

To: Board of School Directors
Mr. Curtis Johnston

From: Megan Schaper

RE: Report on Food Service Operations

Date: February 6, 2023

It is my pleasure to provide this update on the District's Food Service Department. I will be available at the February 6 Board meeting to answer questions.

2022 Fiscal Results

The food service program ended the 2022 school year with an unprecedented surplus of \$1,644,105 prior to GASB and OPED adjustments. Most students returned for in-person learning and USDA funded free meals for all, helping us to achieve high levels of participation in our meal programs. More than a third of students received breakfast and nearly three-quarters of students received lunch at school each day last year. Further, the reimbursement rates paid by USDA provided significantly more income per meal than we received pre-pandemic.

An overview of the 2022 financial results, with past years for comparison, is included on the following page.

As more students opted to purchase meals from the school cafeterias, we saw corresponding decreases from typical a la carte and milk sales.

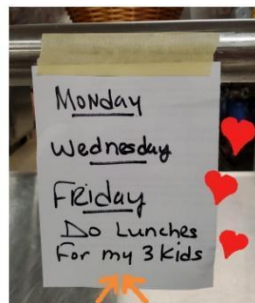
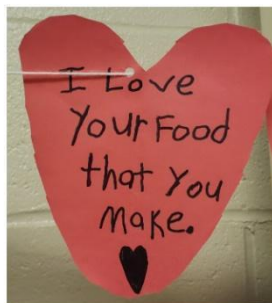
Special functions income rebounded a bit in 2022 with income from concession sales at Memorial Field. We began partnering with the football boosters in the fall of 2021 to provide concession services at varsity football games. The booster club provided volunteers to help in the concession stand. We shared a percentage of sales with the club, making it a win-win enterprise. Between lingering labor shortages and supply chain issues, we have yet to resume catering for sports banquets and other large scale catering events.

The SCASD Food Service Department sold meals to Young Scholars Charter School and ABC Child Care Centers in 2022, and those revenues are recorded as contracted sales. As a National School Lunch Program sponsor, Young Scholars was also able to provide free meals to their students, so our typical lunch service increased by 30 additional meals to 260 meals per day. Meal service at the ABC Centers had been strong prior to the pandemic but did not pick up over the course of the school year. Averaging less than 30 meals per day between two locations, we opted not to continue the contract with them in the current school year.

