

SUGGESTED SCHOOL BOARD ACTION:

None – Approval with the full budget on June 27, 2011.

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. Last year it was a state review. 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 2011-12 school year. Nineteen of our staff have achieved and maintained a level three certification and thirteen are at level two. In addition to the SNA certification, twenty-five 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. We also served an additional 506 breakfasts and 12,635 lunches to district staff and adult guests. Student breakfasts have increased about 15% /day and lunch about 2.8%/day.

Ala carte sales and adult sales dropped off very significantly in the past three years. It is a sign of the economic condition we are experiencing. 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 school meals. The new regulations may have a different interpretation on how the ala carte revenue may be used. There is a segment in the statute about the paid price of the meal(s) must equal the reimbursement received for a free meal. Some interpret that to mean ala carte revenues could not be used to support the price charged to paid students. We will have to wait for the final regulations to be issued. If that were the case today, the price of a paid student meal would be \$2.72 or \$2.74 at a severe need school, a school with more than 35% free/reduced.

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 meals served, by eligibility is listed below.

September 2009 – April 2010		September 2010 – April 2011	
<u>Breakfast</u>	<u>Lunch</u>	<u>Breakfast</u>	<u>Lunch</u>
Free 46.8%	Free 20.1%	Free 42.5%	Free 20.33%
Reduced 21.5%	Reduced 11.2%	Reduced 25.48%	Reduced 12.64%
Paid 31.4%	Paid 66.4%	Paid 31.55%	Paid 64.90%
Other 0.3%	Other 2.3%	Other 0.47%	Other 2.13%

Ala Carte sales are primarily generated at the secondary schools. This fiscal year, through April 30, elementary schools generated 5.59% and secondary 94.41%. 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 School Meals Programs were reauthorized, effective October 1, 2010 with comments on regulations open through April 18, 2011. The federal regulations for the enactment of the changes identified in the reauthorization have not been issued. We likely won't see them until December. Some of the new regulations may be enacted in 2011-12, others may go into effect for the 2012-13 school year.

The most significant changes in the new statute are the implementation of the Institute of Medicine (IOM) recommendation on nutrient content of school meals. The statute outlines a graduated implementation of the IOM standards. The only meal planning method will be food based, grouped by age/grade targets, with minimum and maximum calories, increased portions of fruits and vegetables, strict limits on starchy vegetables, more whole grains, 1% or non-fat milk, increased Vitamin A and reduced sodium.

The IOM recommendations for sodium are very low. 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 past 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 is right on track with the menu planning profile in the new regulations. Our focus has been on selling nutritionally appealing meals at an affordable price. The affordable price will be a big question with the changes in breakfast and lunch requirements.

We will continue to develop menus under the 2010-11 plans until we have further directives from the federal and state level. Menus will be evaluated for food components and the nutrient content checked with NutriKids, nutrient analysis software. We will also continue with the 2010-11 targets for calories, sodium, iron, Vitamin A, Vitamin C, total fat and saturated fat.

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.

Minnesota School Meals Initiatives

The IOM recommendations will be a big change for many schools outside of Minnesota. The Minnesota school meal programs have been working closely with the University of Minnesota with research in public health and nutrition for many years. Minnesota Lunch Power was developed in the early 1990's; the purpose was to decrease fat, sodium, sugar and increase fiber, fruits and vegetables. There was also the DASH Diet study in middle schools to track the impact on blood pressure and hypertension in teens. Other studies have been conducted by U of M with school food service and child nutrition.

Minnesota Department of Health and the University of Minnesota Extension have also been good resources to help improve our school meals programs.

The Minnesota Department of Health has a two-year grant from the CDC to help schools transition to the IOM recommendations. The project is called "Great Trays". Great Trays staff have worked with the Minnesota School Foodservice Buying Group in revising bid specifications to include products that more closely align with the IOM standard. The first state wide training was held in February. The second will be completed in June. Resources and tool kits are being provided to participating schools.

Discovery Salad & Herb Growing (SHIP Grant)

Discovery students and staff are growing salad greens and herbs. The students had a salad green harvest a few weeks ago and DES food service staff prepared and served it to all those eating lunch, school lunch or brought from home. The kids were excited! I helped serve the salad and there were very few, maybe less than 10, students that wouldn't even take one bite. If there were 10, 9 of them were boys. Choosing and eating a balanced meal

is learned by practice. Kids practice what they see. It is likely the kids that refused salad don't see their parent(s) or significant adults eating salad.

The basil growing in the DES kitchen is used where ever possible each week. It is a nice option to have available. We will continue to work with Discovery to serve the salad greens they grow. They may have a second harvest before the end of the year.

Beans, Brown Rice & Legumes

One of the IOM standards is to serve dry beans and legumes at least once a week and 51% of the breads/cereals are to be whole grain. We are developing recipes to incorporate the bonus USDA brown box commodities we received which included brown rice and canned beans including garbanzo, black, kidney, pinto and refried.

