



District Service Center

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ADMINISTRATIVE REPORT

TO: Members of the School Board
Keith Jacobus, Superintendent

FROM: Wendy Tracy, Director of Nutrition Services

DATE: May 2, 2018

TOPIC/PURPOSE OF REPORT: First Reading of the Proposed 2018-19 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 10, 2018

REPORT

Attached you will find the proposed 2018/19 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. School year 2015-2016 we were able to make significant strides in increasing revenue as well as drastically decreasing costs. This trend continued during the 16-17 school year allowing the department to have \$834,629 in the fund balance. We are anticipate bringing in approximately \$47,700 to the bottom line at the close of fiscal year 17-18 which would bring the fund balance to 9.2% of expenditures.

As always, meeting student and parent expectations for foods in terms of quality, freshness and nutrition continues to be a focus. Major equipment replacements such as walk in coolers and freezers were necessary during the 17-18 school year and two additional units will need to be replaced during the 18-19 school year as well.

The 2018-2019 budget outlines a revenue enhancement plan by increasing participation as well as slightly increasing meal cost. 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 snacks/beverages 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 Park High School (due to community eligibility from Crestview) and Newport will operate as open sites from June to August. Breakfast and lunch will be available to summer school children as well as students of all ages from the community. Grey Cloud 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 Bailey, Cottage Grove Elementary, Grey Cloud, Middleton, Red Rock and Liberty Ridge.
6. CACFP-Child and Adult Care Food Program
 - a. Crestview conducted a pilot program for three months testing an after school snack program to students. This program was very successful and will continue during the 18-19 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 strategies in school year 2018/19 to provide for full utilization of entitlement commodities available. Over \$620,000 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 18/19.

Nutrition Services Budget Assumptions

2018-19 Nutrition Services' Budget Assumptions

1. Nutrition Services proposes a slight revenue enhancement plan for school year 2018-19. Additional revenue will be generated from an increase in overall participation and ala carte sales.
2. It is proposed that lunch prices increase \$.05 student lunch and a \$.010 increase for student breakfast for the 2018-19 school year. Additional revenue generated from the lunch price increase would equal \$130,103 and breakfast revenue would increase \$18,359 for a total of \$148,462.
3. The proposed Nutrition Service 2018/19 budget reflects a 1.5% increase in lunch participation and a 5% increase in breakfast participation from the average daily participation in 2017-18. In the current school year, the lunch program is experiencing an overall 1% increase in lunch participation from the previous year. The breakfast program has had an overall 5% increase in participation. For school year 2018-19, a 1.5% lunch participation increase would equal \$53,100 in additional revenue and a 5% breakfast participation increase would equal \$8,000 in additional revenue. Including all revenue generating sources, the grand total of \$295,910 in additional revenue is expected.
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 16-17 has seen ala carte revenue levels equal to that of the 13/14 school year. Ala carte levels are down 3% for SY 17/18 and we are projecting an increase of 1% for SY18/19 over SY 17/18.
5. Nutrition Services has actively involved students in making menu improvements, and 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>2018/19 Proposed Prices</u>
Reduced	\$ 0	\$.0
Elementary Paid	\$2.60	\$2.65
Middle School Paid	\$2.90	\$2.95
High School Paid	\$2.95	\$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	\$1.20	\$1.30
Secondary Paid	\$1.60	\$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, \$2.89 for each reduced price lunch sold and \$3.29 for each Free lunch sold; **Breakfast**, \$.30 for each full pay breakfast, \$1.45 for each reduced price breakfast sold and \$1.75 for each free breakfast.
9. Interest income has been budgeted at \$1,000.00.
10. 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, a part-time office professional (purchasing) at 10.5 months and a part-time technical position at 10 months
11. The anticipated Nutrition Services charge back to the General Fund is \$1,063,972. This amount includes costs for: custodial services, human resources, finance, cafeteria supervision, utilities and insurance.
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 \$380,000 for the replacement of food service and technology equipment in the 2018/19 school year.
14. Projected inflationary increases for salaries/wages have been built into the 2018/19 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. To insure the financial stability of the Nutrition Services Department, a goal has been set to achieve a fund balance of approximately 9.4% of expenditures at the close of the 2018-19 fiscal year.

**Nutrition Services
Statement of Revenue and
Expenditures**

Statement of Revenue and Expenditures

	Revised 2017/18	Proposed 2018/19
A. Revenue		
State Aids & Credits:		
Breakfast	153,845	162,330
Lunch	270,000	270,605
Subtotal	423,845	432,935
Federal Aid:		
Breakfast	320,000	331,920
Lunch	1,985,000	2,022,364
Summer Food Service	58,537	75,000
Subtotal	2,363,537	2,429,284
Interest Income	1,000	1,000
Sales:		
Breakfast	161,000	169,200
Lunch	3,610,000	3,809,123
Ala Carte	2,178,000	2,200,000
Other	269,175	275,925
Subtotal	6,219,175	6,455,248
USDA Foods	635,000	620,000
Subtotal	635,000	620,000
Total Revenue	9,641,557	9,937,467
B. Expenditures		
Salaries	2,656,966	2,716,234
Fringe Benefits	1,183,758	1,211,943
Purchased Services	448,100	460,600
Food and Supplies	3,934,151	4,033,500
Equipment	323,287	380,000
Other	17,080	17,425
Operational Chargeback	1,030,515	1,063,972
Total Expenditures	9,593,857	9,883,674
C. Excess (Deficiency) Revenue Over Expenditures		
	<u>\$47,700</u>	<u>\$53,793</u>

Nutrition Services Fund Balance Summary

Fund Balance Summary

Audited Fund Balance – June 30, 2017		\$834,629	
Add 2017-18 Projected Revenue	\$ 9,641,557		
Less 2017-18 Projected Expenditures	\$ 9,593,857	<u>\$47,700</u>	
Projected Fund Balance June 30, 2018		<u>\$882,329</u>	9.2%
Add 2018-2019 Projected Revenue	\$ 9,937,277		
Less 2018-2019 Projected Expenditures	\$ 9,883,674	<u>\$53,793</u>	
Projected Fund Balance June 30, 2019		<u><u>\$936,122</u></u>	9.4%