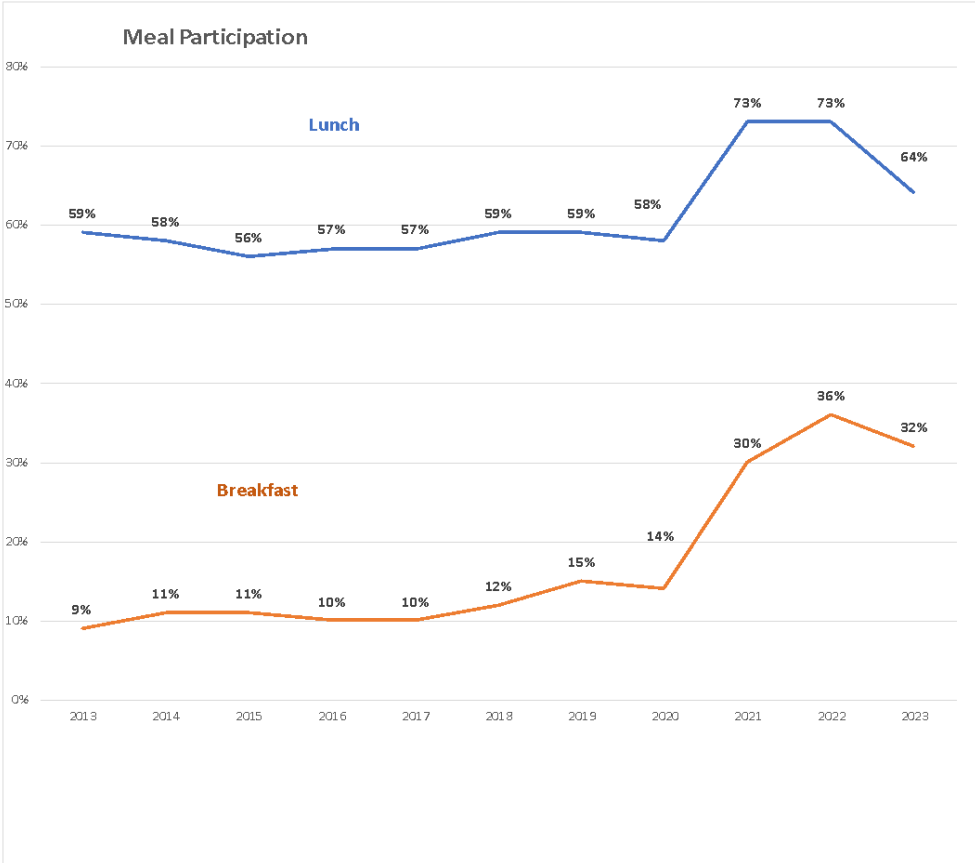


	2021-22 ACTUAL	2020-21 ACTUAL	2019-20 ACTUAL	18-19 (Pre-Pandemic) ACTUAL
Lunch Price	Free	Free	\$2.70 - \$2.95 - \$3.50	\$2.65 - \$2.90 - \$3.50
Lunches Served	827,120	667,233	542,822	671,224
Brkfst Price	Free	Free	\$1.45 - \$1.95	\$1.45 - \$1.95
Brkfst Served	382,317	468,676	187,129	141,089
LUNCH SALES	\$ -	\$ 23,128	\$ 1,094,522	\$ 1,540,311
MILK SALES	\$ 1,683	\$ 1,812	\$ 14,462	\$ 20,679
BREAKFAST SALES	\$ -	\$ 974	\$ 105,850	\$ 129,641
ALA CARTE SALES	\$ 461,623	\$ 91,395	\$ 492,263	\$ 654,159
ADULT SALES	\$ 67,443	\$ 45,690	\$ 65,700	\$ 88,231
SPECIAL FUNCTIONS	\$ 61,591	\$ 21,538	\$ 59,849	\$ 94,233
CONTRACTED SALES	\$ 201,635	\$ 72,913	\$ 125,125	\$ 178,155
GRANTS/MISC REV	\$ 6,833	\$ 32,769		\$ 1,365
STATE SUBSIDY	\$ 152,810	\$ 1,428	\$ 78,944	\$ 95,432
FEDERAL SUBSIDY	\$ 5,146,788	\$ 3,938,642	\$ 1,050,422	\$ 838,328
SOCIAL SECURITY	\$ 60,642	\$ 55,488	\$ 53,021	\$ 54,486
RETIREMENT	\$ 253,794	\$ 249,861	\$ 252,266	\$ 238,098
INTEREST	\$ 570	\$ 47	\$ 875	\$ 1,693
TOTAL INCOME	\$ 6,415,412	\$ 4,535,685	\$ 3,393,299	\$ 3,934,811
	% SALES	% SALES	% SALES	% SALES
PAYROLL	\$ 1,628,244 25.4%	\$ 1,488,714 32.8%	\$ 1,551,220 45.7%	\$ 1,396,706 35.5%
MEDICAL INSURANCE	\$ 388,293 6.1%	\$ 357,206 7.9%	\$ 341,994 10.1%	\$ 296,149 7.5%
SOCIAL SECURITY	\$ 121,287 1.9%	\$ 110,132 2.4%	\$ 113,127 3.3%	\$ 106,312 2.7%
RETIREMENT	\$ 507,162 7.9%	\$ 576,232 12.7%	\$ 502,765 14.8%	\$ 520,286 13.2%
OTHER BENEFITS	\$ 45,481 0.7%	\$ 47,112 1.0%	\$ 50,308 1.5%	\$ 48,195 1.2%
TOTAL COST OF LABOR	\$ 2,690,467 41.9%	\$ 2,579,396 56.9%	\$ 2,559,414 75.4%	\$ 2,367,648 60.2%
FOOD	\$ 1,487,322 23.2%	\$ 1,125,081 24.8%	\$ 994,666 29.3%	\$ 1,134,856 28.8%
MILK	\$ 282,648 4.4%	\$ 237,453 5.2%	\$ 162,235 4.8%	\$ 182,090 4.6%
OTHER EXPENSES	\$ 277,128 4.3%	\$ 200,557 4.4%	\$ 191,513 5.6%	\$ 194,744 4.9%
TOTAL EXPENSE	\$ 4,737,565 73.8%	\$ 4,142,487 91.3%	\$ 3,907,828 115.2%	\$ 3,879,338 98.6%
OPERATING P/L	\$ 1,677,847 26.2%	\$ 393,198 8.7%	\$ (514,529) -15.2%	\$ 55,473 1.4%
DEPRECIATION	\$ 28,101	\$ 29,332	\$ 32,207	\$ 24,162
LOSS ON FIXED ASSETS	\$ 5,641			
PROFIT/LOSS	\$ 1,644,105	\$ 363,866	\$ (546,736)	\$ 31,311

