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Memo To: Board of Education members  
Dr. Mary Pfeiffer, District Administrator

From: Paul Hauffe, Director of Business Services *PH*  
Vicky Holt, Asst. District Administrator – Human Resources/Central Services *vh*

Date: October 31, 2013

RE: 2013-14 Food Service Contract – Amendment #2

At their meeting on August 13, 2013, Finance and Personnel Committee members were told of a very successful 2012-13 food service program. In their first year of operation and management, Chartwells improved on many aspects of the program including: 1.) nutrition and food quality, 2.) increased student participation, and 3.) positive financial results.

Also at that meeting, committee members learned of challenges that will be confronting the Food Service program as it moves into 2013-14. Among those challenges are new Federal regulations for snacks and a la carte items, District wellness initiatives and policies for staff and students, and maintaining and/or increasing student participation.

Recall that the Board of Education entered into a one-year contract with Chartwells effective July 1, 2012. The contract may be extended for up to four additional years. Attached to this memo is a copy of an amendment to the original contract with Chartwells that will extend the contract through June 30, 2014. This amendment is virtually identical, in substance, to the amendment (No. 1) that was adopted by the Board of Education and in effect for the 2012-13 year.

The Administration recommends that the Board of Education approve amendment number 2 of the Food Service contract between the Neenah Joint School District and Chartwells.

Following are the minor adjustments that are proposed in amendment No. 2:

- The term of the agreement is extended for one year, ending on June 30, 2014.
- The cost per meal (what the District pays Chartwells for each meal served) will increase by 2.3% (per formula). The cost of the new “premium” meal will be priced at twenty-two cents more than a standard meal.

- Conditional Guaranteed Return – Chartwells will guarantee that the ending Food Service fund balance on June 30, 2014 will be at least \$10,000 greater than the beginning fund balance on July 1, 2013. Similar to last year, there are general requirements and conditions that the District must meet to qualify for this guarantee. The District has full discretion and authority as to the use of its Food Service fund balance at any time. As discussed at the Administrative level and also at the Finance and Personnel Committee level, it is important to understand that the District is not in the Food Service business to generate large amounts of operating income year after year. In the first year of the contract, we determined that it was important to develop a cash “reserve” that can be used to address equipment failures and breakdowns (refrigerators, dishwashers, vehicles, etc) as well as other unanticipated expenses. This year, we believe that it is important to spend money to improve the quality and variety of foods that are offered to the students. For this reason, the “conditional guarantee” back to the District will be valued at 95% less than the prior year.
- As part of the original contract discussions with Chartwells, a series of credits were proposed by Chartwells to essentially reduce District costs. The sum of those credits, available to the District, had a range from \$0 - \$200,000. This amendment maintains the credit concept. However, the range of the credits available to the District, as detailed in amendment #2, has been adjusted to \$75,000 - \$125,000.
- For calculations relating to the contract only, the District will continue to directly spend up to \$125,000 on expenditures related to the Food Service program. These costs will be in the area of salary/benefits (food service delivery driver), repairs, new and/or replacement equipment, miscellaneous supplies and miscellaneous personnel costs. The District may certainly spend more (by using fund balance), or less, for any program needs.

Once approved by the Board of Education and Chartwells, this amendment will be submitted to the Department of Public Instruction. The DPI does not evaluate the amendment, or the entire food service contract, for fairness, advisability, or fiscal implications. Their review is limited to assuring compliance with federal and state procurement requirements.

The administration and Chartwells look forward to continuing and expanding upon the partnership that was established in the 2012-13 year. There will continue to be communication and discussion with the Finance and Personnel Committee on a frequent basis regarding the performance of the Food Service program, financially and otherwise.

We will be in attendance at the November 5 meeting to answer any questions that Board members may have.

**AMENDMENT NUMBER TWO TO  
FIXED FEE CONTRACT**

This Amendment Number Two, effective July 1, 2013, is between **Neenah Joint School District** ("School Food Authority" or "SFA") and Compass Group USA, Inc., by and through its **Chartwells** Division ("Chartwells" or "FSMC") (collectively, the "Parties").

WHEREAS, the SFA and Chartwells are parties to a certain agreement dated July 1, 2012, pursuant to which Chartwells manages the SFA's food service operations and facilities (the "Agreement");

WHEREAS, the parties now desire to amend the Agreement;

NOW, THEREFORE, in consideration of the promises herein contained, and for other good and valuable consideration, the parties hereby agree as follows:

1. The term of the Agreement is extended for one year, beginning on July 1, 2013 and ending on June 30, 2014.
2. The following costs, for the 2013-2014 school year reflect an adjustment pursuant to a 2.3% increase in CPI.(U.S. CPI – Food Away From Home (April-March).
  - a. The cost to the SFA for breakfast for the 2013-14 school year shall be \$1.330
  - b. The cost to the SFA for lunches for the 2013-14 school year shall be \$2.926
  - c. The cost to the SFA for each premium meal\* for the 2013-14 school year shall be \$3.146
  - d. The cost to the SFA for snacks for the 2013-14 school year shall be \$.870.
3. **Conditional Guaranteed Return.** The Food Service Fund will have a beginning balance of not less than \$180,339 at July 1, 2013. Chartwells guarantees that the Food Service Fund balance at the conclusion of the 2013-14 fiscal year will be at least \$10,000 greater than the beginning balance as recorded on July 1, 2013 unless a lesser amount is authorized by the District. The Conditional Guaranteed Return is based on the following conditions and assumptions remaining in effect for the school year, and shall not be subject to modification unless mutually agreed to by the parties, as specified herein:
  - a). The number of days meals are served during the school year will not be less than: 179 days of service (breakfast), and 164 days of service (lunch).
  - b). State reimbursement revenue will not be less than that received in the 2012-13 fiscal year.
  - c). The value of government-donated commodities and/or cash from the same federal government program in lieu thereof will not be materially less than the value of government-

donated commodities and/or cash from the same federal government program in lieu thereof estimated in Chartwells' proposed budget

d). The number of serving periods, locations, serving times and types of service will not change significantly and materially as a whole.

e). The student enrollment for the Term of the Agreement will not change materially from the number of students listed in the SFA's Request for Proposal. Free and Reduced eligible students will also not change materially from the numbers listed in your Request for Proposal.

f). The selling prices of Menu Pattern Meals and a la carte selections will not be less than those included in the proposal.

g). Service will not be reduced as a result of fire, work stoppage, strike or school closing resulting in less than the scheduled days of service as set forth in the actual 2013-14 school calendar.

h). The SFA and FSMC will work cooperatively to ensure that all applications for reimbursement for free and reduced price meals have been submitted in a timely manner.

i). All meals will be credited to the food service program based upon selling prices and reimbursement rates per the proposal.

For the purposes of this Conditional Guaranteed Return, a "material" change shall be defined as a variation from the baseline number of greater than five percent (5%). In the event either party believes that a change in these conditions and assumptions has occurred to the extent impacting the Conditional Guaranteed Return, such party shall give written notice to the other within thirty (30) days the party knew or should have known of the change. Failure to provide notice within this timeframe shall not act as a waiver of such claim. The other party shall have thirty (30) days to address the alleged change. Chartwells' guarantee obligation shall be adjusted only by an amount equivalent to any adjusted cost or adjusted revenue attributable to the changes in such conditions. Chartwells shall provide appropriate evidence showing the basis for such adjustments, and the SFA shall have the opportunity to review such evidence and raise any concerns or objections related thereto. Any change in the Conditional Guarantee shall only be made with mutual consent of the parties.

4. Food Service Budget. The actual costs charged to the Food Service budget by the Neenah Joint School District shall not exceed the projected operating expenses as set forth in Chartwells' proposal, with the exceptions of the following:

- A credit to SFA not to exceed \$ 67,500 annually for reduction of the Chef position.
- Former District employees, now employed by Chartwells, were offered positions at \$1.50 less than their last NJSD wage rate, and the difference shall be credited to the District. Such credit shall not exceed \$40,792 annually.

- The Conditional Guaranteed Return assumes that no hourly associates shall choose to enroll in Chartwells' benefits program. Based upon this assumption, Chartwells shall credit the SFA \$96,000 annually for benefits costs ("Benefits Credit"). SFA agrees that any hourly medical benefit charges to Chartwells over the course of this agreement will result in a dollar for dollar reduction of the Benefits Credit. In the event that hourly medical benefits costs exceed the Benefits Credit, Chartwells shall invoice the SFA for such excess outside of the Fixed Cost per Meal Rates. Any hourly medical benefit expenses will be a deviation to the Conditional Guaranteed Return.

In no event will the three previously identified credits exceed a cumulative total of \$125,000 nor cumulatively, be less than \$75,000, net to the SFA.

- The SFA shall cap at One Hundred Twenty-Five Thousand Dollars (\$125,000) all allocated and direct expenses for the food service program above and beyond payment to Chartwells for approved meals at the allocated meal rate. In no circumstance, excepting the case of clear negligence on the part of Chartwells, shall Chartwells be held accountable for amounts above the cap as it pertains to any liability regarding the guarantee. In the event of an increase to the mutually agreed upon expenses in subsequent years, Chartwells have the right to increase meal and a la carte pricing to offset such increase. The parties shall make all reasonable efforts to cap such increases at a rate equal to or below the increase to the relevant Consumer Price Index ("CPI").
- The FSMC will pay for certain costs associated with the use of government-donated commodities specifically the value of the commodities and any processing costs associated therewith. The payments for any or all of these commodity costs will be in the form of a credit to the SFA or a mutually agreed upon method.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute but one and the same original document.

\* Premium meals are identified as, but are not limited to, flatbreads, stromboli, panini and salad bar.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Amendment to be signed by their duly authorized officers, all done the day and year first above written.

**Neenah Joint School District**

**Compass Group USA, Inc.,  
by and through its Chartwells Division**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_