



# Lexington Public Schools

146 Maple Street ♦ Lexington, Massachusetts 02420

Mary Ellen N. Dunn.  
*Assistant Superintendent for Finance and Business*

Tel: (781) 861-2563

Fax: (781) 863-5829

[mdunn@sch.ci.lexington.ma.us](mailto:mdunn@sch.ci.lexington.ma.us)

To: Paul Ash, Superintendent

From: Mary Ellen Dunn, Assistant Superintendent for Finance and Business

Date: June 2, 2008

Re: School Lunch Price Proposal for 2008-2009 School Year

Chartwells K-12 Dining Services has provided information regarding the current economic environment and its impact on the financial effect on the school lunch program for next year. I would like to thank Nancy Wiseman, Director of Food Service, for her dedication and hard work providing a program to the standards Lexington has requested. She has provided much of the rationale and background for the price increase. She has done so at the request and encouragement of the district that sees the financial pressures mounting as food and delivery costs are increasing everyday. Neither Chartwells nor the District wants to compromise quality due to rising costs. We both believe in the work of the Wellness Committee over the last five years to improve the nutritional offerings in our food service program. We remind the committee that this high standard does present challenges on both the availability and the cost effectiveness of what is available for the program to offer. We are striving to achieve a healthy balance between good nutrition and what children will eat, and hope to educate them along the way as to what and how good nutrition can look and taste like as they grow and learn in our schools.

The attached pages provide the details and rationale for our requested price increase for the 2008-2009 school year. The summation of all factors and variables being considered leaves us to recommend a price increase for next year. There are many unknown economic variables at this time. We are experiencing negative impact with rising labor, delivery, and food costs. We anticipate new revenue through full-day kindergarten, the Point of Sale system, and other initiatives. The net of all of these variables results in a projected deficit for the program.

The School Committee may wish to attend lunch in any one of our schools over the next week before school ends to see what we offer compared to our neighboring districts. Please also visit the [School Food Service](#) web site to view information about the program and current menus.

**Recommendation for School Lunch Price change:**

My recommendation, supported by Nancy Wiseman, Director of Food Service with Chartwells, is the following:

**Meal Prices**

Program Option	Type	Breakfast for 2007-2008 School Year	Proposed Change	Lunch for 2007-2008 School Year	Proposed Change	A la carte for 2007-2008 School Year	Proposed Change
Elementary Schools	Paid Reduced	\$ 2.00 \$ .30	NONE	\$ 3.00 \$ .40	\$ 3.25 Set by State		
Middle Schools	Paid Reduced	\$ 2.00 \$ .30	NONE	\$ 3.00 \$ .40	\$ 3.25 Set by State		
High School	Paid Reduced	\$ 2.00 \$ .30	NONE	\$ 3.00 \$ .40	\$ 3.25 Set by State		
Adult Meals	A la carte			\$4.00			
Sensible Sides at the Elementary schools						\$0.50- \$1.00	No Change
Middle and High Schools						\$0.50- \$1.00	Forced change in beverage sizes
Premium Lunches at the High School ( <i>Free and Reduced student lunches are eligible for the premium lunches without additional cost.</i> )	Paid Reduced	No offering		\$ 4.50 \$ .40	No change June 2007 Approved range of \$3.00-\$5.00		

**Rationale for Pricing Changes:**

1. USDA Commodities available for September are at a lower level than in past years: Commodities from the government help support our lunch program. Commodities for this past year were available at a lower level than in past years. Chartwells is receiving reports that they will be reduced again for next year but by how much is unknown at this time. *“The U.S. Department of Agriculture, through its Food and Nutrition Service (formerly the Food and Consumer Service), administers the program at the Federal level. At the State level, the NSLP is usually administered by State education agencies, which operate the program through agreements with local school districts. School districts and independent schools that choose to take part in the lunch program receive cash reimbursement and donated commodity assistance from USDA for each meal they serve. In return, they must serve lunches that meet Federal nutrition requirements, and they must offer free and reduced-price lunches to eligible children.”* ([source: DOE Child Nutrition Program](#))
2. Shipping and Delivery costs are rising 5-10%: Prices of food and fuel are going up dramatically. Chartwells is seeing increasing fuel surcharges and steady increases in cost of products on invoices.

3. Lexington has set high standards for the nutrition offered in its food service program. Every student at every level from Grade 1-12 is offered a variety of fresh fruits, whole fruits, cut fruits, canned fruits, fresh salads, and fresh cut vegetables along with every meal. We have very high standards for what a la carte options are allowed. Other school districts allow pop tarts, large cookies, donuts, ice cream and more. We offer yogurt and fruit parfaits, fruit kebobs, and 100% juices. One ounce cookies and baked goods are offered only several times per month, rather than daily or once a week. Unfortunately, the unhealthy treats sell very well and since we do not sell them, we miss significant revenue. We are not advocating reducing the nutrition standards of the program. However, the community needs to be aware that there is a financial gain we are not experiencing for nutritional reasons.
4. Chartwells is happy to report strides in increased participation of approximately 5% in the number of meals served this year. Improved marketing campaigns, menus, programs, and food options offered all helped educate students and parents about the quality the program. In addition, other school districts are contacting Chartwells to find out what our program is doing and how to model it in their district. Our success has as much to do with the creativity of the Chartwells employees as it does with the price of the lunch (\$3.00) being high enough to cover the cost of a higher grade of food in the program.

