



District Service Center

7362 E. Point Douglas Rd. S.

Cottage Grove, MN 55016

Phone: 651-425-6300 Fax: 651-425-6318

ADMINISTRATIVE REPORT

TO: Members of the School Board
Keith Jacobus, Superintendent

FROM: Wendy Tracy, Director of Nutrition Services

DATE: May 10, 2019

TOPIC/PURPOSE OF REPORT: First Reading of the Proposed 2019-20 Nutrition Services Budget

REFERENCE TO POLICY/STRATEGIC PLAN: Policy 701, Establishment and Adoption of School District Budget

RECOMMENDED BOARD ACTION: Information

DATE FOR BOARD ACTION: May 23, 2019

REPORT

Attached you will find the proposed 2019/20 Nutrition Services' budget and supporting documentation.

The Nutrition Services Department had a series of challenging financial years from 2013-2015 due to the regulatory impact of the Healthy Hunger Free Kids Act as well as Smart Snacks. However from SY2016 through 2019 we have been able to increase revenue while maintaining expenses. Excellent overall management of operations has enabled us to be at a projected fund balance at the end of this school year of \$1,381,136. We are slowly trying to decrease our overall fund balance by proposing deficient spending during the upcoming school year of \$103,599 which would bring the fund balance to \$1,277,537 or 13% of expenditures.

As always, meeting student and parent expectations for foods in terms of quality, freshness and nutrition is always our primary focus. We continue to work on product selection and recipe development in order to keep students excited about the menus therefore wanting to participate in the program. Major equipment replacements such as walk in coolers and freezers were necessary during the 18-19 school year and converting the kitchen to commercial grade status at the Alternative High School during the 19-20 school year has been reflected in the budget.

The 2019-2020 budget outlines an increase in both breakfast and lunch participation. Overall revenue is up slightly from last year, however less serving days has had an impact to the budget. Efforts to contain costs in the majority of areas are ongoing.

Wendy Tracy and Bobbie Jo Grummons will be prepared to answer questions that you may have.

Nutrition Services Programs

1. Lunch
 - a. All schools, elementary, middle and high schools participate in the National School Lunch Program.
2. Ala Carte
 - a. All schools offer an Ala Carte program. Nutrition Services involves the building principals of the elementary schools in decisions regarding the types of items sold, and the number of days per week ala carte foods are offered.
 - b. Ala Carte at the secondary schools is a choice that students expect and enjoy.
 - c. All ala carte foods sold in schools must comply with Healthy Hunger Free Kids Act (HHFKA) "Smart Snack" requirements.
3. Breakfast
 - a. All schools participate in the School Breakfast Program.
4. Kids Club Breakfast/Snack
 - a. Nutrition Services provides breakfast and afternoon snacks/beverages to students that participate in Kids Club. All elementary schools currently participate.
5. Summer Food Service Program
 - a. This year Park High School will operate an open site for the duration of summer and Newport will operate as open sites during the month of July. Breakfast and lunch will be available to summer school children as well as students of all ages from the community. Red Rock will also offer breakfast and lunch to targeted students during the 4 weeks of Summer Campus or "The Mix". Due to the regulatory requirements, this site will not be open to the public.
 - b. Nutrition Services will also be serving breakfast, lunch and snack for the six sites offering Kids Club. The six sites include Cottage Grove Elementary, Grey Cloud, Liberty Ridge, Middleton, Red Rock and Royal Oaks.
6. CACFP-Child and Adult Care Food Program
 - a. Crestivew operated an after school snack program for three months to students. This program was very successful and will continue during the 19-20 school year.
7. USDA Foods
 - a. The school district receives nutritious USDA foods for use in the National School Lunch Program and School Breakfast Program, at the current rate (approximate) of \$.23 per meal. Nutrition Services will continue to focus on utilizing the bulk of commodity dollars available during school year 2019/20 to provide a variety of fresh fruits and vegetables to students on our salad bars. Over \$508,000 is available in entitlements for the upcoming school year.

Nutrition Services Budget Assumptions

2019-20 Nutrition Services' Budget Assumptions

1. Nutrition Services proposes a slight revenue enhancement plan for school year 2019-20. Additional revenue will be generated from an increase in overall participation and ala carte sales.
2. It is proposed that lunch costs stay at the same level for the upcoming school year.
3. The proposed Nutrition Service 2019/20 budget reflects a 1.5% increase in lunch participation and a 5% increase in breakfast participation from the average daily participation in 2018-19. In the current school year, the lunch program is experiencing an overall 1.1% increase in lunch participation from the previous year. The breakfast program has had an overall 5.8% increase in participation. For school year 2019-20, a 1.5% lunch participation increase would equal \$92,740 in additional revenue and a 5% breakfast participation increase would equal \$30,072 in additional revenue.
4. The USDA nutritional requirements for ala carte foods went into effect July 1, 2014 causing a sharp drop in ala carte sales. Nutrition Services slowly recovered ala carte revenue since then due to additional offerings made available for purchase. SY 18-19 has seen a slight decrease in ala carte revenue levels compared to SY 17/18 however; lunch participation for the school year continues to increase (an ongoing goal that the department continues to meet). Ala carte levels are down 1.5% for SY 18/19 and we are projecting stagnant sales for SY 19/20.
5. Nutrition Services has actively involved students and parents in making menu improvements as well as wellness policy decisions. Menus continue to evolve in order to optimize student participation and acceptance. The Department continues placing emphasis on local, school-made and high quality foods. We have found that students expect and appreciate menu consistency while offering a handful of new options throughout the school year.
6. The reduced price fee will continue to be assumed by the State of Minnesota.

