminate meeting refreshments and meals, we did not fill a 7 hour/day job at BHS, a FS Aide was transferred from DES to BCMS and hour assignments were adjusted to meet productivity targets. 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 2010-11 school year. Sixteen of our staff have achieved and maintained a level three certification and fourteen are at level two. In addition to the SNA certification, twenty-seven 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. September 2008 through April 30, 2009 we served 81,752 breakfasts and 584,139 lunches in 149 service days. From September 2009 through April 30, 2010 we served 92,522 student breakfasts in 145 days, and 579,155 lunches in 146 days. Breakfasts have increased about 14%/day and lunch about 1.2%.

Ala carte sales and adult sales dropped off very significantly in 2008-09. The average school day ala carte, adult meals and catered event sales have continued to decline this year. We expected this to happen given the economy, wage freezes and cost of living. We chose to promote meals, especially breakfast, as a means to support our department's activities.

Ala carte and catered event sales have supported school meals as long as I have worked with the district. When the revenue streams change, we have to adapt by modifying costs and generating revenue from another source.

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 write a note on the notification letter reminding them that free meals means breakfast and lunch and that reduced priced meals means breakfast free of charge and lunch for \$0.40.

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

September 2008 – April 2009		September 2009 – April 2010	
<u>Breakfast</u>	<u>Lunch</u>	<u>Breakfast</u>	<u>Lunch</u>
Free 35.6%	Free 14.7%	Free 46.8%	Free 20.1%
Reduced 16.5%	Reduced 8.6%	Reduced 21.5%	Reduced 11.2%
Paid 47.6%	Paid 74.1%	Paid 31.4%	Paid 66.4%
Other 0.3%	Other 2.6%	Other 0.3%	Other 2.3%

Ala Carte sales are primarily generated at the secondary schools.

<u>2009-10</u>	<u>Student</u>	<u>Adult</u>
Elementary	3.8%	1.3%
Secondary	94.3%	0.3%

The elementary schools ala Carte sales are extra milk, juice or items on the menu. The ala Carte sales at the middle school 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 more freedom to choose.

Menu Development

Our focus is to offer nutritious food choices and to help students develop lifelong healthy eating habits. There are everyday foods and sometimes foods, not good or bad food. There are good, better and best choices. We offer balanced meals, with a variety of foods, served in sensible portions. The best deals, for your money and nutrition benefits, are the reimbursable meals we offer at breakfast and lunch.

We use a food-based method for menu planning. After the menus are planned, the data is entered into NutriKids for a nutrient analysis of the menu as planned. We use targets, adjusted for grade/age groupings, for calories, sodium, iron, Vitamin A, Vitamin C, total fat and saturated fat. 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 diabetic students in managing their disease and medication.

Student Eligibility

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. The free/reduced meal application is posted at the website and is available in each school office. A family may apply for benefits even if it is the last week of school. If circumstances change during the school year, families may update their application with a telephone call.

The percentage, as well as the total number, of students eligible for free or reduced priced meals has increased. About 29.7% of our students are currently approved for free or reduced meals; this is an increase of over 6% from this time last year. The changes we see in the number of students eligible for free/reduced meals mirrors the economy of the community.

Graphs illustrating free and reduced students by school, meal prices, breakfasts and lunches served per year compared to the number of service days are included at the end of the document.

PAMS (Parent Account Management System), an on-line credit card payment system for student meal accounts, is an option for families. Most options available on the web site are also available by telephone access.

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 (or telephone) payment system has increased dramatically since it became a complimentary service. Year to date, we have received 19,041 meal account payments valued at \$572,897.21. During the same time period in 2006-07 we received 2,110 payments valued at \$78,350.

Paypams & School Messenger

Paypams system utilizes web access and e-mail to communicate with their customers. Parents designate what services they need including setting accounts up for 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 set by the parent. When the parent receives the low balance message, they may choose to make a credit card payment or send money to school.

The credit 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.

Another service we offer families to help them monitor, or manage, their student's meal account is School Messenger, a text to voice, computer generated calling system for low and negative meal account balances. We launch the calling system after 3:00 p.m. when we have communicated with all the schools and have updated meal account balances. We call from 150-250 households each night. Families who would rather not be called are put on a do not call list, based on the primary telephone number listed in the student data base.

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 \$0.165 per meal or about \$141,000. We usually spend all of our entitlement and take advantage of bonus commodities offered periodically. Bonus commodities are food items purchased by USDA to support the market price and 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 Minnesota Department of Education/Food & Nutrition Services for the refund program. This process eliminates a great deal of clerical work and reduces chances of errors.