Chartwells and the administration are aware that if we raise prices we may lose participation. In the past, the price increases have been substantial and not well spread out. There were two years that large price increases were back to back and now we have had two years of flat pricing. The proposed increase is \$0.25 for the upcoming school year. We believe that implementing an incremental \$0.25 increases every other year or annually will connect current economic factors being experienced by the program with what is happening in every household feeding a family. The committee should note that a lunch price of \$3.25 might be one of the highest lunch prices in the state. Our goal is to mitigate a large price increase in the 2009-2010 school year should food and energy prices continue on their same track for the next 12 months. We want to continue providing one of the highest quality and most nutritionally balanced food service programs in the state.

5. The addition of full-day kindergarten students to the program brings the potential for additional revenue. Nancy Wiseman, Director of Food Services with Chartwells, projects that the full-day kindergarten students should increase our meals participation by 120 additional meals per day for 140 school days. This will bring in an additional \$25,200 in revenue. Even though the schools will be adding an additional 30 minute lunch period, we anticipate little or no labor increases will be necessary in order to produce these meals.
6. A la carte sales represent \$253,664 of program revenue. Much of the sales are generated at the high school. Effective September of 2008 all bottled "healthy drinks" currently purchased by the students will decrease in size from twenty (20) ounces to twelve (12) ounces. Nancy Wiseman, Director of Food Services with Chartwells, is concerned about ala carte sales for next year because she anticipates students are going to be unhappy about the smaller version of the beverage. This is an effort by the bottled beverage industry (Pepsi and Coke) to help provide "healthier" choices for students. There is another downsizing of beverage containers occurring at grocery and convenience stores for other economic reasons. By the end of the summer, students may be familiar with the new beverage sizing. Bottling companies are reducing sizes of beverages and charging more for them. Most convenience store prices have raised \$0.20 - \$0.30 over the last few months.
7. The price of the a la carte milk will increase by \$0.25 from \$0.50 to \$0.75. As some may have noticed or heard on the news, milk prices have substantially increased over the last year due to feed costs to dairy farmers and delivery costs. Nancy Wiseman, Director of Food Services with Chartwells, recommends milk sold ala carte at \$0.75 per eight-ounce container.

8. Chartwells also must compete at the High School with the open campus option available to students. This allows students to access outside vendors for meals both delivery and available in close proximity to the building. They have the flexibility to obtain whatever they want in whatever size they want without nutritional consideration.
9. What would happen if we did not raise prices? If we do not raise lunch prices we expose the program to the following choices or decisions:
  - a. Reducing quality of the offerings and reversing the work of the Wellness Committee;
  - b. Exposing the School Committee operating budget to a potential food service program deficit if the reduction of labor by Chartwells is not enough to cover the projected shortfall; or
  - c. Causing a dramatic price increase (\$0.50 or more) for the 2009-2010 school year and the possible reduction in participation at the rate we experienced in 2007.
10. What positive impact will the new Point of Sale cash register system (POS) have once implementation is complete? The approval of the POS system has been considered as part of this recommendation process. The implementation of the new POS system and the ability to allow parents to make deposits into their child's school lunch account should also help to make it easier for students to buy lunch. Parents won't be looking for cash in the morning or a lunch ticket. The new system, once operational, should increase lunch participation and sales. Other districts have reported a 2-4% increase in sales from this system. However, the implementation will take all of the upcoming school year to deploy. In addition, the POS allows for nominal increases (under \$0.25) to be added annually for meals. We currently use a \$0.25 incremental increase due to the volume of coin that is counted and handled each day. Both students and employees find small change difficult to handle and retain possession of during the lunch period.

### **Financial Summary:**

Attached is the financial projection for the Food Service program for next year. Please be aware that all revenue from sales is deposited into a School Committee controlled School Lunch Revolving Fund. The more meals served the more money generated for use in the program. An increased lunch price will have no impact on Chartwells' compensation. They do not keep any program "profits." In addition, the district is also accountable for any program deficits. Therefore the district, through either direction or policy (including USDA commodity program reductions), must cover program deficits for food and labor costs. A lengthy financial review takes place should this occur.

Last year in FY07, the district did not assess custodial or utilities charges to the program as agreed to under the 2006 Override failure. The program experienced a major reduction in meals as a result the significant lunch price increase. The increase barely covered the cost of providing labor, food, and fixing equipment failures to the program last year. School Committee was presented with a summary of last year's program on May 22, 2007.

