



Finance and Operations

To: Board of Education Members

From: Ben Whittaker, Director- Finance and Operations

Date: June 18, 2024

Re: FY25 Student Meal Pricing

Enclosure: None

The District's Food Services Program is expected to end FY24 with a net operating LOSS of about \$55,000, or 10%. This is the first time in recent history that the Program has lost money, due to the phasing out of the vast amount of State/Federal funding and incentives pushed into the program over the past (4) fiscal years combined with the absence of any meal price increases in over (5) years. Inflationary pressures on food and supplies and drastically increased labor costs due to minimum wages in CT increasing over 55% since 2019, render the existing meal price schedule unsustainable. The FY24 loss of \$55k will deplete almost (1) month of the Program's (3) month operating expense reserves.

The goal for the Food Services Program is to at least "break even," but ideally the break-even amount includes annual Capital Expenditures to incrementally replace aging equipment and infrastructure specific to the food service operation. Estimating a modest overall expense increase next year of 3%, meal prices would have to rise 24% on a weighted average basis to break even *without* any CapEx or improvements of any kind. At current pricing, the program would lose approximately \$73k in FY25. In order to avoid a drastic price increase or fully depleting reserves, a phased approach is being implemented where standard meal prices will rise 18% on a weighted average basis to approximately match the operating loss of FY24. This strategy would theoretically allow the program to break even (but not build back lost reserves) if operating expenses did not rise, in hopes additional State funding or program modifications will become available during the FY25 to absorb any program cost increases. Of course, if additional aid does not happen or meal counts drop, the program will likely deplete most of its remaining operating reserve in FY25 and require a greater price increase in FY26. The new meal price schedule for FY25 is below:

	Estimated Paid Meals	Current Rate	Increase	New Rate
Breakfast	40,903	\$ 2.50	\$ 0.25	\$ 2.75
Lunch- Elementary	28,335	\$ 3.25	\$ 0.75	\$ 4.00
Lunch- IM/HS	34,068	\$ 3.50	\$ 0.75	\$ 4.25

It is important to note that FY25 pricing for lunch meals are at or below the FY24 State of CT reimbursement rates paid to the Program for students receiving "free" lunches. Going forward, meal pricing will be analyzed and adjusted annually so the program can build back its (3) month reserve and fund required CapEx.