

# Food Service Operations

Financial Review

January 29, 2019

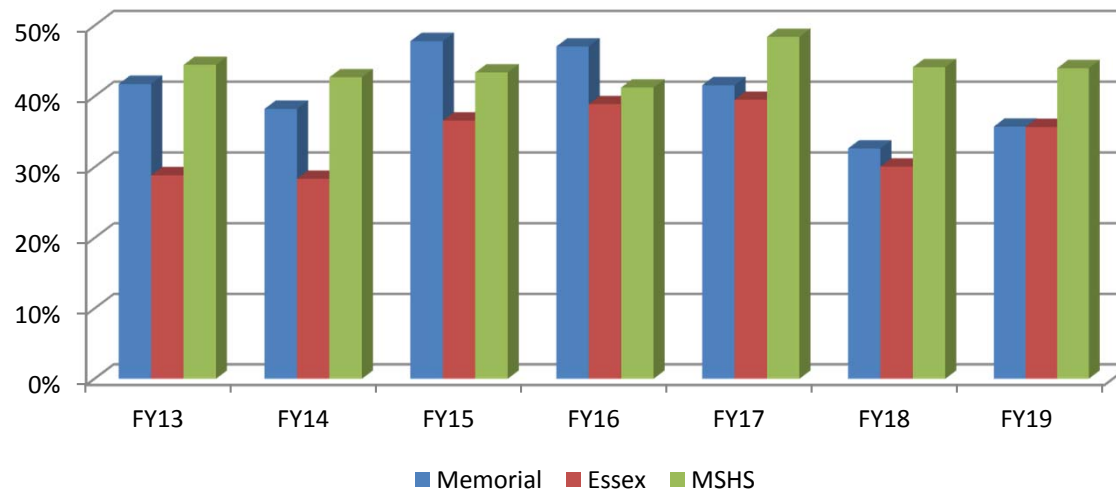
# Overview

- Chartwells (CW) partnership\* continues to benefit MERSD
  - Significant improvement in financial, staff management
  - Specialized program expertise
- Increased revenue per student district-wide, particularly at MSHS, offset by MERSD's declining student enrollment
  - Elementary participation remains low – enrollment is a factor
- Key Financial Issue:
  - Outsourcing highlights benefits costs that previously were charged to General Fund (i.e., not measured in Food Service financial performance)
  - CW has reduced fringe cost by >50%, but expense now charged to Food Service revolving fund via monthly Chartwells invoices – ***requires additional funding as planned in original outsourcing bid standards***
  - *Although expectation has always been that program will run at a loss on fully-loaded basis, which is industry standard, CW has improved bottom line performance by 67% (\$135K/yr)*

*\*first year of outsourced service is FY17*

# Participation Changes by School

**% of Students Participating in  
MERSD Lunch Program**



- FY18 participation declined across the board, but has rebounded in current year
  - MSHS (44% today) remains above FY14-FY16, pre-Chartwells period
  - Memorial (36%) is low historically; Essex (36%) consistent with prior year averages
- Elementary schools continue to lag MSHS