We do not anticipate offsetting utilities or custodians again this year due to rising food prices, increasing delivery charges, and ongoing equipment failures. The Facilities Department is budgeted at a rate not requiring reimbursement of custodial and utility charges by Food Service. Should profit margins change, then reimbursing the taxpayers with a fiscal year transfer to Facilities for these expenditures would be in order. We anticipate the FY08 ending balance of the School Lunch Program to break even or have a slight positive balance from increased sales this year. This is atypical for a food service program. A healthy fund balance for a Food Service program is at least two months of average expenditures. The USDA limits the fund balance to no more than three months of average monthly expenditures. The School Lunch fund needs to have a cash flow to operate and function. A five year summary document is being prepared for the FY10 budget document.

Note on Chartwells Compensation: Chartwells is paid based on their contract, which is publicly bid every three years and renewed annually as required under USDA guidelines. Their contract

compensation is a flat administrative fee and management fee and not based on meals served. They receive reimbursement for operating costs (invoices and documentation of such required) of the program that include:

- Cost of goods including food, beverages, and supplies;
- Salaries and wages of all of Chartwells employees including payroll taxes and benefits
- Other costs, charges and expense necessary to conduct the program like, office supplies, marketing materials, training, licenses/permits, laundry, etc.

**Other Initiatives:**

Nancy Wiseman has applied for a cooperative Department of Public Health grant with Wakefield Public Schools to increase access to healthy food choices in middle and elementary schools. The budget request is \$33,818 to pay for equipment, food, promotional materials, and educational materials.

# Lunch Program Review

Unit Name: Lexington Public Schools  
Submitted May 28, 2008  
Nancy Wiseman, Director of Dining Services

	08 Through March	April	May	June	Final 08	09 Projection No Increase	-- Projection with 25 cent increase
***** UNITS *****							
LUNCH PAID	236,392	30,280	35,565	15,140	317,377	323,725	297,827
LUNCH REDUCED	5,911	695	795	348	7,749	7,904	7,904
LUNCH FREE	17,806	2,364	2,795	1,182	24,147	24,630	24,630
ADULT MEALS	13,862	1,920	2,210	960	18,952	19,331	19,331
A LA CARTE MEALS	165,824	21,004	23,952	10,502	221,282	223,495	223,495
TOTAL LUNCHES	439,795	56,263	65,317	28,132	589,507	599,084	573,187
PAID BREAKFAST	2,513	299	331	150	3,293	3,293	3,293
REDUCED BREAKFAST	1,528	237	284	119	2,168	2,168	2,168
FREE BREAKFAST	6,382	946	1,095	473	8,896	8,896	8,896
TOTAL BREAKFAST	10,423	1,482	1,710	742	14,357	14,357	14,357
TOTAL MEALS	450,218	57,745	67,027	28,874	603,864	613,441	587,544
\$\$\$ SALES \$\$\$							
A - LUNCHES	\$776,061	\$84,000	\$88,500	\$42,000	\$990,561	\$1,003,708	\$1,078,164
BREAKFAST	\$4,011	\$500	\$588	\$250	\$5,349	\$5,349	\$5,349
A la CARTE & CATERING	\$191,393	\$20,000	\$27,297	\$10,000	\$248,690	\$253,664	\$253,664
VENDING	\$57,436	\$7,000	\$8,630	\$3,500	\$76,566	\$78,098	\$78,098
ADULT	\$21,832	\$3,000	\$3,480	\$1,500	\$29,812	\$30,408	\$30,408
REIMBURSEMENTS	\$131,298	\$17,000	\$20,304	\$850	\$169,452	\$172,841	\$166,341
Sales Tax	(\$1,039)	(\$144)	(\$166)	(\$77)	(\$1,426)	(\$1,520)	(\$1,520)
TOTAL REVENUE	\$1,180,992	\$131,356	\$148,633	\$58,023	\$1,519,004	\$1,542,546	\$1,610,503
PRODUCT COSTS							
Food Costs	\$375,570	\$59,110	\$50,398	\$29,555	\$514,633	\$539,219	\$534,919
Paper Supplies	\$42,750	\$5,298	\$5,549	\$2,650	\$56,247	\$58,497	\$56,785
TOTAL PRODUCT	\$418,320	\$64,408	\$55,947	\$32,205	\$570,880	\$597,716	\$591,704
TOTAL LABOR	\$609,270	\$75,803	\$79,437	\$39,036	\$803,546	\$835,687	\$835,687
Other Direct	\$101,957	\$12,943	\$15,292	\$9,471	\$139,663	\$142,456	\$141,632
TOTAL EXPENSES	\$1,129,547	\$153,154	\$150,676	\$80,712	\$1,514,089	\$1,575,859	\$1,569,023
PROFIT/SUBSIDY TOTAL	\$51,445	(\$21,798)	(\$2,043)	(\$22,689)	\$4,915	(\$33,313)	\$41,480