Tasting Tuesday

We are experimenting with Tasting Tuesday at some of the elementary schools as a means to introduce new foods and different ways of preparing familiar food items. The tasting is open to all students coming to the cafeteria for lunch. They may select a sample and vote yes/no if they would like to try it again. They vote by putting their sample cup in a container marked yes or no. They have fun with it. The sample that gets a resounding YES may not have the same result when it is served for lunch, at least the first time. A new food can take a while to be accepted. It may take three times for some kids and ten for others.

Student Eligibility

BHM Schools implemented an additional method to apply for meal benefits in the 2010-11 school year. On-line electronic applications are now available to our families. We have not had a great deal of use, due to the timing of the implementation. Our application for an amendment to our permanent school meal application was submitted to MDE/FNS in April. We were the first district in Minnesota to use this particular software application. It is not a new provider or software application. It is widely used in other states in the Midwest and across the country. MDE/FNS gave us approval to use NutriApps the end of August 2010. By that time we were already processing paper applications and getting ready for the new school year, just days away.

NutriApps information is matched to our student data base prior to importing it into RightTrak, the software we use to manage student eligibility and meal accounts. Only complete applications with enrolled students will be 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.

NutriApps was finally launched in November 2010 after most of our families had already applied. Hopefully it will see better utilization in the 2011-12 school year. Electronic communication is a way to reach young families while still remaining completely confidential.

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.

The percentage, as well as the total number, of students eligible for free or reduced priced meals has increased. The October 1, 2010 MARSS report identified the level of free/reduced in each building as a percentage of enrollment.

Buffalo Community Middle School	29.9%
Buffalo High School	26.3%
Discovery Elementary School	23.7%
Hanover Elementary School	12.6%
Montrose Elementary School	47.1%
Northwinds Elementary School	29.7%
Parkside Elementary School	43.9%

By comparison, the MARSS data from January 2010 free/reduced numbers were:

Buffalo Community Middle School	26.9%
Buffalo High School	23.6%
Discovery Elementary School	19.5%
Hanover Elementary School	13.0%
Montrose Elementary School	40.8%
Northwinds Elementary School	25.4%
Parkside Elementary School	39.6%

I am using the MARSS data 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. We are seeing families move within the school district boundaries and leave the district due to accessibility to jobs and housing.

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, meal prices, breakfasts and lunches served per year compared to the number of service days are included as an attachment.

Angel Account

We have created an Angel Account 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 & School Messenger

PAMS (Parent Account Management System), an on-line credit or debit card payment system for student meal accounts, is an option for families.

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.

From August 2006 through April 30, 2007, when parents paid a service fee, we received 2,110 payments valued at \$78,350. In the same time period in 2009-2010 we received 19,041 meal account payments valued at \$572,897.21. This year, August 2010 through April 30, 2011, we received 23,884 payments valued at \$694,282.71.

Another service we offer families with elementary and middle school students is School Messenger, a text to voice, computer generated calling system for low and negative meal account balances. We have six categories for meal account balances and six different messages. The six messages are elementary low balance paid, elementary low balance reduced, elementary negative balance, middle school low balance paid, middle school low balance reduced and middle school negative balance. The system is set to time out at about at 8:30 p.m. We launch the calling system after 3:00 p.m. when we have communicated with all the schools and have updated meal account balances. The system can attempt about 300 calls in the period from 3:00-8:30 p.m. utilizing one analog phone line. When we added the middle school accounts, we reduced the number of call back attempts in order to finish all the calls in the designated time frame. 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 Do Not Call list is manually updated and maintained. If a family on the Do Not Call list changes their primary phone number in the student data base, their new number will be called. It doesn't happen often and the families will let us know at which time the update will be promptly completed.

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 \$0.165 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 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.

Minnesota School Foodservice Buying Group (MSFBG)

BHM schools are 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 to 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 MSFBG Board. This year the price bid for General Mills Bowl Pack Cereal (96/1 ounce), was \$14.73. This is about \$20/case less than what we paid for it five years ago, before we were with the Buying Group.

2011-12 Budget & Program Plans

Staffing for 2011-12 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 2011-12 income guidelines are likely to be adjusted for the current economic conditions. Historically a cost of living increase has been added. The income guidelines used for 2010-11 were the same as 2009-10. If there is an upward adjustment to the income guidelines, we could have more families qualifying for free/reduced meals.

The reimbursement rates will likely remain about the same, hopefully not decreased. 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 the past year.

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. The new regulations will address how we are to price paid meals. Until the final regulations are issued, we will proceed in the usual manner. The Minnesota School Nutrition Directors Association usual conducts a meal price survey each spring. The survey for 2011-12 meal prices has not been posted. It may be posted in the near future. In the mean time, the price survey for last spring is included as a point of reference.

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.

Our plan of work will include menu and recipe development to work towards compliance with IOM recommendations within the timelines specified by USDA. Some of the specific bench marks will be specifically identified when the final regulations are issued. We will be working on 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 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 2010-2011
- C. Meal Price Comparison with Adjacent Districts 2010-2011
- D. Students Qualifying for Free & Reduced Priced Meals