# Financial Summary

	FY13	FY14	FY15	FY16	FY17	FY18	Forecast FY19
Meal Purchases	\$371,718	\$354,497	\$342,485	\$367,391	\$372,828	\$348,047	\$368,073
Federal Reimbursements	\$76,231	\$74,473	\$75,679	\$87,436	\$86,341	\$76,968	\$80,816
<b>Total Revenue</b>	<b>\$447,950</b>	<b>\$428,970</b>	<b>\$418,164</b>	<b>\$454,827</b>	<b>\$459,168</b>	<b>\$425,015</b>	<b>\$448,889</b>
<i>Yr-Yr % Change</i>	-0.4%	-4.2%	-2.5%	8.8%	1.0%	-7.4%	5.6%
<i>District Enrollment</i>	1,562	1,532	1,507	1,441	1,398	1,385	1,386
<b>Meal Purchases/Student</b>	<b>\$238</b>	<b>\$231</b>	<b>\$227</b>	<b>\$255</b>	<b>\$267</b>	<b>\$251</b>	<b>\$266</b>
<i>Yr-Yr % Change</i>	-1.5%	-2.8%	-1.8%	12.2%	4.6%	-5.8%	5.7%
Food	\$151,198	\$162,942	\$154,684	\$137,894	\$156,887	\$135,102	\$141,112
Non-Food	\$21,787	\$19,822	\$21,946	\$19,470	\$21,496	\$9,745	\$4,087
Staff	\$179,694	\$193,391	\$203,859	\$187,003	\$194,391	\$165,610	\$172,695
Manager	\$65,998	\$65,998	\$68,265	\$69,837	\$60,423	\$67,909	\$69,458
Clerical	\$16,379	\$17,607	\$16,189	\$17,674	\$0	\$0	\$0
Other	\$8,938	\$10,213	\$11,692	\$8,946	\$25,761	\$26,144	\$31,258
<b>Total Legacy Expense</b>	<b>\$443,995</b>	<b>\$469,973</b>	<b>\$476,635</b>	<b>\$440,824</b>	<b>\$458,959</b>	<b>\$404,510</b>	<b>\$418,610</b>
<i>% of Sales</i>	99.1%	109.6%	114.0%	96.9%	100.0%	95.2%	93.3%
Chartwells Management Fee	\$0	\$0	\$0	\$0	\$30,000	\$30,718	\$31,520
<b>Revolving Fund Expense</b>	<b>\$443,996</b>	<b>\$469,974</b>	<b>\$476,636</b>	<b>\$440,825</b>	<b>\$488,960</b>	<b>\$435,229</b>	<b>\$450,131</b>
<b>Revolving Profit/(Loss)</b>	<b>\$3,954</b>	<b>(\$41,004)</b>	<b>(\$58,471)</b>	<b>\$14,001</b>	<b>(\$29,791)</b>	<b>(\$10,214)</b>	<b>(\$1,242)</b>
Revolving P/(L) - % of Sales	0.9%	-9.6%	-14.0%	3.1%	-6.5%	-2.4%	-0.3%
Fringe	NA	NA	NA	\$142,813	\$105,762	\$68,747	\$65,324
<b>Total Program Costs</b>				<b>\$583,638</b>	<b>\$594,721</b>	<b>\$503,976</b>	<b>\$515,456</b>
<b>Fully Loaded Profit/(Loss)</b>				<b>(\$128,811)</b>	<b>(\$135,553)</b>	<b>(\$78,962)</b>	<b>(\$66,567)</b>
Loaded P/(L) - % of Sales				-28%	-30%	-19%	-15%
<i>Food - % of Sales</i>	34%	38%	37%	30%	34%	32%	31%
<i>Labor - % of Sales</i>	59%	65%	69%	60%	55%	55%	54%
<i>Fringe - % of Labor</i>	NA	NA	NA	52%	42%	29%	27%

## Highlights

- Revenue per student at all-time high
- Significant cost reductions via out-sourcing (see food, labor, fringe as % of sales)
- Fully-loaded loss prior to FY17 out-sourcing likely ≈ \$185-\$200K/yr

