



District Service Center

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**ADMINISTRATIVE REPORT**

TO: Members of the School Board  
Keith Jacobus, Superintendent

FROM: Wendy Peterson, Director of Nutrition Services

DATE: May 14, 2020

TOPIC/PURPOSE OF REPORT: First Reading of the Proposed 2020-21 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 21, 2020

**REPORT**

Attached you will find the proposed 2020/21 Nutrition Services' budget and supporting documentation.

The Nutrition Services Department had four and a half years of strong fiscal growth prior to COVID-19. SY2016 through mid-March 2020 we have been able to maintain a strong financial status. Excellent overall management of operations had enabled us to be at a fund balance over school board goal. With having to shut down a fee based program while still paying staff members, the scenario has dramatically changed. At the end of SY 19-20 our department will have a 3% fund balance. The goal for SY 20-21 is to run as tight of a budget as possible in order to start to build back our fund balance within school board range by the end of SY 21-22.

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. One of our main goals in recipe development was to offer more culturally diverse food options. Major equipment replacements such as walk in coolers and freezers were necessary during the 19-20 school year.

The 2020-2021 budget outlines an increase in both breakfast and lunch participation along with a slight price increase at both breakfast and lunch. Overall revenue will increase, however uncontrollable costs will also be on the rise.

Wendy Peterson 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. A la Carte
  - a. All schools offer an A la 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 A la Carte foods are offered.
  - b. A la Carte at the secondary schools is a choice that students expect and enjoy.
  - c. All A la 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 upcoming summer Crestview, Oltman, and Lake will operate the curbside delivery service through June 26<sup>th</sup>. In July, Park High School will operate as an open site. Breakfast and lunch will be on a grab and go basis for students of all ages from the community.
  - b. Nutrition Services will also be serving breakfast, lunch and snack for the six sites offering Emergency Day Care or Kids Club. The six sites include Bailey, Cottage Grove Elementary, Liberty Ridge, Middleton, Royal Oaks, and Valley Crossing. These same sites will also prepare meals for delivery to the community if allowed.
6. CACFP-Child and Adult Care Food Program
  - a. Crestview operated an after school snack program for six months to students. This program was very successful and will continue during the 20-21 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 of \$.235 per meal. Nutrition Services will continue to focus on utilizing the bulk of commodity dollars available during school year 2020/21 to provide a variety of fresh fruits and vegetables to students on our salad bars.

# **Nutrition Services Budget Assumptions**

## 2020-21 Nutrition Services' Budget Assumptions

1. Nutrition Services proposes a revenue enhancement plan for school year 2020-21. Additional revenue will be generated from an increase in overall participation at both breakfast and lunch.
2. It is proposed that breakfast and lunch prices increase by \$.10 at all levels.
3. The proposed Nutrition Service 2020/21 budget reflects a 1% increase in lunch participation and a 3% increase in breakfast participation from the average daily participation in 2019-20. In the current school year, the lunch program was experiencing an overall 2.75% increase in lunch participation from the previous year. The breakfast program had an overall 8.8% increase in participation. For school year 2020-21, a 1% lunch participation increase would equal \$62,000 in additional revenue and a 3% breakfast participation increase would equal \$19,795 in additional revenue.
4. The USDA nutritional requirements for a la Carte foods went into effect July 1, 2014 causing a sharp drop in a la Carte sales. Nutrition Services slowly recovered a la Carte revenue since then due to additional offerings made available for purchase. SY 19-20 has seen a slight decrease in a la Carte revenue levels compared to SY 18/19 however; lunch participation for the school year continues to increase (an ongoing goal that the department continues to meet). A la Carte levels were down .6% for SY 19/20 and we are projecting sales to be the same for SY 20/21.
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>2020/21 Proposed Prices</u>
Free/Reduced	\$ 0	\$ 0
Elementary Paid	\$2.65	\$2.75
Middle School Paid	\$2.95	\$3.05
High School Paid	\$3.00	\$3.10
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>2020/21 Proposed Prices</u>
Reduced	\$ 0	\$ 0
Elementary Paid	\$1.30	\$1.40
Secondary Paid	\$1.70	\$1.80

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.
9. Federal reimbursement rate: **Lunch**, \$.39 for each full pay lunch sold, \$3.08 for each reduced price lunch sold and \$3.48 for each Free lunch sold; **Breakfast**, \$.31 for each full pay breakfast, \$1.54 for each reduced price breakfast sold and \$1.84 for each free breakfast.
10. Interest income has been budgeted at \$1,000.00.
11. Administrative costs include the Nutrition Services' Director, Nutrition Services Assistant Director, Nutrition Services Supervisor, Office Coordinator, two Technology Support Specialists, Account Specialist, and an Office Professional (purchasing).
12. The anticipated Nutrition Services charge back to the General Fund is \$1,027,112.
13. The allocation of USDA donated foods for SY 20/21 is estimated at approximately \$.2375 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 \$235,000 for the replacement of food service and technology equipment in the 2020/21 school year.
15. Projected inflationary increases for salaries/wages have been built into the 2020/21 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. Nutrition Services Department was able to be within school board fund balance range for five years. After the COVID-19 shut-down our fund balance will be at 3%. The department's goal will be to have the department's fund balance back within school board goal by the end of SY 21/22.

**Nutrition Services  
Statement of Revenue and  
Expenditures**

## Statement of Revenue and Expenditures

	Revised 2019/20	Proposed 2020/21
<b>A. Revenue</b>		
State Aids & Credits:		
Breakfast	119,585	189,000
Lunch	185,800	288,400
<b>Subtotal</b>	<b>305,385</b>	<b>477,400</b>
Federal Aid:		
Breakfast	244,930	382,000
Lunch	1,363,885	2,088,200
Summer Food Service	643,850	150,000
<b>Subtotal</b>	<b>2,252,665</b>	<b>2,620,200</b>
Interest Income	1,000	1,000
Sales:		
Breakfast	148,997	242,500
Lunch	2,589,180	3,977,367
A la Carte	1,412,315	2,150,000
Other	156,265	321,500
<b>Subtotal</b>	<b>4,307,757</b>	<b>6,692,367</b>
USDA Foods	400,000	520,000
<b>Subtotal</b>	<b>400,000</b>	<b>520,000</b>
<b>Total Revenue</b>	<b>7,265,807</b>	<b>10,309,967</b>
<b>B. Expenditures</b>		
Salaries	2,433,302	3,133,943
Fringe Benefits	1,207,300	1,336,665
Purchased Services	351,800	501,500
Food and Supplies	3,264,000	4,002,000
Equipment	220,000	235,000
Other	18,700	19,500
Operational Chargeback	710,860	1,027,112
<b>Total Expenditures</b>	<b>8,205,962</b>	<b>10,255,720</b>
<b>C. Excess (Deficiency) Revenue Over Expenditures</b>		
	<b><u>-\$940,155</u></b>	<b><u>\$54,247</u></b>

# **Nutrition Services Fund Balance Summary**

## Fund Balance Summary

Audited Fund Balance – June 30, 2019		\$1,246,073
Add 2019-20 Projected Revenue	\$ 7,265,807	
Less 2019-20 Projected Expenditures	\$ 8,205,962	<b>-\$940,155</b>
Projected Fund Balance June 30, 2020	<hr/>	<hr/> \$305,918
Add 2020-2021 Projected Revenue	\$ 10,309,967	
Less 2020-2021 Projected Expenditures	\$ 10,255,720	<u>\$54,247</u>
Projected Fund Balance June 30, 2021	<hr/>	<hr/> <hr/> \$360,165