2010-11 Budget & Program Plans

In the coming year food service will be working on several projects, in addition to serving thousands of meals each day. The projects include web based meal applications; menu and recipe development to step towards Institute of Medicine (IOM) of the National Academy of Science recommendations; promote school breakfast for all students, but particularly those eligible for free/reduced meals; participate as a voting member of the Minnesota School Foodservice Buying Group; encourage food managers and staff to participate in nutrition related promotions and grant opportunities such as those from the Midwest Dairy Council.,

The use of electronic signature for free/reduced meal applications was approved at the federal level a couple years ago. Minnesota approved the use of electronic signatures this past year. With that approval in place, schools are now able to accept free/reduced meal applications electronically. We are evaluating the feasibility of web based applications for BHM schools. It would involve two software applications, one for the application and one to bridge the data into the meal accountability program. The cost of the software and annual support fees could potentially be paid for with labor savings and more families applying. The electronic application would still need to be reviewed by a real person before being approved. The submitted file would be stored in batches on a secure server.

The Institute of Medicine (IOM) recommendations for school meals include an increase in fruits and vegetable, reduction in sodium, increases in Vitamin A & fiber and calorie target range specifying minimum and maximum levels. We have taken steps towards these benchmarks already. We have applied for, and received approval for, an alternate menu planning method for 2010-11. This will be the fourth year we have been working to increase fruits, vegetables and whole grains. We are in the process of stepping down the sodium content of the meals planned with each menu cycle. This will be much more difficult than planning more fruits and vegetables. The target IOM is recommending for lunch is 800 milligrams sodium. The target we previously used was 1500. The IOM recommendations also include 35% calories from fat rather than 30%. If we have 5% more fat, some of the sodium issues will take care of themselves. Flavor follows fat. The "fat free" craze of the past decade has resulted in manufacturers creating low fat, non-fat, fat free products. If fat goes away, so does flavor. To make up for that, more things are added, like sodium. It will be interesting to see what USDA does with the next set of regulations.

The Minnesota School Food Service Buying Group (MSFBG) has been effective to increase competition between manufacturers and make better products, at a better price, available to more schools. I plan to continue sitting on the board as a voting member in the coming year. One example of the Buying Group's impact is the price of bowl pack cereal. Before the Buying Group we were paying over \$24.00/case for 96/1-ounce bowls. The 2009-10 MFSBG bid was awarded to General Mills at \$14.95/case.

The Farm to School promotions has received a great deal of media attention. The school meals programs operate with respect to the Buy American clause in the federal regulations. It has been there for a couple decades. We have also been mindful of promoting the Minnesota Grown concept which has been in place for at least thirty years. We look to regional foods as well, so we don't over look products available from neighboring states. We will continue to look for Minnesota and upper Midwest products for our meals programs. We recently had USDA sun butter back hauled to Perham, MN to be made into sun butter & jelly sandwiches. Some of the Minnesota Grown or product sourced from Midwest companies used in our programs include: Kemps, Land O'Lakes, Bongards, Schwans, Lamb Weston, Stecks, Barrel O'Fun, Old Dutch, Pan-O-Gold, Sparboe, Jennie-O, Hormel,

Gold N' Plump, Deer Lake Orchards, General Mills, Malt-O-Meal, Dakota Growers, and Sunwise Foods,.

The 2010-11 food service department budgets will be included in the general budget presentation. The following assumptions are being used in the development process.

We receive what we are expecting in state and federal funding for the 2009-10 fiscal year. Hopefully we won't be paid short to make up for state budget problems.

Staffing for 2010-11 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 2010-11 income guidelines are adjusted for the current economic conditions. Historically a cost of living increase has been added. The income guidelines for 2010-11 have not been released. The delay was announced, with no indication of when we could expect them. The 2009-10 guidelines are in effect until June 30, 2010. What happens with the guidelines will have an impact on the families hovering on the edges of qualifying for free/reduced meals.

We are anticipating the reimbursement rates to be maintained at the 2009-10 level. The percentage of students eligible for free and reduced meals will continue to increase a small percentage.

Revenue from ala carte sales, adult meals and catering will remain about the same as 2009-10.

We will plan for a \$0.05/meal increase in the paid meal prices. 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. Ala carte and cater sales revenues have been used to support paid school meals.

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

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 still remind my son of the three reasons to go to football, hockey or golf practice: 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.

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.

Attachments:

- A. Meals Served: Year to Year Comparison
- B. Meal Price Survey by Enrollment & Location
- C. Meal Price Comparison with Adjacent Districts
- D. Students Qualifying for Free & Reduced Priced Meals