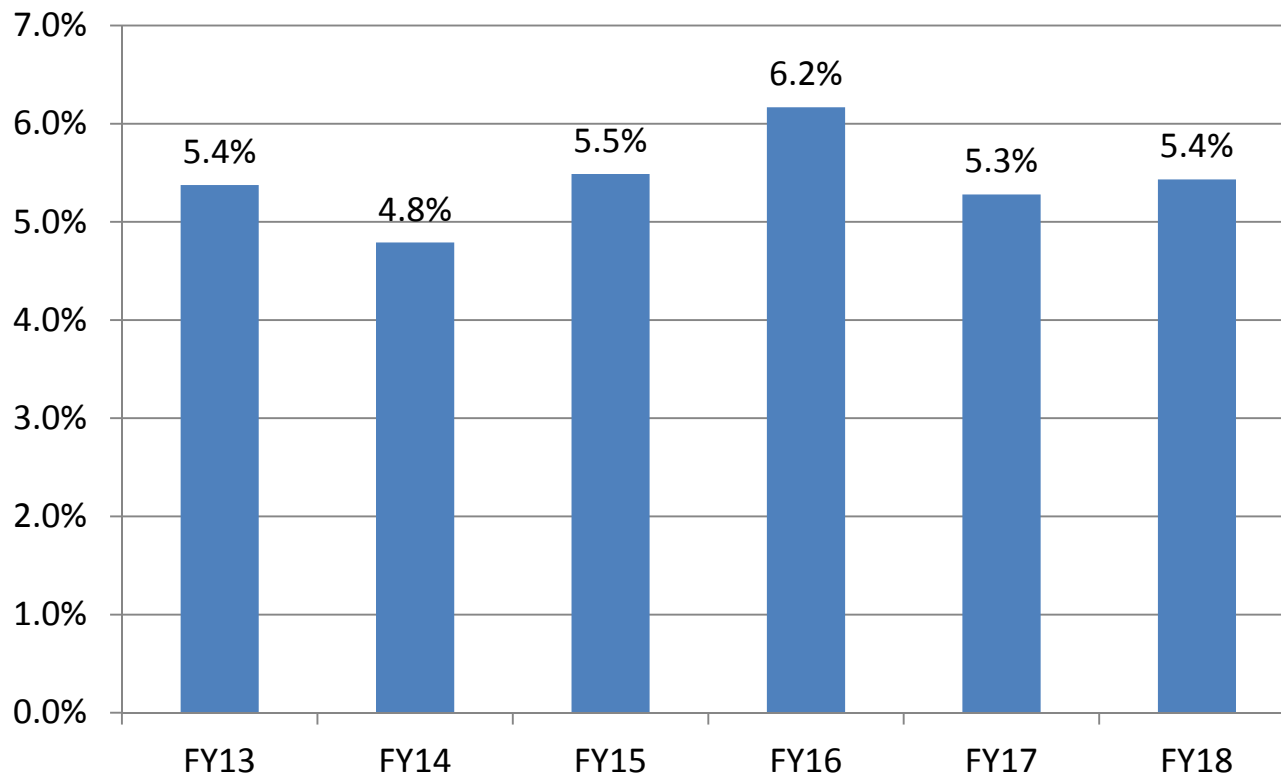
# Collections

	Negative Balances						YTD 1/18/19		
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Memorial	\$2,632	\$1,646	\$1,412	\$3,948	\$8,809	\$3,018	\$4,961	\$5,469	\$5,187
Essex	\$718	\$804	\$1,203	\$2,718	\$7,596	\$4,206	\$6,048	\$8,699	\$8,670
MSSH	\$125	\$621	\$3,552	\$11,607	\$21,026	\$15,741	\$21,359	\$23,402	\$23,124
<b>Total</b>	<b>\$3,475</b>	<b>\$3,071</b>	<b>\$6,166</b>	<b>\$18,273</b>	<b>\$37,431</b>	<b>\$22,964</b>	<b>\$32,368</b>	<b>\$37,570</b>	<b>\$36,982</b>
Increase (Decrease) in Negative Balances vs. Prior Year									
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Memorial		(\$986)	(\$234)	\$2,536	\$4,862	(\$5,792)	\$1,944	\$507	(\$281)
Essex		\$86	\$399	\$1,515	\$4,878	(\$3,390)	\$1,842	\$2,652	(\$29)
MSSH		\$495	\$2,931	\$8,055	\$9,419	(\$5,285)	\$5,619	\$2,043	(\$278)
<b>Total</b>		<b>(\$405)</b>	<b>\$3,096</b>	<b>\$12,106</b>	<b>\$19,159</b>	<b>(\$14,467)</b>	<b>\$9,404</b>	<b>\$5,202</b>	<b>(\$588)</b>

- Chartwells has stabilized unpaid meals situation
  - Excluding one-time write-offs in FY16, the FY17-FY19 unpaid debt increases are lowest since FY13.
- Unpaid meals  $\approx$  50% of annual operating loss
  - Planning outreach campaign in 2nd half of year

# Free/Reduced Price School Lunch (FRSL)

**% of Meals FRSL**



- Participation in FRSL meals program has been flat: small % of total meals delivered.
  - 8.7% of MERSD students eligible, but many do not participate

# Closing Fund Balance Deficit

	FY13	FY14	FY15	FY16	FY17	FY18	Forecast FY19
Total Revenue	\$447,950	\$428,970	\$418,164	\$454,827	\$459,168	\$425,015	\$448,889
Total Legacy Expense	\$443,995	\$469,973	\$476,635	\$440,824	\$458,959	\$404,510	\$418,610
Chartwells Management Fee	\$0	\$0	\$0	\$0	\$30,000	\$30,718	\$31,520
Fringe	NA	NA	NA	\$142,813	\$105,762	\$68,747	\$65,324
<b>Total Program Costs</b>				<b>\$583,638</b>	<b>\$594,721</b>	<b>\$503,976</b>	<b>\$515,456</b>
<b>Fully Loaded Profit/(Loss)</b>				<b>(\$128,811)</b>	<b>(\$135,553)</b>	<b>(\$78,962)</b>	<b>(\$66,567)</b>
Loaded P/(L) - % of Sales				-28%	-30%	-19%	-15%
Beginning Fund Balance	\$20,832	(\$20,172)	(\$78,643)		(\$3)	(\$98,246)	\$0
Change in Fund Balance	(\$41,004)	(\$58,471)	\$14,001		(\$98,243)	(\$78,962)	(\$66,567)
Transfer to Close Deficit			\$64,638			<b>\$177,208</b>	
<b>Ending Fund Balance</b>	<b>(\$20,172)</b>	<b>(\$78,643)</b>	<b>(\$3)</b>	<b>(\$98,246)</b>	<b>\$0</b>	<b>(\$66,567)</b>	

- Fund balance deficits prior to out-sourcing were from operating losses, excluding fringe, which was charged to General Fund, together with all MERSD employee healthcare.
- Chartwells has brought operating losses to nearly \$0 – so annual deficit now roughly = to fringe cost, which has also declined by \$80K/yr since outsourcing
- 50% collections improvement could reduce annual required contribution to roughly \$30K/yr
- Proposed **\$177K** transfer from reserves equivalent to FY17 and FY18 fringe.