

SAN DIEGO UNIFIED SCHOOL DISTRICT
Office of the Chief Administrative Officer
Business Operations Division

FOOD SERVICES PROPOSED
MEAL PRICE INCREASE
June 26, 2007

Introductory Statement

The Food Services Department is requesting a 25-cent increase in school breakfast and lunch meals in order to maintain our current programs, due to increased costs. The price increase will involve students who purchase full-price meals only. This will result in an elementary lunch meal price of \$1.50 and a secondary meal price of \$2.00, and breakfast meal price of \$.75. Students who qualify for free and reduced-meal prices will not be affected by the meal price increases as recommended herein.

Background

The Food Services Department currently serves over 130,000 school meals per day; 19,000 are full-price reimbursable lunch meals and 4,000 are full-price breakfast meals. The only price increase in school lunches since the 1980-81 school year, was approved at the board meeting of June 21, 2005.

ANNUAL MEALS BY ELIGIBILITY

| | ANNUAL BREAKFAST MEALS | | | |
|--------------------|-------------------------------|-----------------------|-----------------------|-------------------------|
| | <u>FREE</u> | <u>REDUCED</u> | <u>PAID</u> | <u>TOTAL</u> |
| ELEMENTARY | 1,695,729 | 397,442 | 413,311 | 2,506,482 |
| MIDDLE/JUNIOR HIGH | 478,910 | 97,331 | 71,489 | 647,730 |
| SENIOR HIGH | 420,831 | 111,901 | 62,772 | 595,504 |
| TOTAL | <u>2,595,470</u> | <u>606,674</u> | <u>547,572</u> | <u>3,749,716</u> |

| | ANNUAL LUNCH MEALS | | | |
|--------------------|---------------------------|-------------------------|-------------------------|--------------------------|
| | <u>FREE</u> | <u>REDUCED</u> | <u>PAID</u> | <u>TOTAL</u> |
| ELEMENTARY | 5,322,766 | 1,242,612 | 2,229,210 | 8,794,588 |
| MIDDLE/JUNIOR HIGH | 1,511,326 | 334,347 | 312,895 | 2,158,568 |
| SENIOR HIGH | 1,127,073 | 300,804 | 143,306 | 1,571,183 |
| TOTAL | <u>7,961,165</u> | <u>1,877,763</u> | <u>2,685,411</u> | <u>12,524,339</u> |

Costs continue to increase substantially, particularly in the following areas:

- Beginning in the 2006-07, Food Services is required to pay PERS Recap estimated at \$500,000 per year.
- Produce costs and demand have increased significantly since 2001, prior to the Kid’s Choice and Power Up Café Programs. Produce alone has escalated from \$386,000 in 2001 to \$2.3 million in the current school year.
- From the 2003-04 school year to the present school year, milk has increased 5 cents a unit, from 17 cents per/half-pint to 22 cents per/half-pint. Each year, 13 million half-pints are served at lunch; this is an increase of \$650,000. Despite price increases in some common commodities, as shown in the table below, lunch prices at San Diego City Schools remained constant.

| 1980-81 | | 2004-05 | | 2006-07 | |
|-----------------|--------------|-----------------|---------------|-----------------|---------------|
| Milk (½ pint) | \$.11 cents | Milk (½ pint) | \$. 22 cents | Milk (½ pint) | \$.24 cents |
| Hamburger Buns | \$.04 cents | Hamburger Buns | \$. 09 cents | Hamburger buns | \$.10 cents |
| Hamburger (lb.) | \$.69 cents | Hamburger (lb.) | \$1.12 cents | Hamburger (lb.) | \$1.39 cents |
| Gasoline | \$.95/gallon | Gasoline | \$2.35/gallon | Gasoline | \$3.35/gallon |

Instructional Implications

School meal improvements implemented since 2005:

- Kid’s Choice Café in elementary schools (4-choice healthy entrées; Fruit and Salad Bar)
- Power Up Café in secondary schools (4 healthy entrées, and deluxe Fruit and Salad Bar)
- Themed Soup & Salad Kiosks
- Grab ‘n Go Lunch Kiosks
- Breakfast in the Classroom (BIC) Pilot

With the focus on healthier foods, continuing to develop healthy and nutritious products creates a higher cost. Documented research indicates that healthy foods counteract obesity and diabetes. Research has further indicated that well-nourished students have longer attention spans and improved study habits, supporting the mission statement of San Diego Unified School District.

Facilities Implications

None.

Budget Implications

This increase would provide the necessary revenue to maintain current programs and avoid encroachment of the general funds. The Food Services Department is financially self-sufficient, and historically, nondependent on monies from the district’s General Fund.

2005-06

| <u>Revenues</u> | | <u>Expenses</u> | |
|-----------------------------|---------------------|----------------------------|---------------------|
| Federal | \$29,330,315 | Labor | |
| State | \$ 1,874,500 | (Salary & Benefits) | \$24,347,769 |
| A la Carte | \$12,352,719 | Cost of Goods | \$16,074,658 |
| | | Direct & Indirect Expenses | \$ 3,995,104 |
| Proposed Meal Price Income: | \$860,000 | | |
| Total | \$44,417,534 | Total | \$44,417,534 |

