



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 18, 2017

TOPIC/PURPOSE OF REPORT: First Reading of the Proposed 2017-18 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 25, 2017

REPORT

Attached you will find the proposed 2017/18 Nutrition Services' budget and supporting documentation.

The Nutrition Services Department had a series of challenging financial years due to regulatory impact of the Healthy Hunger Free Kids Act as well as Smart Snacks plus the cost of food. However, school year 2015-2016 we were able to make significant strides in increasing revenue as well as drastically decreasing costs in turn allowing us to be able to bring an additional \$530,368 to the fund balance.

As always, meeting student and parent expectations for foods in terms of quality, freshness and nutrition has also been a focus. Equipment purchases had been kept to a minimum due to previous year's expenses but we will be replacing some key pieces of equipment SY 17-18.

The 2017-2018 budget outlines a slight revenue enhancement plan by increasing participation. Efforts to contain costs in the majority of areas are ongoing.

Wendy Tracy, Bobbie Jo Grummons and Dorie Pavel 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. Beginning July 1, 2014, 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 drink items to students that participate in Kids Club. All elementary schools currently participate.
5. Summer Food Service Program
 - a. The Summer Food Service Program began in 2010 at Newport Elementary School. This year Crestview and Newport will operate as an open sites during Summer Campus. Breakfast and lunch will be available to summer school children as well as students of all ages from the community. Royal Oaks school will also offer breakfast and lunch to targeted students during Summer Campus. Due to the regulatory requirements, this site will not be open to the public. Nutrition Services will also be serving breakfast and lunch for six additional sites offering Kids Club only. The six sites include Bailey, Cottage Grove Elementary, Grey Cloud, Middleton, Red Rock and Liberty Ridge.
6. 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 strategies in school year 2017/18 to provide for full utilization of entitlement commodities available. Over \$610,000 is available in entitlements for the upcoming school year. For the past two years, the bulk of our dollars have been spent on fresh fruits and vegetables. This focus will continue for SY 17/18.

Nutrition Services Budget Assumptions

2017-18 Nutrition Services' Budget Assumptions

1. Nutrition Services proposes slight revenue enhancement plan for school year 2017-18. Additional revenue will be generated from an increase in overall participation and ala carte sales.
2. It is proposed that lunch prices remain consistent for student lunch in SY 2017-18.
3. The proposed Nutrition Service 2017/18 budget reflects a 2% increase in lunch participation and a 3.2% increase in breakfast participation from the average daily participation in 2016-17. In the current school year, the lunch program experienced an overall 3% decrease in lunch participation from the previous year, with the largest decrease occurring at the high school level. The breakfast program had an overall 4% increase in participation, surpassing the anticipated increase. For school year 2017-18 a 2% sales increase would equal \$60,005 in additional revenue from lunch and \$10,714 in sales for breakfast. Including all revenue generating sources, the grand total of \$352,594 in additional revenue is expected.
4. The implementation of the Healthy Hunger Free Kids Act (HHFKA) in 2012-13 caused a significant drop in participation, particularly at the secondary level. Nutrition Services spent countless hours on recipe development and product selection. Participation slowly climbed and even with a 30 cent price increase for SY15/16 we did not experience a loss in customers. However, with back to back \$.30 increases our overall participation has dropped an average of 270 meals per day. By keeping our meal charges at the same price point from SY 16-17 the departments goal is to gain some of the lost customers back.
5. 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 16-17 has seen ala carte revenue levels equal to that of the 13/14 school year. We expect ala carte levels to be up 3.5% for SY 17/18 or an additional \$79,173 in revenue.
6. Nutrition Services has actively involved students in making menu improvements, and menus have been significantly changed to optimize student participation and acceptance in the past five years. 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.
7. The reduced price fee will continue to be assumed by the State of Minnesota.

