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TO: Frank C. Ortis, Mayor
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CC: Aner Gonzalez, Deputy City Manager
Marty Gayeski, Deputy City Manager
Samuel S. Goren, City Attorney

FROM: Jonathan Bonilla, Assistant Director Public Services

THRU: Charles F. Dodge, City Manager 

DATE: May 31, 2023

RE: Compass Group (Chartwells) 6th Amendment to the Food Service Management Agreement for the Charter Schools and EDCs

This memorandum is intended to provide clarification related to the price increase request from Compass Group to the current agreement, that is set to expire on June 30, 2023.

A) History – Compass Group

- a. On June 6, 2018, the City Commission approved the findings and recommendation of the Evaluation Committee and awarded ED-17-05 “Food Service Management Company (FSMC) - Charter School (NSLP) & EDC Programs” to Compass Group, USA, by and through its Chartwells Food Services Division, to provide nutritionally balanced meals to the City’s Charter Schools and Early Development Centers.
- b. The original agreement was for a one year period commencing on July 1, 2018, with the option to renew for four (4) additional one (1) year terms.
- c. Pursuant to Section 3.2 of the Original Agreement, “Renegotiation of all fixed rates and fees in subsequent years of the contract must not exceed the Consumer Price Index for Urban Consumers - Food Away From Home annualized rate for December of the current school year. Individual per meal fixed rate and applicable fixed fee increases cannot exceed the Consumer Price Index for Urban Consumers - Food Away From Home as stated above. Percentage increases cannot be applied to any previous year’s total estimated or actual contract cost.”

- d. To date the Original Agreement, as amended, has had five (5) amendments, including four (4) additional one (1) year terms which extended the term to June 30, 2023.
- e. Compass Group charges the City and Charter Schools based on a Fixed Meal Price (FMP) for each Reimbursable Meal and Meal Equivalent. Below are the previously approved Fixed Meal Price (FMP) for Charter School Lunch, EDC Regular Lunch and EDC Camp Lunch along with the annual rate increases as allowed by section 3.2 of the agreement and based on CPI:

Description	Term	Charter School FMP	EDC Lunch FMP	EDC Camp FMP	CPI % Increase	CPI % Increase Based on Change from
Original Agreement	07/01/18 - 06/30/19	\$2.9500	\$2.5000	\$2.7500	N/A	N/A
1st Amendment	07/01/19 - 06/30/20	\$3.0326	\$2.5700	\$2.8270	2.7990%	Dec 2017 to Dec 2018
2nd Amendment	FSMC Investment	N/A	N/A	N/A	N/A	N/A
3rd Amendment	07/01/20 - 06/30/21	\$3.1266	\$2.6497	\$2.9146	3.1000%	Dec 2018 to Dec 2019
4th Amendment	07/01/21 - 06/30/22	\$3.2492	\$2.7536	\$3.0289	3.9200%	Dec 2019 to Dec 2020
5th Amendment	07/01/22 - 06/30/23	\$3.4445	\$2.9191	\$3.2109	6.0100%	Dec 2020 to Dec 2021

- f. As shown above, the CPI change from the previous December will not go into effect until the following July. For instance, for the 5th Amendment, the December 2020 to December 2021 CPI change does not go into effect until July 1, 2022.

B) Compass Group's Increase Request Justification

- a. Since the contract went into effect on July 1, 2018, the vendor has had to absorb various State mandated increases to the minimum wage which was approved on November 2020 after the contract when into effect on July 1st, 2018. In the table below, the biggest impact was in September 2021 and September 2022 which are applicable within the contract terms (*).

Effective Date	Minimum Wage	Increase \$	Increase %
Jan. 01, 2021	\$ 8.65	\$0.09	1.05%*
Sep. 30, 2021	\$10.00	\$1.35	15.61%*
Sep. 30, 2022	\$11.00	\$1.00	<u>10.00%*</u>

- b. On February 14, 2023, the Food Service Regional Director, Javier Diaz, submitted a request to the Charter School Support Office, to increase the Charter School FMP rate from \$3.4445 to \$3.7345 (\$0.29 / 8.4195% increase) per charter school meal equivalent retroactive to the start of the school year 2022-23.
- c. Soon after, the Charter School Support Office met with the Florida Department of Agriculture and Consumer Services to confirm that the request was permissible under the State's meal program guidelines. Furthermore, the vendor was asked to provide financial data and evidence to substantiate the increase, which was thoroughly evaluated by the Charter School Support Office.
- d. In accordance with the agreement, each annual contractual increase is based on the December CPI prior to the renewal time period (July 1st). Hence, the 5th Amendment CPI increase was predicated on the December 2021 CPI increase vs. December CPI 2020 (6.0100%), effective July 1st 2022.
- e. Since the last increase was based on the December 2021 CPI increase which went into effect on July 1st, 2022, operational costs have increased dramatically putting a burden on the vendor. CPI has significantly increased by 10.2630% as of March 2023 since the last calculation on December 2021.

- f. Even though the vendor has had to absorb the State mandated increases to the minimum wage (10% in 2022) and the change in CPI from December 2021 through March 2023 (10.2630%), the vendor is only asking for an increase of 8.4195%, as shown in the table below:

Description	Term	Charter School FMP	% Increase	CPI % Increase Based on Change from
5th Amendment	07/01/22 - 06/30/23	\$3.4445	6.0100%	Dec 2020 to Dec 2021
6 th Amendment	08/01/22 - 06/30/23	\$3.7345	8.4195%	Dec 2021 to Mar 2023 *10.2630% Actual CPI Increase

C) Supply Chain Assistance (SCA) Funds

- The charter schools received incremental SCA funding, beginning in August 2022. This additional financial resource was provided to help schools overcome financial and operational barriers that were incurred while maintaining children’s access to nutritious meals.
- To date, the Schools received \$312,108.63 in SCA funds which fully covers the estimated impact of \$260,410.79 for the proposed amendment.
- Furthermore, student meal prices will not be impacted by the referenced amendment. Meal prices have not increased over the past four years as the Food Service Program is subsidized by State and Federal funds. See current student meal prices below.

Meal Service	Elementary	Middle	High
Breakfast	\$0.00	\$0.00	\$0.00
Lunch	\$2.70	\$3.05	\$3.20

This item will be presented for consideration on the June 7th, 2023 Commission meeting.