

To: Board of Education

From: Dr. Laurie Heinz, Superintendent
Luann Kolstad, Chief School Business Official

Date: June 27, 2016

Re: Recommendation and Approval of the Hot Lunch Program

Background

In January 2016, District 64 opened discussions with the Board to consider extending our middle school hot lunch program to the elementary schools, using Arbor as the District's current food service provider. The intention was to: provide a service to parents by offering hot lunch in the elementary buildings four days per week; to assist PTO/As having difficulty in lining up consistent and trained volunteers; and address changing regulations and repeated concerns from the City of Park Ridge in meeting requirements for food safety.

It was noted from the outset that the fifth day would be reserved for the PTO/As to continue conducting a pizza day fundraiser to avoid any impact to this important means of raising money. PTO/As currently offer a hot lunch only 2-3 days per week. Each PTO/A contracts directly with several providers to fill this limited calendar.

The most direct solution was to propose expanding Arbor's role as our long-time lunch provider and existing contractor at our middle schools as a service to our families. The District could therefore: standardize the menu offerings and pricing to families across all schools; ensure uniform food safety practices will benefit students at all schools; efficiently manage and provide oversight for a program operating across all buildings; and better organize and implement District-wide sustainability/green practices.

Current Arbor Food Service Contract

District 64 has contracted with Arbor since July 1, 2009. As part of our agreement, Arbor currently pays District 64 for the license for two schools (Lincoln and Emerson). Our contract is structured so that District 64 receives a minimum monthly guarantee and in addition, also receives any excess profit generated by the program. However, the District uses these funds to cover the cost of required free lunches. The remaining balance of approximately \$25,000 for 2015-16 is included in Educational Fund revenues.

Research and Misconceptions

Before coming forward with a proposal, administration conducted a brief survey of elementary parents to confirm whether there was sufficient interest in a District-led elementary hot lunch program. The District surveyed elementary parents in March on their interest; the complete results were reported to the Board of Education at the March 21 meeting. 65% of parents who responded were interested in purchasing 3 or more days per week, which indicated support for this service. Note that when the District was notified that a "0" days option was not available, a new School Messenger email was sent to all families alerting them that anyone checking "1" day would also be considered "0" AND that the comments area was available for their views to be

fully aired. The report to the Board clearly states that 1 day was to be interpreted as 1 or 0. The concern is moot, since the clear majority was for 3 or more days.

Here are misconceptions and misstatements about the proposal that must be corrected:

1. It has been erroneously reported that the District proposal would eliminate the PTO/A pizza fundraising day. That is incorrect and was NEVER envisioned. The proposal from the very start was based on four days of hot lunch provided by an outside vendor, with the fifth day to remain a PTO/A fundraiser. **This was a commitment from the outset in conversation with our PTO/A leadership group. It was also prominently and clearly stated in the actual survey sent to all parents. It was also clearly stated in the FAQ.**
2. PTO/As are in the position of contracting individually with their vendors. This has several areas of concern. This year, one vendor at Carpenter (All on the Road) was unable to supply ordered food at the last moment due to a decision by the City Health Department, leaving the school scrambling to find alternative lunches for approximately 300 students. In addition, each school PTO is being placed in the position of conducting its own due diligence of these suppliers.
3. It should be noted that advocacy for the status quo expressed by the PTO leadership team of one school may reflect that the owner of one PTO lunch vendor (Healthy Kids Kitchen) is a current family in that school.
4. Going to bid for a potential new food service provider is time consuming and would entail preparing a formal bid package and following all rules required by the Illinois State Board of Education (ISBE) in terms of a public school district receiving bids for a service. Despite what some PTO/A members believe, the District cannot bring in another food service vendor without following these stringent procedures. Arbor was recommended by the administration to take over the elementary hot lunch program because they have been successful in providing lunches for our middle schoolers and since they are already the food service vendor of record for District 64, they would not require a formal bid process. We have established working relationships with the Arbor staff both at the building and District level. Arbor has a proven track record in the District and one that we wish to continue on a larger scale.
5. It has been erroneously reported that the District did not clearly note that if the Arbor proposal was not approved, the only option remaining would be a 28-day license. ***That was stated in the survey itself AND was in the FAQ's AND was clearly addressed in our presentations to the Board.***
6. The PTO/A cannot "own" their own food service license at the elementary schools. Per both Tim Schwartz of the City of Park Ridge Health Department and District 64's own legal counsel, only District 64 has the legal ownership of the license. Arbor as our contracted food service provider pays for the license under our contract, but the District still owns the license.
7. PTO/As can contract with a food service vendor to provide the food, however, they are not allowed to have that vendor *bring in their employees* to run the program. This question was answered very clearly by Tim Schwartz and Jim Testin from Park Ridge: only the owner of the license can contract with a food service provider to prepare and serve lunches in their facilities. To be clear, this means that none of the PTO/A vendors can operate independently to provide both food and employees in our schools unless their contract is with District 64.