<u>Lunch</u>	<u>Current Prices</u>	<u>2017/18 Proposed Prices</u>
Reduced	\$ 0	\$.0
Elementary Paid	\$2.60	\$2.60
Middle School Paid	\$2.90	\$2.90
High School	\$2.95	\$2.95
Adult - all schools	\$4.00	\$4.00
Milk	\$.50	\$.50

8. The **School Breakfast Program**. All elementary and secondary schools participate in the federal/state subsidized breakfast program. School breakfast prices will remain the same for SY 17/18.

<u>Breakfast</u>	<u>Current Prices</u>	<u>2017/18 Proposed Prices</u>
Reduced	\$.00	\$.00
Elementary Paid	\$1.20	\$1.20
Secondary Paid	\$1.60	\$1.60
Adult	\$2.00	\$2.00

9. State reimbursement rate: **Lunch**, \$.115 for each full pay lunch sold, \$.515 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; **Summer Food Service** \$.05 for each lunch sold.
10. Interest income has been budgeted at \$1,000.00.
11. Administrative costs include the Nutrition Services' Director, Operations and Fiscal Management Specialist, Nutrition Specialist, Office Coordinator, two Technology Support Specialists at full-time for 12 months, and a part-time technical position at 10 months
12. The anticipated Nutrition Services charge back to the General Fund is \$952,495. This amount includes costs for: custodial services, human resources, and cafeteria supervision, utilities and insurance.
13. The allocation of USDA donated foods is estimated at approximately \$.23 per lunch; corresponding commodity revenue has been reflected.
14. 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 \$290,000 for the replacement of food service and technology equipment in the 2017/18 school year.
15. Projected inflationary increases for salaries/wages have been built into the 2017/18 budget.
16. Fringe benefits have been projected using current FICA and retirement (PERA) rates. Health, dental, and life insurance projections are based on inflationary increases.
17. To insure the financial stability of the Nutrition Services Department, a goal has been set to achieve a fund balance of approximately 8.3% of expenditures at the close of the 2017-18 fiscal year continuing the recovery from deficit spending and a significant reduction in fund balance from SY14-15.

**Nutrition Services
Statement of Revenue and
Expenditures**

Statement of Revenue and Expenditures

	Revised 2016/17	Proposed 2017/18
A. Revenue		
State Aids & Credits:		
Breakfast	153,558	156,629
Lunch	268,099	270,000
Subtotal	421,657	426,629
Federal Aid:		
Breakfast	290,000	295,800
Lunch	1,900,000	1,900,000
Summer Food Service	38,118	40,000
Subtotal	2,228,118	2,235,800
Interest Income	1,000	1,000
Sales:		
Breakfast	170,887	172,730
Lunch	3,701,896	3,760,000
Ala Carte	2,233,167	2,312,340
Other	53,000	250,400
Subtotal	6,159,950	6,496,470
USDA Foods	606,580	610,000
Subtotal	606,580	610,000
Total Revenue	9,416,305	9,768,899
B. Expenditures		
Salaries	2,524,851	2,643,244
Fringe Benefits	1,107,799	1,188,979
Purchased Services	462,200	498,750
Food and Supplies	3,905,713	4,094,711
Equipment	375,000	290,000
Other	15,000	16,000
Operational Chargeback	919,316	952,495
Total Expenditures	9,309,879	9,684,179
C. Excess (Deficiency) Revenue Over Expenditures		
	<u>\$106,426</u>	<u>\$84,270</u>

Nutrition Services Fund Balance Summary

Fund Balance Summary

Audited Fund Balance – June 30, 2016		\$609,048	
Add 2016-17 Projected Revenue	\$ 9,416,305		
Less 2016-17 Projected Expenditures	\$ 9,309,880	106,425	
Projected Fund Balance June 30, 2017		<u>715,473</u>	7.7%
Add 2017-2018 Projected Revenue	\$ 9,768,899		
Less 2017-2018 Projected Expenditures	\$ 9,684,179	84,720	
Projected Fund Balance June 30, 2018		<u>\$800,193</u>	8.3%