

July 28, 2022

To: MERSD School Committee (SC)

From: Avi Urbas, Director of Finance & Operations

Copy: Pam Beaudoin, Superintendent of Schools

Re: Food Service Procurement Update and Warrants for 8/2/22 School Committee Business Meeting

Greetings, MERSD School Committee.

Attached please find financials for your review, from both FY22 and FY23. A summary of these vouchers is below.

Additionally, I would like to provide an update and recommendation on our procurement process for management of food service operations.

1. Food Service Procurement Update:

- a. We are recommending awarding the contract for management of MERSD food service operations for the 2022-2023 school year to Chartwells, the current incumbent. The bid response documents did not suggest a dramatic difference in companies, and overall we have had a good experience with Chartwells. From recent surveys, we have heard, however, that students and families want to see better meal quality. Awarding the contract to Chartwells for the coming year allows MERSD to have a smooth transition into the new school year, without obligating us into future years, should we wish to continue looking into other options, as described below.
- b. Additional background information:
 - i. Per state and federal regulations, a public procurement process is required for management of food service operations, with a required contract term of one year and the option to extend for up to 4 additional years. The Request for Proposals (RFP) procurement method used by MERSD allows us to look at program quality in addition to price.
 - ii. We received bids from three companies: Chartwells, Whitsons and FreshPicks. This is just our second procurement process since MERSD first decided to outsource food service operations (for the start of FY17). In our first procurement process, we received only one bid, from Chartwells. The additional competition with the new RFP is welcome, and it may be in MERSD's best interest to continue the research process in the coming year to determine whether these newer competitors could be a good fit for the district. This can be accomplished by awarding the bid to Chartwells for one year and then using the upcoming year to determine whether we wish to extend the contract with Chartwells, as we have in the past, or whether to reissue an RFP if, after more research, we want to consider a change. For example, additional research could include site visits to other school districts to see competitive programs first hand, beyond what might appear in marketing materials.
 - iii. Our recommendation to award the 2022-2023 contract to Chartwells is based on our review of the technical and price proposals received as follows:

1. The technical proposals showed that the 3 firms were similarly ranked as it relates to the rubric published in our bid specs. The rubric criteria included K12 experience in New England, management team, nutrition education/awareness, and community outreach, among others. Of note:
 - a. FreshPicks clients are mostly in New Hampshire, giving them less experience with MA DESE requirements (4 MA clients). Whitsons had the most MA contracts (23) followed by Chartwells (16).
 - b. All three contractors committed to running a break-even program, although these industry-standard commitments have many allowable exceptions to account for factors that may be beyond their control (e.g. sales volume, pricing, and local decisions about sales of non-meal items, such as snacks and non-milk beverages).
 - c. All responders provided a transition plan as required. As an incumbent in good standing, Chartwells does have some advantage in this area.
2. Price proposals showed that Whitsons and Chartwells would charge similar management fees (\$35.0K and \$35.6K, respectively), but that FreshPicks would charge slightly less (\$32.7K).
 - a. Per USDA regulations, food service management companies are not allowed to markup their costs (e.g. labor, food products and other supplies). Instead, they earn their money through these management fees, to allow for transparency regarding their method of income and to avoid companies cutting corners on nutrition programs designed for school aged children.
 - b. Ultimately, these pricing differences were not sufficiently material to suggest a significant advantage to any firm.

2. Vouchers. We have two FY22 vouchers and one FY23 voucher.

FY22 Voucher 1072: \$62K total, including:

- 2 invoices of \$17K each for residential OOD placements in June. As noted, a single residential placement can cost between \$100-200K/year. MERSD has 9 OOD placements whose individual FY23 costs are anticipated to exceed \$100K, based on student need.
- FY22 federal grant payments to MA Teachers' Retirement System totaling \$2.4K. As noted in the last set of vouchers, MERSD has no employer pension obligation for teachers and other DESE licensed staff, as the Commonwealth is responsible for this obligation instead. The exception is any licensed personnel funded through a federal grant, which in FY22 was the ESSER II, Title I and Special Ed Early Childhood grants. The total fringe obligation is negligible and simply a transfer of federal grant funds to the MA Teachers' Retirement System. MERSD helps to reduce this obligation by keeping salaries for licensed staff out of federal grants whenever possible.
- \$5.4K to Rutter Networking for a security assessment of the MERSD network. This third-party review was recommended as a best practice by our auditors, Powers & Sullivan, and was initiated by our prior network manager. Our new network manager, Don Skane, has been working with Rutter to incorporate the findings into our multi-year network planning, and we hope to provide an update to School Committee early this year.
- \$6.8K to CareerStaff Unlimited for weekly nurse substitute costs at the MSHS. A permanent replacement will be hired for the coming school year, which will eliminate the need for costly contracted substitutes.

FY22 Voucher 1073: invoices approved by the MMES School Building Committee at their most recent meeting, for services rendered through May 2022, including:

- JCJ project architect, \$34K for May service. This is the last monthly invoice during the 'close out' phase. Additionally, \$4.8K in June, for subcontractor services related to Conservation Commission permitting.
- \$17K to Dore & Whittier, Owners' Project Manager for the last month of Close Out phase billing.
- \$212.9K to WT Rich for construction services in May. Remaining budgeted construction costs total \$1.2 million of which \$820K is retainage. Retainage is the industry term for the 5% withholdings from contractor contract value that is not released until all final 'punch list' (i.e., open) items are 100% complete.

FY23 Voucher 1005: main AP voucher for FY23 expenses, totaling \$235K, with the smaller size reflecting the fact that we just circulated invoices last week (due to timing of bond payment obligations).

Payments include:

- Administration:
 - \$58.5K monthly payment for 145 retirees/spouses on the Medicare supplement plan, of which \$46.6K is district obligation charged to the budget with the remainder funded by retirees through pension deductions remitted to MERSD (fund 903).
- Curriculum & Technology
 - \$15K to Rutter Networking Technologies for FY23 license of Druva on-line backup and disaster recovery. This amount is equal to the annual payment MERSD made in each of the past five years for its legacy storage solution (Reduxio), which was paid off in FY22 and is now due for replacement. Don Skane is currently working with several outside consulting firm to prepare a multi-year plan and budget for modernizing, simplifying and securing our network infrastructure. The Druva solution immediately secures our data through the cloud, which gives MERSD time to investigate replacement storage (and related server) options, which will most likely take effect in the FY24 budget cycle.
 - \$12K to IXL Learning for Math and English Language Arts (ELA) instructional intervention software at the elementary and middle school levels.
- Facilities:
 - \$7.3K to Delta Beckwith for annual maintenance contracts on the MMES elevator (\$5K) and EES wheelchair lift (\$2.4K).

Please let me know if you have any questions.

Best regards,

Avi Urbas