



Legislation Text

File #: 23-0367, Version: 3

MOTION TO APPROVE THE SIXTH AMENDMENT TO THE CONTRACTUAL SERVICES AGREEMENT WITH COMPASS GROUP USA, INC., INCREASING THE FIXED MEAL PRICE (FMP) FOR CHARTER SCHOOL LUNCH BY 8.4195% OR \$0.29, FOR AN ACTUAL TOTAL IMPACT OF \$242,227.61 FOR THE PERIOD OF AUGUST 1, 2022 THROUGH JUNE 30, 2023.

On May 17th, 2023, this Item was presented to the City Commission and was deferred to June 7th, 2023 for further clarification.

On June 7th, 2023, this Item was presented to the City Commission and was deferred to June 7th, 2023 for Commission Auditor review.

PROCUREMENT PROCESS TAKEN:

- Chapter 35 of the City's Code of Ordinances is titled "PROCUREMENT PROCEDURES, PUBLIC FUNDS."**
- Section 35.21 of the City's Code of Ordinances is titled "AWARD OF CONTRACT."**
- Section 35.21(A) of the City's Code of Ordinances is titled "City Commission approval."**
- Section 35.21(A)(1) states, "An initial purchase of, or contract for, commodities or services, in excess of \$25,000, shall require the approval of the City Commission, regardless of whether the competitive bidding or competitive proposal procedures were followed."**
- Section 35.28 of the City's Code of Ordinances is titled "CHANGE ORDERS."**
- Section 35.28(B) states "Notwithstanding the provisions of division (A), the City Manager is not authorized to approve a change order without authorization of the City Commission where the initial purchase required the City Commission's approval and where the sum of all change orders issued under the contract exceeds 5% of the original contract amount or \$25,000."**

SUMMARY EXPLANATION AND BACKGROUND:

1. 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, for an initial one-year period beginning July 1, 2018.
2. On June 13, 2018, the City entered into a Food Services Agreement with Compass Group USA,

Inc. for an initial one (1) year period, which expired on June 30, 2019.

3. Pursuant to Section 3.2 of the Original Agreement, “this Agreement may be renewed for four (4) additional one (1) year terms upon mutual consent, evidenced by a written Amendment extending the term thereof. The only rates and fees that may be renegotiated in subsequent years of this contract are the fixed rates and fixed fees contained herein. Before any fixed rate or fee increases can be implemented as part of the contract renewal agreement, the FSMC shall document to the School Food Authority (SFA), through a written financial analysis, the need for such increases. 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.”

4. 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.

5. 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 Lunch		EDC Lunch Camp		Increase %
		FMP	FMP	FMP	FMP	
Original Agreement	07/01/18 - 06/30/19	\$2.9500	\$2.500	\$2.750	N/A	
1 st Amendment	07/01/19 - 06/30/20	\$3.0326	\$2.570	\$2.827		2.7990%
2 nd Amendment	FSMC Investment	N/A	N/A	N/A		N/A
3 rd Amendment	07/01/20 - 06/30/21	\$3.1266	\$2.649	\$2.914		3.1000%
4 th Amendment	07/01/21 - 06/30/22	\$3.2492	\$2.753	\$3.028		3.9200%
5 th Amendment	07/01/22 - 06/30/23	\$3.4445	\$2.919	\$3.210		6.0100%

6. On November 3, 2020, Florida voters approved Florida Amendment 2, which amended Florida's constitution to gradually increase the state's minimum wage from \$8.56 an hour to \$15 an hour by the year 2026, according to the following schedule:

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	10.00%*
Sep. 30, 2023	\$12.00	\$1.00	9.09%
Sep. 30, 2024	\$13.00	\$1.00	8.33%
Sep. 30, 2025	\$14.00	\$1.00	7.69%

Sep. 30, 2026 \$15.00 \$1.00 7.14%

*Applicable to the contract term.