*excludes GASB/OPEB adjustments and transfers from the general fund



In typical years, most of our revenue is earned through lunch and breakfast sales to families who pay directly for those meals. There was no revenue earned selling school meals to families in 2022, but meal revenue from state and federal sources increased more than five-fold. With USDA supporting free meals for all over the past two school years, participation was especially strong. A recap of participation rates is shared below:



Through 2021 and 2022, the federal government provided higher reimbursement rates for the meals that were served to students free of charge. For the current school year, USDA approved a single year, extra increase to the reimbursement rates for paid, free, and reduced-price meals through the Keep Kids Fed Act. A recap of reimbursement rates is shared below. The Commonwealth of Pennsylvania has funded free breakfasts for all students since October 1 of this year and is providing a reimbursement equal to the federal rate for free breakfasts.

	2022-23	2021-22	2020-21	pre-pandemic 2018-19
Lunch Reimbursement	Free \$4.55 Reduced \$4.15 Paid \$.99	\$4.58	\$4.24	Free \$3.49 Reduced \$3.09 Paid \$.49
Breakfast Reimbursement	\$2.36	\$2.63	\$2.42	Free \$1.89 Reduced \$1.59 Paid \$.41

In addition to meal reimbursements, USDA has provided schools with additional subsidies, both last year and this year, to help offset inflationary cost increases for food. We received Supply Chain Assistance Funds in the amounts of \$132,715 in 2022 and \$177,464 this year.

Strong financial support from USDA and high student participation in our program contributed to a 63% increase in program revenue in 2022 as compared to the most recent normal school year, 2019. Comparing those same years, program expenses increased by 22%.

The Food Service Department’s largest expenses are for labor and associated benefits. We were able to fill all of our regular staff positions through most of the school year but not floater and substitute positions. We were chronically not able to cover employee absences. We managed the situation by simplifying menus, using disposable service-ware when needed, and allowing staff to work longer shifts. While the cost of labor increased between 2019 and 2022, the cost of labor as a percentage of sales decreased from 60% to 42%.



