

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 18, 2008

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: EVALUATE AND REDESIGN INTERNAL BUSINESS OPERATIONS

Introduction

Over the past year, the cost of staple food items used in school meal programs have had double-digit price increases with a 12% increase for bread, 13% increase for rice and pasta and a 23% increase in milk prices nation-wide. In Miami-Dade, the cost of an 8 ounce carton of milk rose from \$.175 per unit in 2006-2007 to \$.265 per unit in 2007-2008. The district uses approximately 4.4 million units of milk per month in school meal programs, resulting in a \$4.0 million increase in milk costs alone to the food service budget in 2007-2008.

Record high fuel costs have also negatively impacted the food service budget. A \$0.40 increase in the delivery fee per case for all dry, frozen and refrigerated groceries distributed to school food service programs through the contractor resulted in an additional \$450,000 charge to the food service budget in 2007-2008. In addition to significantly higher fuel and food prices, costs for labor, utilities, and supplies required to produce a school meal continue to rise.

With costs rising at a higher rate than revenues, the Department of Food and Nutrition is challenged with meeting daily operating budget requirements. The revenue collected for a student lunch is as follows:

	<u>Charge to Student</u>	<u>Federal Reimbursement</u>	<u>Total Revenue</u>
Free Lunch	\$ 0.00	\$ 2.49	\$ 2.49
Reduced Price Lunch	\$ 0.40	\$ 2.09	\$ 2.49
Full Price Lunch Elementary	\$ 1.75	\$ 0.25	\$ 2.00
Full Price Lunch Secondary	\$ 2.00	\$ 0.25	\$ 2.25

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The current pricing structure for a full-price student lunch does not equal the amounts received for a free or reduced price lunch, and does not cover the cost to produce the meal. The total cost to produce a student lunch including food, supplies, labor and overhead expenses (energy, equipment, etc.) is approximately \$2.57. According to the *USDA School Lunch and Breakfast Cost Study*, released in April 2008, the full cost to produce a reimbursable lunch on average was \$2.91 nationally.

Actions Taken to Reduce Costs

Food and Nutrition has already streamlined menus to mitigate skyrocketing food prices and has increased the use of commodity foods. As food prices have climbed, Food and Nutrition has been proactive by eliminating the use of food items with the highest price increases and streamlining menus to offer fewer choices in order to control costs. In order to control labor costs, staff has been reduced or transferred from overstaffed schools in accordance with district staffing allocations. In addition, the district is working with the AFSCME Labor Union to increase productivity in food service operations by increasing the meals per labor hour standard.

The Food and Nutrition Department has communicated operational issues such as lunch schedules and competitive food sales to Principals and school administrators in order to be able to better capture student sales and increase revenues. The Department has also communicated with State and Federal officials regarding the impact of high food prices on food service budgets and has requested an increase in meal reimbursements and additional commodity foods for the school lunch program.

The actions taken to reduce costs are not sufficient to offset the current and future price increases for fuel, food, labor, utilities, supplies and indirect costs required to produce a school meal.

Proposed Action on School Lunch Prices

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 18, 2008.

The current and proposed student lunch prices are as follows:

<u>Meal</u>	<u>Current Price</u>	<u>Proposed Price as of August 18, 2008</u>
Elementary Student Lunch	\$ 1.75	\$ 2.25
Secondary Student Lunch	\$ 2.00	\$ 2.50

The requested student lunch price increase is for full-price paying students only. Approximately 20% of the total daily lunches served are to full-price paying students, an average of 40,492 lunches daily. Of the more than 188,000 lunches served daily, 79% are served to students approved for free or reduced price meals. 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 Program.

The proposed price increase of \$.50 per student lunch will generate an estimated \$3.7 million in revenue. Even with higher meal prices, other cost-savings measures will need to be implemented to keep the costs of producing a school meal from increasing higher than revenues.

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 18, 2008.