

Business Operations
Ofelia San Pedro, Deputy Superintendent

**SUBJECT: REQUEST THAT THE SCHOOL BOARD AUTHORIZE AN
INCREASE TO THE PRICE OF A FULL-PRICE STUDENT
LUNCH, BY \$0.50 PER MEAL, EFFECTIVE AUGUST 7, 2006**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

Introduction

The price of school meals has not increased in Miami-Dade County Public Schools since 1991. While the price charged for lunch has been the same for the past 15 years, beginning in 2004 the district adopted a universal no charge breakfast program to enhance nutritional options for students at the start of the school day. The universal no charge breakfast program is provided to all Miami-Dade County Public School students at all schools each school day, regardless of the student's eligibility for free, reduced price or full price lunch.

Amounts collected for a student lunch are as follows:

	<u>Charge to Student</u>	<u>Federal Reimbursement</u>	<u>Total Revenue</u>
Free Lunch	\$0.00	\$2.34	\$2.34
Reduced price Lunch	\$0.40	\$1.94	\$2.34
Full Price Lunch Elementary	\$1.25	\$0.24	\$1.49
Full Price Lunch Secondary	\$1.50	\$0.24	\$1.74

The current pricing structure for a full price student lunch does not equal the amounts received for free or reduced price lunch and does not cover the cost to produce the meal.

Since 2001, the cost to produce a student lunch has risen from \$2.28 to \$3.09 per meal, a difference of \$0.81. Federal reimbursement rates from 2001 to present have increased only \$0.04 for a full-price student lunch, from \$0.20 to \$0.24. The federal subsidy received for free lunch increased from \$2.11 to \$2.34, and the subsidy received for a reduced-price lunch increased from \$1.71 to \$1.94 for the same time period. In order to insure the solvency of the Food Service Fund, an increase in the price charged to students for lunch is both necessary and warranted. We will continue to offer breakfast at no charge to all students.

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Background and Overview

The cost to produce a lunch has risen due to increased expenses for labor, energy, food and supplies. The Consumer Price Index for food has increased at an average annual rate of 2.6% over the past ten years. In addition, food service employees have been granted annual salary increases that have averaged 4% over this same period. Most significantly, in January, 2003 we began providing medical benefits to part-time food service employees. The cost of part-time employee fringe benefits to the food service fund has increased at an average of more than \$1.9 million annually from \$3.3 million in 2002/2003 to \$9.0 million in 2005/2006. Increased total fringe benefit costs are due to both the increased cost of the benefits and an increase in the number of eligible part-time employees receiving benefits. These increases in cost of doing business have not been offset by price increases, but instead have been absorbed by the surplus that had built up in the Food Service Fund.

Concurrently, in support of district health and wellness initiatives for students, the Department of Food and Nutrition has eliminated sales of high calorie, low nutrient food items and enhanced offerings of higher fiber, nutrient dense foods. The inclusion of more fresh fruits and salads, vitamin and mineral fortified 100% fruit juices and whole grains to breakfast and lunch menus has enhanced the nutritional quality of school meals but at higher food costs. The district and Department are committed to continuing to improve the quality of breakfast and lunch menus to ensure all students have access to high-nutrient food options at school.

In addition to increases in costs, the Food Service Fund has experienced declining revenues in recent years. The decrease in revenues is attributed to several factors, including declining enrollment and hurricane emergency school closures. Declining enrollment results in a decline in the total number of students approved for free or reduced price lunch, leading to fewer lunches served causing a reduction in federal lunch reimbursements.

	<u>Enrollment</u>	<u>Total Number F&R Approvals</u>	<u>Total F&R Lunches Served</u>
2003/2004	360,705 (3/8/04)	230,075	30,425,091
2004/2005	356,870 (3/7/05)	222,482	29,717,225
2005/2006	352,603 (3/8/06)	216,556	26,774,212

Emergency school closures due to hurricanes in 2004/2005 and 2005/2006 also significantly impacted food service revenues. Total meal reimbursements and food sales lost due to closures in 2005/06 exceeded \$4 million, and over \$1 million in revenue was lost due to closures in 2004/05.

Consequently, with increased costs and declining revenues, reserves in the food service fund balance have been depleted as shown below:

<u>Fiscal Year</u>	<u>Food Service Fund Balance</u>
2001/2002	\$ 8,353,624
2002/2003	\$ 12,764,536
2003/2004	\$ 13,525,734
2004/2005	\$ 6,431,882
2005/2006	\$ 12,235

Cost Reduction Action Plans and Value Added Service

Beginning in 2002, the Department of Food and Nutrition has taken steps to avert a meal price increase, including adoption of a new labor hour standard for school kitchens, maximization of USDA commodity foods and reduction of capital outlay expenses for food service equipment.