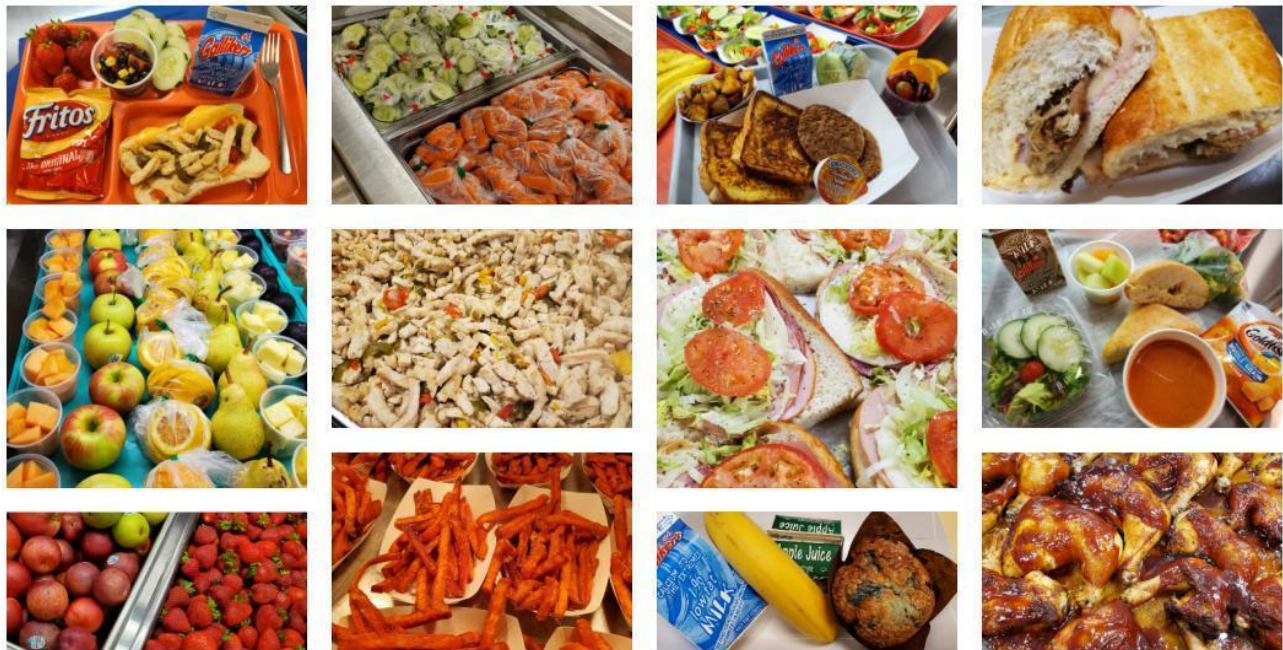
Food is our next largest expense, and given the price increases that we have all experienced in stores and restaurants, one would expect that our food cost increased significantly last year. It did not. As a percentage of sales, food cost decreased 1.6% from the previous year and 5.6% from 2019. There were two factors that helped us achieve these savings. First, mainly to help with our labor situation, we simplified our menus and reduced the number of entrees offered on the menus. Providing the last student in the lunch line with the same choices as the first requires there to be leftovers of every food item offered. Reducing the number of choices not only helped with labor but also reduced food waste and saved money. A recap of the number of choices provided at each grade level is shown below:

	2023	2022	2019
Elementary	2	2	4
Middle School	8	5	10
High School	14	12	20

Menus can be viewed on our web page at www.scasd.org/schoolmeals.

USDA Foods, also known as commodity foods, are the second factor that helped us to reduce our food expenses. USDA provides agricultural products such as chicken, beef, cheese, corn, peas, garbanzo beans, dried cranberries, and strawberries to schools and other institutions. Through a Department of Defense (DOD) program, we can also use USDA commodity funds to purchase fresh produce. These programs provide a guaranteed market for farmers, stabilize prices for consumers, and help us provide school meals at a reduced cost for families.

SCASD was allocated \$262,057 to spend through the USDA and DOD foods programs for the 2022 school year. After the school year started, USDA made special, additional food purchases that were provided to us on top of our initial allocation. Further, Pennsylvania's urban schools served fewer meals in 2022 than pre-pandemic and were not using the funds allocated to them. Excess funds were available for anyone who asked for them, and we asked. SCASD ultimately received \$421,049 worth of USDA foods and DOD fresh produce through the 2022 school year. We were able to reduce food purchases and achieve significant savings by taking full advantage of these programs.



Other expenses as listed in the financial statement include paper and cleaning supplies, office supplies, uniforms, equipment repair, printing, travel, technology support, bank fees, etc. With the exception of paper and cleaning supplies, these expenses are relatively fixed and do not increase or decrease based on the number of meals served. Generally, we would expect to see these expenses decrease significantly as a percentage of sales given the large increase in revenues. While expenses such as printing, travel, and office supplies decreased as a percentage of sales in 2022, we used more disposable service items such as lunch trays and plastic forks than we normally would. The cost of those disposables increased by more than 20%.

