

Meeting No. ____
Item No. ____

TO: Angela M. Guptill, Ph.D, Superintendent of Schools
FROM: Larry Edson, Assistant Superintendent for School Business Finance
DATE: October 2, 2009
CC: Mr. DiGiovanni
RE: **2009-2010 School Lunch, Breakfast & Milk Prices**

The last price increases for school lunch, breakfast, and milk occurred on July 1, 2008. In light of increases in the cost of food, labor, benefits, and supplies, we are suggesting consideration for price changes effective January 1, 2010 as follows:

| | <u>Current</u> | <u>Effective January 1, 2010</u> |
|-------------------------|----------------|--------------------------------------|
| <u>School Breakfast</u> | | |
| Grades K-5 | \$1.00 | \$1.25 |
| Grades 6-8 | \$1.00 | \$1.25 |
| Grades 9-12 | \$1.50 | \$1.75 |
| <u>School Lunch</u> | | |
| Grades K-5 | \$2.00 | \$2.25 |
| Grades 6-8 | \$2.25 | \$2.50 |
| Grades 9-12 | \$2.25 | \$2.50 |
| Milk | \$0.50 | \$0.50 |

Please see attached information on the school food service fund.

RESOLUTION

To adopt the following prices effective January 1, 2010 for school breakfast: K-8 - \$1.25 and 9-12 - \$1.75 and school lunch: K-5 - \$2.25, 6-8 - \$2.50, and 9-12 - \$2.50.

Motion: _____

Second: _____

Ayes: _____ Nays: _____ Abstentions: _____

EAST GREENBUSH CENTRAL SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
REVIEW AS OF OCTOBER 1, 2009

The external audit for the year ended June 30, 2009 has been completed, and financial statements should be submitted to the Board of Education at its October 14, 2009 meeting. The financial statements include the results of the operations of the school food service fund in the 2008-2009 school year, which is a loss of \$77,610. Since the school food service fund is supposed to be self-sustaining, a review of prices charged and overall operations is necessary.

Price Increase

Attached for your review is a summary of breakfast and lunch prices charged by local schools in the 2009-2010 school year. East Greenbush does not charge the highest prices for either breakfast or lunch at the current time; however, it is evident that other local schools do need to recover costs, and thereby have higher prices this year. My current projections indicate an overall loss for 2009-2010, unless there is consideration of a price increase.

The proposed price increase of \$0.25 across the board for breakfast and lunch is anticipated to generate \$38,465, absent any decline in revenue from students or parents who stop purchasing meals due to the price increase. The change in meal prices, coupled with the general fund transfer approved as part of the budget, should allow the school food service fund to make a small profit in 2009-2010.

Operations Review

The external auditors have included a recommendation in their Other Internal Control Matters Letter for the District to study the operation of the school food service fund and make adjustments to improve the operations. Based on this recommendation, I prepared the attached comparison of profit and loss since 2002-2003 and the following observations:

- 1) Pepsi revenues provided an annual subsidy to the school food service fund of \$45,000 through the 2002-2003 school year. Subsequently, the amount available for the cafeteria declined to \$30,000 in the following year, \$15,000 in 2004-2005 and 2005-2006, and \$12,000 in the next three years. Had the subsidy remained at \$45,000 for the entire period, the fund balance would be \$174,000 higher at June 30, 2009.
- 2) In consideration of declines in Pepsi revenues, particularly with the renewal of the pouring rights agreement this year, the general fund budget included a transfer of \$90,000 to support operations. Note that this subsidy is not available should there be a contingent budget. Other districts have general