Recent action steps which were approved by the School Board on February 15, 2006 and implemented by the Department to continue to reduce operational costs and increase revenue are:

1. The award of a new Mainline Food Bid to consolidate food purchases and to reduce costs.
2. Revisions to menus in order to reduce food costs.
3. District-wide marketing efforts to increase participation in school meal programs.
4. Reviewing and monitoring of school food service staffing allocations to address unfavorable variances.
5. Continued refurbishing and reissuing of food service equipment to reduce replacement costs.

The Department of Food and Nutrition will continue operational cost reduction efforts in the 2006/2007 school year. In addition, we will increase the price of adult meals by \$1.00 each. The price of an adult breakfast will increase from \$1.00 to \$2.00, and the price of an adult lunch will increase from \$2.00 to \$3.00. Meals served to adults are not subsidized by the federal government; therefore additional reimbursements are not received for these meals to help off-set costs.

The monitoring of school site labor standards continues with an on-line reporting system aligned to the daily sales data in each food service operation. Labor standards are reviewed weekly by the food service manager and coordinator and corrective actions are taken to improve compliance. Food service administrators and selected managers are scheduled for a Cost Control Seminar September 14 and 15, 2006, and training courses on budgeting and staffing allocations have been included in the 2006/2007 staff development training for all district food service managers.

While reducing operational costs, the Department of Food and Nutrition has continued to provide value-added services to the district, including: the federal reimbursable no-charge breakfast program; implementing healthy food and beverage guidelines in support of district Wellness Policies; providing snacks at no charge to School Improvement Zone elementary school students; reducing paperwork for school office and administrative staff by centralizing and automating the free and reduced price meal applications; and providing nutrition education outreach programs to students, parents, staff and community groups.

Proposed Action

As per School Board Rule 6Gx13- 3E-1.22, "The Board shall approve any change in the prices for student meals, sold in the schools. Prices for individually priced food and beverage items and adult meals shall be determined by the food service director." Authorization is requested to increase the price of a student lunch effective August 7, 2006, the first increase in the district since 1991. We are also advising the Board that the price of adult meals will be increased by \$1.00 each.

The current and proposed student lunch prices are as follows:

<u>Meal</u>	<u>Current Price</u>	<u>Proposed Price as of August 7, 2006</u>
Elementary Student Lunch	\$1.25	\$1.75
Secondary Student Lunch	\$1.50	\$2.00

Financial Impact and Benchmarking

The proposed increase of \$0.50 per full price student lunch will potentially result in additional revenue of \$2.6 million for fiscal year 2006/2007. Additional revenues from the increase in adult meal prices by \$1.00 each will potentially result in a \$1.1 million for fiscal year 2006/07. In addition, we are anticipating increases in a la carte sales commensurate with recent experience. This will result in additional revenues of \$800 thousand. These revenue increases will total \$4.5 million, and will go a long way to returning the food service fund to a more sound financial state.

As of May 2006, Miami-Dade County Public Schools charged less for a student lunch than 51 out of the 67 school districts in the State. For benchmarking purposes, below is the current price of a student lunch in four of Florida's largest districts.

	<u>Elementary</u>	<u>Middle</u>	<u>Senior High</u>
Hillsborough County	\$1.75	\$2.25	\$2.25
Orange County	\$1.75	\$2.00	\$2.00
Palm Beach County	\$1.50	\$1.75	\$1.75
Broward County	\$1.75	\$2.10	\$2.25

The requested student lunch price increase is for full-price paying students only. On average, 42,000 full price paying students purchase a school lunch daily, approximately 20% of the total daily lunches served. Of the more than 210,000 lunches served daily, 80% are served free or at reduced price. The cost for reduced price lunch is set by the federal government and remains at \$0.40 per lunch, and students eligible for free lunch will continue to receive meals at no charge. In addition, the district will continue to offer federally reimbursed breakfasts at no charge to all students under Provision 2 of the National School Lunch and Breakfast Programs, as federal breakfast reimbursements adequately cover the cost to provide this service.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida, authorize an increase to the price of a full price student lunch by \$0.50 per meal, effective August 7, 2006.

OSP:sp