2022 was a very unusual year for the Food Service Department. Strong financial support from USDA, high student participation in school breakfast and lunch programs, and controlled costs resulted in a surplus that will support our program for the next few years.

2023 Update

Financial projections for 2023 and a budget for 2024 are shared on the following page.

Operations for the current school year are going smoothly. Lunch sales are stronger than pre-pandemic but have dropped by 10% now that families must pay for meals or apply for free or reduced price school lunches.

As indicated previously, Governor Wolf signed an executive order to continue free breakfasts for students in Pennsylvania from October 1 through the end of this school year. This initiative is funded with prior year state food service general fund appropriations that were not used. There is currently no funding to continue this program in the 2024 school year though hunger advocates, including the School Nutrition Association of Pennsylvania, are working with legislators to find a solution.

Free breakfasts are available for all students, but participation has dropped by about 300 meals per day compared to last year. This is almost entirely accounted for at the High School where, in agreement with building administration, we have closed the snack bar between first bell and the lunch blocks. Students are encouraged to get breakfast before the school day begins and can get a late breakfast pass from the school office as needed. Closing the snack bar has also affected a la carte sales at the high school.

We worked hard at the start of the school year to communicate with families that the free meals for all program was ending and encouraged eligible families to apply for free or reduced price school meals. IOUs for school meals are currently just over \$5,000. We email families who owe money for meals each week and call those with IOUs in excess of \$50, offering help to apply for subsidized school meals when that is needed.

We have funds available, primarily received from families who indicate that they want to donate remaining account balances at the end of the school year or when they move from the district. These funds are used to help families who incur debt before being approved for subsidized meals or who are not eligible for free meals but are in difficult circumstances.

In addition, we have been the recipient of grants from the Giant Feed School Kids Round Up program and are using those funds to provide free lunches for families who have been approved for reduced price meals. The reduced price for a school lunch is only \$.40, but that has been a barrier. It is often those families who incur IOUs. These families have shared with us how grateful they are for this bit of help. We will also use Giant funds to help families who are not able to repay IOUs due to financial hardship at the end of the school year.

The 2022-23 projections and 2023-24 budget reflect contracted salary increases. Staffing remains as described for last year. We are nearly fully staffed but have few extra staff to cover employee absences. On most days, staffing levels are good.

We are continuing with simplified menus to help manage food costs and labor issues. Excess USDA commodities have not been as available as they were last year, but we are still managing to make the most of what is offered. We were allocated \$60,000 for DOD produce this year but to date have requested and received an additional \$75,000 to spend on fresh foods.

USDA is stepping back from the extraordinary measures of the previous two years. Congress did not approve funds to continue free meals for all, but included a single year increase in meal reimbursement rates for 2023. The rates that we are receiving this year include \$.40 for lunch and \$.15 for breakfast in excess of what the rates were expected to be.

Our projected financial statement looks very different from last year's, but we are still expecting to end this year with a budget surplus.

2024 Budget

Funding for free meals for all was not included in the recently passed federal omnibus bill, so we should not expect that program to return in 2024. Whether the higher reimbursement rates will continue into the new school year most likely won't be known until July or August. Advocates are working with Pennsylvania legislators to increase support at the state level but, there are no assurances that we can expect that. So, for budgeting purposes, I assumed no free meals and lower reimbursement rates.

Other assumptions made for the 2024 budget include:

- Lunch price increases of \$.05 at all levels resulting in prices of \$2.75 at the elementary schools, \$3.00 at the middle schools, and \$3.55 at the high school.
- Similar lunch participation levels
- breakfast prices held at the rates originally approved for the 2023 school year: \$1.50 at the elementary schools, \$2.00 at the middle schools, and \$2.25 at the high school.
- reduced breakfast participation
- labor and associated benefits based on the current staffing schedule and anticipated cost increases
- food costs decreased to reflect serving fewer breakfasts and then increased by 4%
- milk cost decreased to reflect serving fewer breakfasts and then increased by 2%

The resulting budget projects a loss of \$455,231. I believe that this is very conservative, though the food service program has a fund balance to cover the loss if it is actually realized.



