May 3, 2016

Food Service / Cafeteria information:

Over the past few weeks there has been considerable discussion regarding the future direction of the cafeterias in our schools. I think it's important to clarify some of the rumors that are surrounding this issue so that our community members are well-informed and understand the direction of the district.

Food service departments, unlike many other departments in public schools, are considered enterprise funds with a completely separate financial accounting from the operating budget. The separate departments are governed by regulations that require food service departments to be self-sufficient, meaning that they cannot lose money on a consistent basis and cannot require ongoing contributions from the general operating budget. The regulations do allow some flexibility recognizing that there are situations that arise that may put a food service department into a deficit position. If a situation occurs that puts food service operations in a deficit, districts are able to legally continue in-house food service operations as long as they've implemented some changes and are making progress toward breakeven or profit. However, that flexibility is limited by the amount of food service funds that are available to absorb the loss.

The food service department has lost money over the past few years. This year, we continue to lose a substantial amount of money in food service operations. The amount cannot be determined until the close of the school year, but we will absorb another financial loss. It will most likely be approaching a six-figure loss again. The harsh reality is that lunch sales have steadily decreased over the past five years. We've gone from serving 155,581 lunches to 104,882, a decrease of approximately 33% over a five year period. Admittedly, this is not anyone's fault from the cafeteria staff. There appears to be a direct correlation between the implementation of the federally required Healthy Hunger Free Kids Act and the associated decrease in sales. Regardless of the reason, the substantial decrease in sales, coupled with the ongoing increase in salaries and benefits, has created a difficult financial environment.

As you may already know, public schools across the state are facing unprecedented pressure to continue providing their current level of academic programs and services in addition to maintaining co-curricular offerings. The relatively new 2% cap on taxes regulation has limited the district's ability to absorb losses in the cafeterias, forcing us to review other options for food service.

Over the past few years, the district has taken several steps to assist the food service department to become self-sufficient. The Board's actions included the following in an effort to protect the current status of our employees:

- Discussions during the past three negotiations cycles regarding the impact of future salary increases
- Recommendation by the Board regarding required changes to salaries and benefits during the most recent negotiations cycle
- Decreased personnel in the food service department through attrition
- Decreased the number of staff receiving benefits by modifying hours after a retirement occurred
- Sale of after-school snacks
- Enhanced adult meals
- Increased student lunch prices

The proactive steps attempted to address the financial concerns during negotiations was not viewed as being a viable option by the local association. The Board was clear with their communication during negotiations in March of 2015. At that time, the target was to break even. Unfortunately, the idea of any change was met with resistance and the Board was forced to investigate other options.

As the district started to review options, we wanted to honor the years of service of staff members who have been with the district for many years and are within five years of retirement. To that end, in a somewhat unprecedented move, the Board required any company who responded to our Request for Proposal (RFP), to extend the courtesy to <u>continue as district employees to five members who are close to retirement</u>. That would enable those employees to remain as district employees and complete their 25th year of pension service within the next five years, enabling them to secure their pension with the state. Those five staff members will remain district employees. They will receive the rate of pay and benefits consistent with the ongoing Collective Bargaining Agreement with the CEA, and will ultimately retire with their state pension once they achieve their 25th year of 'creditable' pension service. The staff members who were not within five years of retirement and didn't already meet the criteria for retirement will be offered a position with the company. The staff members who are employed by a private company may also legally collect unemployment during the summer. Admittedly, there are two employees who have already achieved their 25th year and will be required to retire or seek employment in another district that still has in-house food service. The Board appointed company cannot legally hire either of these staff members due to the state's regulations which preclude employees from retiring, collecting a pension, and returning to employment in the same district within 180 days of their retirement date. However, we have been working with the company to assist the two retiring staff members with securing a position in another district where the company has a contract. In fact, one of the two staff members has already been offered a manager position in a local district. This will be in addition to collecting her pension. As an aside, after the 180 day waiting period, the staff members could legally return to work for the company at Clearview if there is an available position.

It's important to know that during the RFP process, the CEA was invited to participate and present a proposal the same way the private companies did. Their proposal was evaluated along with the other proposals from private companies. We have spent the past few weeks focused on analyzing each food service expense and revenue, along with discussing the proposal with the NJEA representatives. The district's proactive actions over the past few years made progress and we were recently given opportunities to make additional progress through a couple of unexpected retirements. One of the retirements happened at the last minute and the Board was actually informed of it during the meeting. A staff member processed their retirement application late Thursday (April 28), which was unconfirmed at the time of the meeting, and was processed by the state on Friday (April 29) and forwarded to the district the day after the meeting. The progress, while substantial, wasn't enough to eliminate the projected loss of approximately $35,000 in 2016/17. The CEA did make a last minute offer at the meeting for a salary giveback to cover almost half of that projected loss. The difficulty of the analysis was due to many projections that may or may not come to fruition. The Board's flexibility is limited based upon the amount of funds available in the Food Service account. This is especially important considering the unknown amount of money that will be lost this year (2015/16). There wasn't any guarantee that the CEA projections would come to fruition and there was no guarantee by the CEA that the district would break even. Due to not knowing what the loss amount will be in 2015/16, it's undetermined if the Board will be able to absorb another loss with the funds remaining in the food service account. If the loss in 2015/16 depletes the available food service cash, the only way for the Board to absorb a loss and make a contribution to the food service account would be to cut other education programs, staff, or services and move those general operating funds to the food service account. The company who was appointed by the Board provided a guarantee that the district will realize a substantial profit in 2016/17. It's important to note that the Board's desire was to resolve this issue within the scope of negotiations, which is why there was so much time dedicated to this topic. In fact, the CEA's proposal to the Board included minutes from March 19th, 2015 meeting, which verifies that the Board addressed this issue and provided recommendations as to how we could continue to move forward. As stated earlier, this recommendation was not accepted.

John Horchak III
Superintendent