PRICE INCREASE PROPOSAL 2007-08 PAYING STUDENTS ONLY

| <u>BREAKFAST</u> | <u>CURRENT ANNUAL PAID</u> | <u>CURRENT ANNUAL PAID</u> | <u>ANNUAL PAID REVENUE CHANGE WITH 25-CENT INCREASE AT VARIOUS PARTICIPATION LEVELS ***</u> | | | | |
|------------------|----------------------------|----------------------------|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | <u>Description</u> | <u>Meals</u> | <u>Revenue</u> | <u>Same</u> | <u>5% Drop</u> |
| Elementary | 413,311 | \$305,850 | | \$103,328 | \$ 98,161 | \$ 92,995 | \$ 87,829 |
| Secondary | 134,261 | \$ 99,353 | | \$ 33,565 | \$ 31,887 | \$ 30,209 | \$ 28,668 |
| TOTAL | <u>547,572</u> | <u>\$405,203</u> | | <u>\$136,893</u> | <u>\$130,048</u> | <u>\$123,204</u> | <u>\$116,497</u> |

| <u>LUNCH</u> | <u>CURRENT ANNUAL PAID</u> | <u>CURRENT ANNUAL PAID</u> | <u>ANNUAL PAID REVENUE CHANGE WITH 25-CENT INCREASE AT VARIOUS PARTICIPATION LEVELS ***</u> | | | | |
|--------------|----------------------------|----------------------------|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | <u>Description</u> | <u>Meals</u> | <u>Revenue</u> | <u>Same</u> | <u>5% Drop</u> |
| Elementary | 2,229,210 | \$3,343,815 | | \$557,303 | \$529,437 | \$501,572 | \$473,707 |
| Secondary | 456,201 | \$ 912,402 | | \$114,050 | \$108,348 | \$102,645 | \$ 96,943 |
| TOTAL | <u>2,685,411</u> | <u>\$4,256,217</u> | | <u>\$671,353</u> | <u>\$637,785</u> | <u>\$604,217</u> | <u>\$570,650</u> |

This proposed price increase WILL NOT affect students eligible for Free or Reduced-Price Meals.

Current annual paid revenue includes Federal Subsidy of \$0.25 per meal in addition to the \$1.25 or \$1.75 paid by elementary and secondary students respectively.

***These three columns represent the change in revenue with the proposed price increase under four different participation levels. If participation stays the same, participation drops by 5 percent, 10 percent, or as much as 15 percent. We do not anticipate any drop in participation due this increase; however, even if it drops as much as 15 percent, the impact of this price change would still be positive.

Public Support and Engagement Implications

Public support has been high for food services programs; nonetheless a price increase, however slight, and though affecting a small portion of the population fed, is expected to produce a mixed reaction from the community affected. We plan to implement a full communications outreach to inform parents and schools of this increase. Comparison with other county school districts will show that current San Diego Unified School meal prices are very low, as indicated on survey results below:

MEAL PRICE SURVEY

| SCHOOL DISTRICT | Lunch Price Elementary | Lunch Price Secondary | Lunch Price Adult | Breakfast Price Elementary | Breakfast Price Secondary | Breakfast Price Adult | Percent Free or Reduced | Enrollment |
|-------------------------|-------------------------------|------------------------------|--------------------------|-----------------------------------|----------------------------------|------------------------------|--------------------------------|-------------------|
| Poway (K-12) | \$2.00 | \$2.25 | \$3.00 | \$1.25 | \$1.50 | \$1.75 | 10.1% | 33,330 |
| Bonsall (K-8) | \$2.00 | \$2.00 | \$3.00 | \$0.80 | \$0.80 | \$1.10 | 36% | 1,800 |
| Cajon Valley (K-8) | \$2.00 | \$2.25 | \$2.75 | \$1.00 | \$1.00 | \$1.50 | 68% | 19,200 |
| Carlsbad (K-12) | \$2.25 | \$2.25 | \$3.00 | \$1.25 | \$1.25 | \$1.50 | 20% | 10,200 |
| Escondido (9-12) | N/A | \$2.00 | \$2.50 | N/A | \$1.00 | \$1.50 | 25% | 7,500 |
| Grossmont HS | N/A | \$2.25 | \$2.75 | N/A | \$1.50 | \$2.00 | 20% | 23,763 |
| Lakeside (K-8) | \$2.00 | \$2.25 | \$2.90 | \$1.00 | N/A | N/A | 34% | 4,400 |
| Lemon Grove (K-8) | \$1.75 | N/A | \$2.25 | \$0.75 | N/A | \$1.25 | 68% | 4,300 |
| Oceanside (K-12) | \$1.75 | \$2.00 | \$2.50 | \$1.00 | \$1.00 | \$1.25 | 53% | 21,500 |
| San Digoito (7-12) | N/A | \$3.00 | \$3.25 | N/A | N/A | N/a | 7.5% | 11,500 |
| San Marcos (K-12) | \$2.00 | \$2.25 | \$2.50 | \$0.75 | \$1.00 | \$1.00 | 39% | 15,199 |
| Santee (K-8) | \$2.00 | N/A | \$2.50 | \$0.75 | N/A | \$1.00 | 25% | 6,700 |
| Sweetwater (7-12) | N/A | \$2.25 | \$3.00 | N/A | \$1.50 | \$2.00 | 46% | 42,000 |
| San Diego (K-12) | \$1.25 | \$1.75 | \$2.25 | \$0.50 | \$0.50 | \$0.75 | 56% | 128,000 |

Board Policy Implications

This report is consistent with board policy which is to maintain a viable self-sustaining food service program.

Recommendations

The superintendent recommends that the Board of Education authorize a 25-cent increase in school breakfast and lunch meals by the Food Services Department beginning with the 2007-2008 school year, and direct the Food Services Department to continue to annually review meal price and costs to provide meals and will make appropriate recommendations to the Board of Education.

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