Other Program Initiatives

In addition to the day to day tasks of planning, preparing, and serving school meals, our staff always finds the time to support students and the community. Food Services partnered with the State College Food Bank to distribute turkeys and groceries to 530 families in November. And as the winter holidays approached, staff created and raffled off baskets. The \$600 raised was used to purchase gift cards for the High School's Random Acts of Kindness program.

We are featuring Pennsylvania Harvest of the Month items on the elementary menus this year, highlighting foods that are grown on Pennsylvania farms. Kitchens have bright posters to display, interesting facts about the featured food item are shared on the menus, and the featured food item is served typically two or three times over the course of the month. We're looking forward to students' responses to pizza stuffed mushrooms later this month!

	2023-24 BUDGET	2022-23 PROJECTED	2021-22 ACTUAL
Lunch Price	\$2.75 - \$3.00 - \$3.55	\$2.70 - \$2.95 - \$3.50	Free
Lunches Served	715,000	705,000	827,120
Brkfst Price	\$1.50 - \$2.00 - \$2.25	Free as of Oct 1	Free
Brkfst Served	205,000	283,500	382,317
LUNCH SALES	\$ 1,700,000	\$ 1,655,335	\$ -
MILK SALES	\$ 19,310	\$ 18,960	\$ 1,683
BREAKFAST SALES	\$ 238,500	\$ 25,725	\$ -
ALA CARTE SALES	\$ 557,000	\$ 539,200	\$ 461,623
ADULT SALES	\$ 65,000	\$ 64,560	\$ 67,443
SPECIAL FUNCTIONS	\$ 79,000	\$ 74,650	\$ 61,591
CONTRACTED SALES	\$ 170,000	\$ 164,000	\$ 201,635
GRANTS/MISC REV	\$ 20,000	\$ 15,300	\$ 6,833
STATE SUBSIDY	\$ 108,600	\$ 402,445	\$ 152,810
FEDERAL SUBSIDY	\$ 1,186,900	\$ 1,614,365	\$ 5,146,788
SOCIAL SECURITY	\$ 68,725	\$ 65,660	\$ 60,642
RETIREMENT	\$ 305,350	\$ 302,350	\$ 253,794
INTEREST	\$ 15,000	\$ 25,000	\$ 570
TOTAL INCOME	\$ 4,533,385	\$ 4,967,550	\$ 6,415,412
	% SALES	% SALES	% SALES
PAYROLL	\$ 1,796,260 39.6%	\$ 1,744,600 35.1%	\$ 1,628,244 25.4%
MEDICAL INSURANCE	\$ 473,000 10.4%	\$ 430,000 8.7%	\$ 388,293 6.1%
SOCIAL SECURITY	\$ 137,450 3.0%	\$ 131,290 2.6%	\$ 121,287 1.9%
RETIREMENT	\$ 610,700 13.5%	\$ 604,690 12.2%	\$ 507,162 7.9%
OTHER BENEFITS	\$ 49,000 1.1%	\$ 44,255 0.9%	\$ 45,481 0.7%
TOTAL COST OF LABOR	\$ 3,066,410 67.6%	\$ 2,954,835 59.5%	\$ 2,690,467 41.9%
FOOD	\$ 1,370,750 30.2%	\$ 1,403,865 28.3%	\$ 1,487,322 23.2%
MILK	\$ 207,220 4.6%	\$ 217,700 4.4%	\$ 282,648 4.4%
OTHER EXPENSES	\$ 301,180 6.6%	\$ 282,370 5.7%	\$ 277,128 4.3%
TOTAL EXPENSE	\$ 4,945,560 109.1%	\$ 4,858,770 97.8%	\$ 4,737,565 73.8%
OPERATING P/L	\$ (412,175) -9.1%	\$ 108,780 2.2%	\$ 1,677,847 26.2%
DEPRECIATION	\$ 43,056	\$ 33,772	\$ 28,101
LOSS ON FIXED ASSETS			\$ 5,641
PROFIT/LOSS	\$ (455,231)	\$ 75,008	\$ 1,644,105

*excludes GASB/OPEB adjustments

To support local agriculture and provide students with super fresh foods, we set up an account at the Juniata Produce Auction this fall and were able to procure local cauliflower, tomatoes, apples, peppers, and potatoes. We look forward to utilizing this resource more when the Pennsylvania growing season resumes.

