

Food Service Operations

Financial Review

August 20, 2019

Overview

- Continued trend of improved financial performance, thanks to Chartwells (CW)
 - 3 straight years of financial improvements
 - FY19: best year on record for student participation, and all-in cost management
 - Small operating profit, excluding fringe
 - Minimal staff turnover; strong on-site supervision
 - Strict compliance with DESE guidelines for school nutrition/healthy foods
- Request School Committee approval to transfer \$68K into Food Service Revolving fund to close FY19 operating deficit
 - Loss includes fringe, which was budgeted outside of revolving w/other district employee benefits, during in-sourcing years
 - FY19 all-in loss is \$10K less/better than FY18 ; \$30K better than FY17 and 50% improved from pre-Chartwells era
- Request \$0.50 meal price adjustment for FY20, last updated in FY12
 - DESE review recommended increase to maintain compliance
 - Currently below peer districts
 - Need to align with MERSD's 3-cycle for fee updates
 - Diminishes need for continued subsidization of Food Service w/funds that are better directed to educational program

Financial Summary

	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Meal Purchases	\$371,718	\$354,497	\$342,485	\$367,391	\$372,828	\$348,047	\$396,109
Federal Reimbursements	\$76,231	\$74,473	\$75,679	\$87,436	\$86,341	\$76,968	\$78,554
Total Revenue	\$447,950	\$428,970	\$418,164	\$454,827	\$459,168	\$425,014	\$474,662
<i>Yr-Yr % Change</i>	-0.4%	-4.2%	-2.5%	8.8%	1.0%	-7.4%	11.7%
<i>District Enrollment</i>	1,562	1,532	1,507	1,441	1,398	1,385	1,386
Meal Purchases/Student	\$238	\$231	\$227	\$255	\$267	\$251	\$285.79
<i>Yr-Yr % Change</i>	-1.5%	-2.8%	-1.8%	12.2%	4.6%	-5.8%	13.7%
Food	\$151,198	\$162,942	\$154,684	\$137,894	\$156,887	\$135,102	\$143,751
Non-Food	\$21,787	\$19,822	\$21,946	\$19,470	\$21,496	\$9,745	\$8,811
Staff	\$179,694	\$193,391	\$203,859	\$187,003	\$194,391	\$165,610	\$188,573
Manager	\$65,998	\$65,998	\$68,265	\$69,837	\$60,423	\$67,909	\$68,071
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	\$28,166
Total Legacy Expense	\$443,995	\$469,973	\$476,635	\$440,824	\$458,959	\$404,510	\$437,373
<i>% of Sales</i>	99.1%	109.6%	114.0%	96.9%	100.0%	95.2%	92.1%
Chartwells Management Fee	\$0	\$0	\$0	\$0	\$30,000	\$30,718	\$31,520
Revolving Fund Expense	\$443,996	\$469,974	\$476,636	\$440,825	\$488,960	\$435,229	\$468,893
Revolving Profit/(Loss)	\$3,954	(\$41,004)	(\$58,471)	\$14,001	(\$29,791)	(\$10,215)	\$5,769
Revolving P/(L) - % of Sales	0.9%	-9.6%	-14.0%	3.1%	-6.5%	-2.4%	1.2%
Fringe	\$127,523	\$127,523	\$132,624	\$142,813	\$105,762	\$68,747	\$74,213
Total Program Costs	\$571,519	\$597,497	\$609,260	\$583,638	\$594,721	\$503,976	\$543,107
Fully Loaded Profit/(Loss)	(\$123,569)	(\$168,527)	(\$191,095)	(\$128,811)	(\$135,553)	(\$78,962)	(\$68,444)
Loaded P/(L) - % of Sales				-28.3%	-29.5%	-18.6%	-14.4%
<i>Food - % of Sales</i>	33.8%	38.0%	37.0%	30.3%	34.2%	31.8%	30.3%
<i>Labor - % of Sales</i>	58.5%	64.6%	68.9%	60.4%	55.5%	54.9%	54.1%
<i>Fringe - % of Labor</i>	48.7%	46.0%	46.0%	52.0%	41.5%	29.4%	28.9%

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

Fringe prior to FY16 estimated based on MERSD % changes in Health Insurance

Collections

	Negative Balances								
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Memorial	\$2,632	\$1,629	\$1,412	\$3,900	\$8,524	\$2,945	\$4,719	\$5,463	\$3,163
Essex	\$718	\$783	\$1,203	\$2,718	\$7,584	\$4,206	\$6,048	\$8,892	\$5,838
MSHS	\$125	\$621	\$3,284	\$11,536	\$20,938	\$15,598	\$21,291	\$24,552	\$23,015
Total	\$3,475	\$3,032	\$5,899	\$18,154	\$37,046	\$22,749	\$32,058	\$38,907	\$32,016
	Increase (Decrease) in Negative Balances vs. Prior Year								
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Memorial		(\$1,003)	(\$217)	\$2,488	\$4,624	(\$5,579)	\$1,774	\$744	(\$2,300)
Essex		\$65	\$420	\$1,515	\$4,866	(\$3,378)	\$1,842	\$2,845	(\$3,054)
MSHS		\$495	\$2,664	\$8,251	\$9,402	(\$5,340)	\$5,694	\$3,260	(\$1,537)
Total		(\$443)	\$2,867	\$12,255	\$18,892	(\$14,297)	\$9,309	\$6,849	(\$6,891)

- Chartwells gaining traction with unpaid meal balances
 - FY19 decline in lunch debt a first in 7+ years (excluding one-time write-offs in FY16).
 - Outreach campaign in second half of year was successful