- fund transfers to school food service funds; some districts pay various employee benefits from the general fund, which is an in-kind subsidy.
- 3) The District made better use of donated foods in the last fiscal year. By using surplus federal government foods, the overall increase in food cost was kept to 2.8%.
 - 4) Overall reimbursement rates from New York State for free, reduced, and paid meals were flat from 2002-2003 to 2007-2008. When the federal government increased their rates in 2008-2009, the State reduced its reimbursement rates based on tighter State budgets. Even though the federal government was increasing their reimbursement rates, the increases did not keep pace with costs for food, salaries, and benefits.
 - 5) 2008-2009 salary expense appeared to increase more significantly than normal. Upon review of the records, it was determined that two employees took the District retirement incentive, which is properly charged to salary expense. Additionally, two other employees had significant long-term illnesses, which increased substitute cost.
 - 6) Health insurance continues to be a significant cost driver in the school food service fund. This cost was 8.7% of 2002-2003 total expenses, but by 2008-2009 it represented 12.5% of total expenses. This expense increases based on overall increases in health insurance premiums. Initially, it does not appear that there are more employees becoming eligible for benefits, but it does appear that more eligible individuals are taking advantage of two-person or family policies as opposed to individual coverage. Note that the salary and health insurance benefit package is part of the negotiated agreement between CSEA and the school district.
 - 7) Participation usually declines in the initial stages of a price increase. During 2008-2009, total lunches served declined by 3.9% from 326,058 to 313,483. The larger decrease was in breakfasts served at 8.5% from 53,279 to 58,227. This reason for this decrease is under review by the School Food Service Director. It is important to note that difficult economic conditions caused an increase last year in free and reduced lunches served.

Subsequent to the review above, I contacted the regional representative at the State Education Department to discuss our situation. She advised me that many programs are struggling to be self-sufficient in light of the economic conditions, rising compensation and benefits, and increasing food costs. We did discuss that the recent SED audit of operations was positive. She did make a number of recommendations, which have been reviewed with the School Food Service Director. Some of the recommendations are not feasible, while others will not generate the significant revenues needed for the program. She suggested potentially waiting another year to see whether the operation improves. The Board also has the option to have an outside consultant review the operations for an independent review.

Comparison of 2009-2010 Local School Breakfast Prices

| School District | Elementary | Middle | High |
|------------------------|-------------------|---------------|---------------|
| Averill Park | \$1.25 | \$1.25 | \$1.25 |
| Ballston Spa | \$1.00 | \$1.00 | \$1.00 |
| Bethlehem | \$1.00 | \$1.00 | \$1.75 |
| Cohoes | \$1.15 | \$1.15 | \$1.15 |
| East Greenbush | \$1.00 | \$1.00 | \$1.50 |
| Guilderland | \$1.25 | \$1.25 | Ala Carte |
| Mohonasen | \$1.00 | \$1.00 | \$1.00 |
| Niskayuna | \$1.50 | \$1.50 | \$1.50 |
| North Colonie | \$1.25 | \$1.75 | \$1.75 |
| Ravena | \$1.50 | \$1.50 | \$1.50 |
| Saratoga | \$1.00 | \$1.25 | \$1.50 |
| Schodack | \$1.00 | \$1.00 | \$1.00 |
| Scotia-Glenville | \$0.75 | \$0.75 | \$0.75 |
| Shenendehowa | \$1.60 | \$1.60 | \$1.60 |
| South Colonie | \$1.00 | \$1.25 | \$1.25 |

Comparison of 2009-2010 Local School Lunch Prices

| School District | Elementary | Middle | High |
|------------------------|-------------------|---------------|---------------|
| Averill Park | \$2.00 | \$2.25 | \$2.25 |
| Ballston Spa | \$2.00 | \$2.25 | \$2.25 |
| Bethlehem | \$1.75 | \$1.75 | \$1.75 |
| Cohoes | \$2.00 | \$2.00 | \$2.00 |
| East Greenbush | \$2.00 | \$2.25 | \$2.25 |
| Guilderland | \$2.10 | \$2.35 | \$2.35 |
| Mohonasen | \$1.75 | \$2.25 | \$2.25 |
| Niskayuna | \$2.25 | \$2.50 | \$2.75 |
| North Colonie | \$1.50 | \$1.75 | \$1.75 |
| Ravena | \$2.00 | \$2.00 | \$2.00 |
| Saratoga | \$2.25 | \$2.25 | \$2.50 |
| Schodack | \$1.85 | \$2.00 | \$2.00 |
| Scotia-Glenville | \$1.60 | \$1.80 | \$1.80 |
| Shenendehowa | \$2.00 | \$2.25 | \$2.50 |
| South Colonie | \$1.75 | \$2.00 | \$2.00 |