As we transitioned away from disposable forks and spoons and back to regular silverware this fall, school managers were frustrated with how quickly they lost “real” silverware. Silverware was inadvertently dumped into the trash can or taken home in lunch boxes. Our past experience has been that we need to completely replace silverware multiple times over the course of a school year. In brainstorming ideas to help improve the situation, we created a contest between the elementary schools to see who could “Save the Silverware!” The winning school receives ice cream treats for the entire school. The first round of the contest, running from September through November, was won by Ferguson Township Elementary School with only 31 pieces of silverware lost. The students have taken the challenge very seriously. A student at Spring Creek created a silverware return device that says “thank you” each time a piece of silverware is returned. And Ferguson Township included a silverware song, to the tune of Silver Bells, in their holiday sing. This fun solution made a substantial difference in retaining silverware.



Silverware
(to the tune of “Silver Bells”)

Children meeting, children eating,
Getting food served on trays,
Eating wonderful food with utensils.
Forks a clanking, spoons a clanking,
Children ready to clean up,
On their way to the trash cans they hear....

Silverware (Silverware)...silverware (Silverware),
No silverware in the trash cans.
Please check your trays, (check your trays)
No spoons astray, (spoons astray)
No silverware in trash cans!

New lyrics by Mrs. Herbst

**Congratulations.... to the students at
Ferguson Township Elementary School**

for being SUPER silverware savers!

Keep saving!
We'll start a brand new
round after the
Thanksgiving holiday.
**Which school will win ice cream
treats at the end of round #2?**



Finally, I'd like to share information about pending regulations and initiatives that impact school meals. USDA and federal regulations play a very large role in how school nutrition programs operate. The funding we receive, what foods we serve, and how we make purchasing decisions are all determined by federal rules. There are a few government initiatives on the horizon to be aware of.

First, Congress recently approved funding of electronic benefits cards (ebt) for free and reduced eligible students for the summer months. Students' families will be able to receive \$40 per month for each child while school is out of session for the summer. We have been working with the Pennsylvania Department of Human Services for the past few years to qualify students for pandemic ebt cards. This makes that program on-going.

Next, USDA rules require that the nutrient standards for school meals reflect the most recent version of the Dietary Guidelines for Americans (DGAs). USDA has been working to update meal standards since new DGAs were introduced in 2020. The proposed new nutrient standards for school meals are expected early this year. It is expected that the current rules for calories, saturated fat, trans-fats, whole grains, and vegetable sub-groups will be maintained. I expect that clarification on sodium limits will be provided. And, it seems very likely that limits on added sugar in school meals will be introduced. The process for implementing these changes will include a comment period before the final rule is written and applied.

Finally, as the federal government has ended free meals for all, some states are stepping in to continue that support for their students. California and Maine have passed legislation to provide free school meals on an on-going basis. Massachusetts, Vermont, and Nevada are funding free meals for this school year, and at least eight other states have proposed legislation.

The School Nutrition Association of Pennsylvania (SNAPA), of which I and food service supervisor, Travis Folmar, both serve as executive officers, worked closely with Governor Wolf's office to identify how excess state funds could be used to support free breakfasts for this school year. We are continuing our advocacy, and Pennsylvania Senator Lindsay Williams and Representative Emily Kinkead both have committed to drafting Meals For All legislation to be presented to the education committees in the coming weeks. We ultimately hope to have Meals for All included in the Governor's budget.

Two years of universal free meals confirmed for me that this model relieves food insecurity and results in better, healthier meals for all students. Reducing the administrative burdens of processing meal applications and collecting lunch money also frees up time so that the school cafeteria can be a place where students learn healthy habits for a lifetime.

Thank you for the opportunity to share this report with you. I am very proud of the SCASD Food Service Department and of my staff who work hard every day to help students succeed. I appreciate being able to share a bit about the work that we do.