7. As of March 2023, the Consumer Price Index for All Urban Consumers (CPI-U) for Food Away from Home has significantly increased by 10.2630% from the last contract increase calculation based on the December 2021 CPI.

8. Along with the aforementioned factors (Florida wage mandate and CPI Increases), Compass Group have expressed that operational costs have dramatically increased due to increased transportation costs, product substitutions, food vendor closures, supply chain disruptions. Consequently, the vendor is proposing the 6th Amendment to retroactively increase the Fixed Meal Price (FMP) and Meal Equivalents for Charter School Lunch for the period starting on August 1, 2022 through June 30, 2023 by \$0.29 (8.4195%) with an actual total cost of \$242,227.61. The requested change does not impact the cost that the students pay for school meals.

Description	Term	Charter School %	
		FMP	Increase
5 th Amendment	07/01/22 - 06/30/23	\$3.4445	6.0100%
6 th Amendment	08/01/22 - 06/30/23	\$3.7345	8.4195%

9. The U.S. Department of Agriculture’s Food and Nutrition Service (FNS) has provided additional funds to eligible School Food Authorities (SFAs), such as the City of Pembroke Pines Charter Schools, who are operating the National School Lunch Program (NSLP) and School Breakfast Program (SBP) that are experiencing supply chain disruptions. These additional funds are categorized as Supply Chain Assistance (SCA) funds. As of May 2023, the City of Pembroke Pines Charter Schools have received \$312,108.63 in SCA funds.

10. On May 17th, 2023, this item was presented to Commission but was deferred as the item needed further clarification. City Administration has composed the attached memo (Exhibit 3) to provide clarification related to the price increase request.

11. On June 7th, 2023, this item was presented to Commission but was deferred again as the item was requested to be reviewed by the Commission Auditor. City Administration has met and provided all of the requested information to the Commission Auditor. Please see attached Commission Auditor's memo (Exhibit 4) on his findings and recommendations.

12. City Administration has reviewed and updated the cost impact from an estimated cost impact of \$260,410.79 (based on estimated annualized meals) to an actual cost impact of \$242,227.61 which is based on actual meals provided as of the last day of school, June 8th, 2023.

13. School Administration has reviewed the request to retroactively increase the Fixed Meal Price (FMP) and Meal Equivalents for Charter School Lunch for the period starting on August 1, 2022 through June 30, 2023 by \$0.29 (8.4195%) and recommends City Commission to approve the sixth amendment.

Reviewed by Commission Auditor.

FINANCIAL IMPACT DETAIL:

a) **Initial Cost:** The total impact of the proposed 6th amendment is an increase of \$242,227.61.

b) **Amount budgeted for this item in Account No:**

School Site	Account Coding
East Elementary	170-569-5051-531310-7600-310-0000-00550
West Elementary	170-569-5051-531310-7600-310-0000-00551
Central Elementary	170-569-5051-531310-7600-310-0000-00552
West Middle	171-569-5052-531310-7600-310-0000-00553
Central Middle	171-569-5052-531310-7600-310-0000-00554
Academic Village	172-569-5053-531310-7600-310-0000-
FSU Elementary	173-569-5061-531310-7600-310-0000-

c) **Source of funding for difference, if not fully budgeted:** Not Applicable.

d) **5 year projection of the operational cost of the project:** Below only reflects the additional estimated cost vs the Supply Chain Assistance Revenues for the current FY.

	Current FY
Revenues	\$312,108.63
Expenditures	\$242,227.61
Net Gain	\$69,881.02

e) **Detail of additional staff requirements:** Not Applicable

FEASIBILITY REVIEW:

A feasibility review is required for the award, renewal and/or expiration of all function sourcing contracts. This analysis is to determine the financial effectiveness of function sourcing services.

a) **Was a Feasibility Review/Cost Analysis of Out-Sourcing vs. In-House Labor Conducted for this service?** Not applicable.

b) **If Yes, what is the total cost or total savings of utilizing Out-Sourcing vs. In-House Labor for this service?** Not applicable.