Concerns with Existing Elementary Program and New Issues

It is important to note that many concerns have arisen repeatedly with the current PTO/A elementary lunch offerings. These include:

- Frustration from PTO/A perspective on scheduling sufficient volunteers and consistency in training of volunteers
- Issues reported by the City of Park Ridge this year:
 - Consistency of volunteers following proper food handling and safety regulations
 - PTO/As are responsible for training all volunteers and ensuring volunteers are handling food properly, checking temperatures before serving, sneeze guards are in place, prep tables/serve table being used properly, refrigerator usage only for food from select vendors, hand washing at appropriate sinks, etc.
 - PTO/As should have had at least one individual at each elementary school trained as an Illinois Licensed Food Service handler (This year, only one PTO/A person actually held this license under a special agreement with the City.)
 - District license in jeopardy of being pulled for repeated violations at the elementary schools

In addition to the ongoing issues, several new concerns also have been brought forward during our research that are potentially of even greater importance as they expose District 64 to financial liability. These include:

- Liability insurance for outside vendors serving food in our schools. Since the District owns the license, we assume *all* liability and volunteers we allow to serve food to our students are viewed as an extension of the District.
- The District has been advised that it is in our best interest to transfer the risk associated with a lunch program to the private vendor. We cannot transfer the risk of a PTO/A volunteer to the private vendor since we sponsor the PTO/A's. Rather, we can only transfer the risk to the private vendor for items related to the food and any of the private vendor's employees that are on our property.

In response to these issues, the Collective Liability Insurance Cooperative (CLIC) in which District 64 participates informed us that our vendors should carry *at a minimum* the following coverage:

- Commercial General Liability Coverage
 - \$1,000,000 Per Occurrence
 - \$500,000 Damage to Rented Premises (Each Occurrence)
 - \$5,000 Medical Expenses
 - \$1,000,000 Personal & Advertising Injury
 - \$3,000,000 General Aggregate
 - \$3,000,000 Products/Completed Operations Aggregate
 - District should be named as an additional insured on a primary and non-contributory basis
- Commercial Automobile Liability Coverage
 - \$1,000,000 Combined Single Limit
 - District should be named as an additional insured on a primary and non-contributory basis
 - Umbrella or Excess Liability
 - \$5,000,000 Per Occurrence
 - \$5,000,000 General Aggregate
 - Coverage provided should be follow form

- Workers Compensation Coverage
 - Statutory limits
 - Employers Liability Limits of \$1,000,000/\$1,000,000/\$1,000,000
 - Above coverages shall be from a company authorized to do business in Illinois and with at least an "A XII" rating from A.M. Best Company

By requiring the food service vendors to supply the insurance as stated above, the District transfers its risk to the District-contracted food service vendor. Arbor Management exceeds all of these requirements. Again, the PTO/A cannot "own" their own food service license at the elementary schools. Only District 64 has the legal ownership of the license. Arbor as our contracted food service provider pays for the District's license under our contract.

Alternatives for 2016-17

Based on the insurance requirements and late June timing, administration is bringing forward two alternatives for consideration for the 2016-17 school year.

ALTERNATIVE 1 - MODIFIED STATUS QUO

District maintains annual license; PTO/As use outside food vendors. District 64 accepts all responsibility for the license/program and the people the District allows to run the program are an extension of the District.

Option 1:

- The District hires/employs an employee to oversee the program; this person is required by the City of Park Ridge to maintain an **Illinois Food Service Sanitation License**. (This is a 7-hour class with a 1-hour test). This person does not have to be on site at any of the schools on any particular day. However, the person would be responsible for overseeing the program and ensuring proper food safety. They are also responsible for training all volunteers and ensuring volunteers are handling food properly, checking temperatures before serving, sneeze guards are in place, prep tables/serve table being used properly, refrigerator usage only for food from select vendors, hand washing at appropriate sinks, etc.
- Cost estimated for this employee at \$7,500 per year.
- PTO/A vendors would be required to provide proof of liability insurance (as mandated by the District's insurance carrier CLIC). This would be an additional cost to PTO vendors if they do not currently maintain that coverage.
- This option gives District 64 the most direct oversight of food safety.
- Under current practice, PTO/A may select any vendor as long as the company complies with insurance requirement.
- Currently, the schools offer between 2-3 days per week only.