<u>Lunch</u>	<u>Current Prices</u>	<u>2019/20 Proposed Prices</u>
Reduced	\$ 0	\$.0
Elementary Paid	\$2.65	\$2.65
Middle School Paid	\$2.95	\$2.95
High School Paid	\$3.00	\$3.00
Milk	\$.50	\$.50

7. The **School Breakfast Program**. All elementary and secondary schools participate in the federal/state subsidized breakfast program. School breakfast fees continue to be assumed by the State of Minnesota for Kindergarten students.

<u>Breakfast</u>	<u>Current Prices</u>	<u>2018/19 Proposed Prices</u>
Reduced	\$.00	\$.00
Elementary Paid	\$1.30	\$1.30
Secondary Paid	\$1.70	\$1.70

8. State reimbursement rate: **Lunch**, \$.125 for each full pay lunch sold, \$.525 for each reduced price lunch sold and \$.125 for each Free lunch sold; **Breakfast**, \$.55 for each full pay breakfast,

\$.30 for each reduced price breakfast sold and \$.00 for the free breakfasts. Federal reimbursement rate: **Lunch**, \$.37 for each full pay lunch sold, \$2.97 for each reduced price lunch sold and \$3.37 for each Free lunch sold; **Breakfast**, \$.31 for each full pay breakfast, \$1.49 for each reduced price breakfast sold and \$1.79 for each free breakfast.

9. Interest income has been budgeted at \$1,000.00.
10. Administrative costs include the Nutrition Services' Director, Nutrition Services Assistant Director, Nutrition Services Supervisor, Office Coordinator, Technology Support Specialist, Account Specialist, and an Office Professional (purchasing).
11. The anticipated Nutrition Services charge back to the General Fund is \$862,231.
12. The allocation of USDA donated foods is estimated at approximately \$.235 per lunch; corresponding commodity revenue has been reflected.
13. Nutrition Services does not use money from the Operating Capital Budget for the replacement of food service equipment. The replacement of equipment comes from the Nutrition Services' budget. Nutrition Services' budget is \$420,000 for the replacement of food service and technology equipment in the 2019/20 school year.
14. Projected inflationary increases for salaries/wages have been built into the 2019/20 budget.
15. Fringe benefits have been projected using current FICA and retirement (PERA) rates. Health, dental, and life insurance projections are based on inflationary increases.
16. Nutrition Services Department has been able to be within school board fund balance range for four years. Currently we are sitting at 13.7%. A goal has been established to deficient spend in order to achieve a fund balance of between 5-9% of expenditures. Deficient spending will need to slowly take place over the next four years in order to meet this goal

Nutrition Services Statement of Revenue and Expenditures

Statement of Revenue and Expenditures

	Revised 2018/19	Proposed 2019/20
A. Revenue		
State Aids & Credits:		
Breakfast	155,000	158,100
Lunch	270,000	272,700
Subtotal	425,000	430,800
Federal Aid:		
Breakfast	332,000	348,600
Lunch	1,938,000	1,955,340
Summer Food Service	45,000	50,000
Subtotal	2,315,000	2,353,940
Interest Income	1,000	1,000
Sales:		
Breakfast	208,300	218,675
Lunch	3,746,000	3,818,700
Ala Carte	2,129,000	2,135,000
Other	264,900	267,425
Subtotal	6,349,200	6,440,800
USDA Foods	620,000	508,000
Subtotal	620,000	508,000
Total Revenue	9,709,200	9,733,540
B. Expenditures		
Salaries	2,745,260	2,837,880
Fringe Benefits	1,183,312	1,241,225
Purchased Services	447,500	454,000
Food and Supplies	3,935,527	4,003,303
Equipment	360,000	420,000
Other	17,678	18,500
Operational Chargeback	938,491	862,231
Total Expenditures	9,627,768	9,837,139
C. Excess (Deficiency) Revenue Over Expenditures		
	<u>\$81,432</u>	<u>-\$103,599</u>

Nutrition Services Fund Balance Summary

Fund Balance Summary

Audited Fund Balance – June 30, 2018		\$1,299,704	
Add 2018-19 Projected Revenue	\$ 9,709,200		
Less 2018-19 Projected Expenditures	\$ 9,627,768	\$81,432	
Projected Fund Balance June 30, 2019		\$1,381,136	14.3%
Add 2019-2020 Projected Revenue	\$ 9,733,540		
Less 2019-2020 Projected Expenditures	\$ 9,837,139	<u>-\$103,599</u>	
Projected Fund Balance June 30, 2020		\$1,277,537	13.0%