Closing Fund Balance Deficit

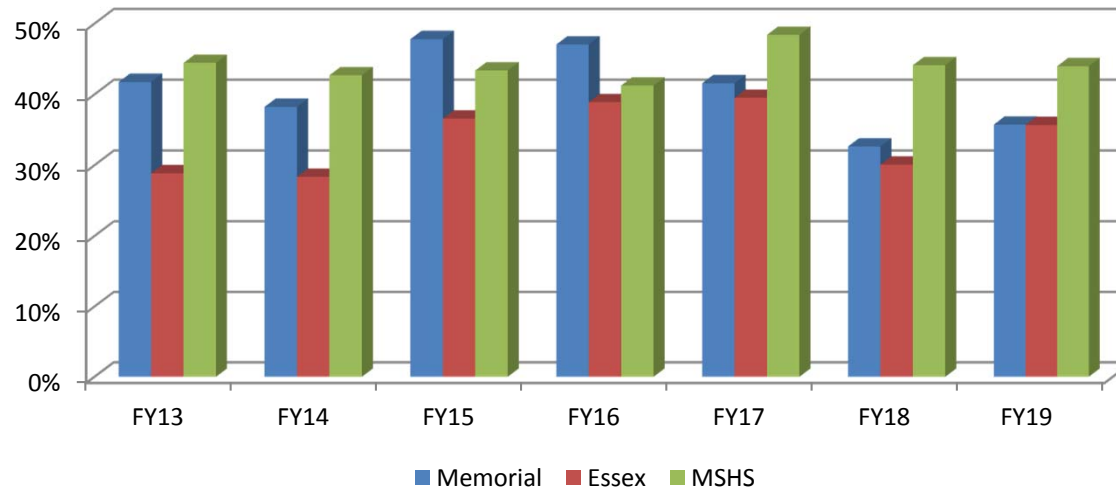
	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Total Revenue	\$447,950	\$428,970	\$418,164	\$454,827	\$459,168	\$425,014	\$474,662
Total Legacy Expense	\$443,996	\$469,974	\$476,635	\$440,825	\$458,959	\$404,510	\$437,373
Chartwells Management Fee	\$0	\$0	\$0	\$0	\$30,000	\$30,718	\$31,520
Fringe	\$127,523	\$127,523	\$132,624	\$142,813	\$105,762	\$68,747	\$74,213
Total Program Costs	\$571,519	\$597,497	\$609,259	\$583,638	\$594,721	\$503,975	\$543,106
Fully Loaded Profit/(Loss)	(\$123,569)	(\$168,527)	(\$191,095)	(\$128,811)	(\$135,553)	(\$78,961)	(\$68,444)
Loaded P/(L) - % of Sales				-28%	-30%	-19%	-14%
Beginning Fund Balance	\$20,832	(\$20,172)	(\$78,643)	(\$4)	(\$98,246)	\$1	
Change in Fund Balance	(\$41,004)	(\$58,471)	\$14,001	(\$98,243)	(\$78,961)	(\$68,445)	
Transfer to Close Deficit			\$64,638		\$177,208		
Ending Fund Balance	(\$20,172)	(\$78,643)	(\$4)	(\$98,247)	\$1	(\$68,444)	

- FY19 fund balance deficit smallest in years, thanks to improved student participation/sales, and continued cost control.
- Proposed **\$68K** transfer from reserves \$10K improved vs FY18, \$30K improved vs. FY17.
- Prior to out-sourcing fringe charged to General Fund, together with all MERSD employee healthcare.

Fringe prior to FY16 estimated based on MERSD % changes in Health Insurance

Participation Changes by School

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



- FY19 participation has rebounded in all schools from FY18 decline
 - MSHS (44% today) remains above FY14-FY16, pre-Chartwells period
 - Memorial (36%) remains low historically; Essex (36%) similar to prior year averages
- Elementary schools continue to lag MSHS

Price Increase Proposal

Current prices vs. Neighboring Districts

District	Breakfast	Elem Lunch	MSHS Lunch
Newburyport	\$1.50	\$2.75	\$3.00
Hamilton-Wenham	N/A	\$3.25	\$3.25
Rockport	\$2.50	\$3.25	\$3.50
Amesbury	\$1.75	\$2.75	\$3.00
Pentucket	\$1.50	\$2.75	\$3.25
Beverly	N/A	\$3.00	\$3.00
Ipswich	\$2.00	\$2.75	\$3.00
Gloucester	\$1.85	\$3.00	\$3.60
Marblehead	\$2.00	\$3.00	\$3.75
Average	\$1.87	\$2.94	\$3.26
MERSD	\$1.50	\$2.75	\$3.00

- MERSD last increased meal prices in FY12
 - DESE analytics indicate price increase is needed to keep pace with cost of typical program
 - Currently lag peer districts

- **\$0.50 meal price increase proposed for FY20**

- Allows MERSD to hold prices for several more years and align with 3-year fee review cycle
- Brings program closer to financial sustainability
- Minimizes diversion of funds from educational program
- Free/Reduced options continue to be publicized
- Chartwells management fee remains fixed, unimpacted by price changes, per DESE regulations

Type	Proposal		Revenue Impact
	Current	Proposal	
Elem Lunch	\$2.75	\$3.25	\$15,755
Premium ES	\$3.00	\$3.25	\$18
HS Lunch	\$3.00	\$3.50	\$27,308
Premium HS	\$3.50	\$4.00	\$1,009
Staff ES	\$3.50	\$4.00	\$326
Staff HS	\$4.50	\$4.75	\$267
Breakfast	\$1.50	\$2.00	\$249
Total			\$44,930