Option 2:

- The District does not hire/employ an employee to oversee/run the program. Each school PTO/A would therefore be required by the City of Park Ridge to have at least one Illinois Food Service Sanitation License. (Manager certification is a 7-hour class with a 1-hour test). This person(s) does not need to be onsite. However, this person(s) would be responsible for overseeing the program and ensuring proper food safety at their school.
- District 64 does not hire an employee.
- PTO/A leaders would oversee the lunch program at their schools to ensure compliance with requirements.

- PTO/A vendors would be required to provide proof of liability insurance (as mandated by the District's insurance carrier CLIC). This would be an additional cost to PTO vendors if they do not currently maintain that coverage.
- Although the District remains fully responsible as the license holder, this option gives District 64 less control of food safety.
- Under current practice, PTO/A may select any vendor as long as the company complies with the District's insurance requirement and the City of Park Ridge Health Inspector's requirements.
- Currently, the schools offer between 2-3 days per week only.

Option 3:

- PTO/As obtain a 28-day temporary food license to provide a weekly pizza day.
- As volunteers, the City of Park Ridge does not require any type of food handler license for this temporary use permit.
- Under current practice, the PTO/A may select any vendor for pizza days as long as the company complies with the District's insurance requirement and is approved by the City of Park Ridge Health Inspector.

ALTERNATIVE 2 - ARBOR PROPOSAL - DELAYED IMPLEMENTATION

The District continues to recommend awarding Arbor a contract to provide hot lunch four days per week at the elementary schools, with the fifth day preserved for a PTO/A pizza day fundraiser.

Since it is now the end of June, we are unable to begin offering a four day per week hot lunch program until January 2017. However with a contract in place, Arbor could provide a cold box lunch four days per week at a cost of \$4.25 per lunch to start the 2016-17 school year. The cost to the District would initially be about \$10,000 to purchase insulated food carriers and outfit the District truck with a rail system to secure the insulated food carriers.

PTO/A would continue to provide a fundraiser pizza day weekly and could do so under the 28-day temporary permit described above. There would be no impact on PTO/A revenues.

This delayed start schedule would allow Director of Facility Management Ron DeGeorge time to prepare our kitchens for hot lunch service in a manner that would meet City of Park Ridge requirements. From August through December, the District would be working to convert the elementary kitchens as outlined by the City of Park Ridge Health Department. The current cost for the renovation and additional needed equipment to serve hot lunch is approximately \$100,000.

As indicated in the recommendation presented to the Board at the April 25, 2016 Board of Education meeting, we plan to **fully recover** the startup and remodeling costs from the elementary hot lunch program in a very short period. The initial investment would be covered by earmarking \$25,000 of anticipated profit from the middle school ala carte program from 2015-16 to the new program. Rather than directing this profit into the District's fund balance, we would use it as seed money to invest in the program. In addition, as recommended previously, the price of the daily lunch (once the hot lunch program begins in January 2017) would be established to embed a payback into the pricing. The recommended daily price for hot lunch would be \$3.75, as proposed on April 25. Once the start-up costs had been fully recaptured, the District would consider a reduction to the daily hot lunch fee.

Conclusion

We believe the recommendation to select Arbor to provide hot lunch service beginning in 2016-17 remains the *most equitable and fiscally responsible means to ensure greater food safety for our students* at all five elementary schools. It means that families at all schools would have the convenience of utilizing a daily hot lunch (four days through Arbor, and one day through the PTO/A fundraiser). *PTO/As would preserve their fundraising through the pizza day revenues.* High quality, nutritional lunches at a uniform price would be available to all families across all schools. The lunches served to students purchasing lunch would be prepared and served under standardized food safety practices so students at all schools are protected. District 64 could efficiently manage and provide oversight for a program operating across seven schools with one contractor. And finally, sustainability/green practices could be organized and implemented efficiently District-wide in recognition of growing interest in these efforts.

ACTION ITEM 16-06-3

I move that the Board of Education of Community Consolidated School District 64, Park Ridge – Niles, Illinois, approve a District 64 elementary hot lunch program utilizing Arbor Food Services beginning with the 2016-17 school year and that the administration move forward with outfitting the kitchens as required to serve hot lunch.

The votes were cast as follows:

Moved by _____ Seconded by _____

AYES:

NAYS:

PRESENT:

ABSENT:

6/27/16