Brownsville Independent School District

Agenda Category: Conference Presentation **Board of Education Meeting:** 08/04/26

Item Title: Presentation of Preliminary Findings and Recommendations from the Food and Nutrition Consultant

	Action
X	Information
	Discussion

BACKGROUND:
Presentation of the preliminary findings and recommendations from Ms. Carmen Ocañas-Lerma, Food and Nutrition Consultant regarding the operational and financial review of the District's Food and Nutrition Services Department. The report will include an overview of identified challenges, fiscal trends, operational efficiencies, and recommended corrective actions designed to improve the financial sustainability of the program.

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Approved for Submission to Board of Education:

Dr. Timothy Cuff

Dr. Timothy E. Cuff, Superintendent

When Necessary, Additional Background May Follow This.

Child Nutrition Fund Balance Trend Analysis

Executive Summary

The Child Nutrition Program's declining fund balance is not the result of a single event but rather the cumulative effect of several years of financial imbalance. The department is currently spending more than it generates in operating revenue, resulting in annual operating losses that continue to diminish and deplete the fund balance.

If this trend continues without corrective action, the Child Nutrition Program will require ongoing support from local funds or significant operational changes to restore financial sustainability.

Key Factors Driving the Deficit

1. Enrollment Decline

Brownsville ISD has experienced a significant decline in student enrollment over the past several years. As enrollment decreases, the potential number of reimbursable meals also declines. Example: A drop in 2,000 students x $4.50 average reimbursement x 177 instructional days = approximately $1,593,000 in federal reimbursement for one meal type. BISD has had a drop in enrollment in the amount of 6,000 students in the past 5 years, and a decline in enrollment in the amount of approximately 13,327 students in the past 10 years.

Fewer students result in:

- Lower breakfast participation (currently 56% of ADA)
- Lower lunch participation) currently at 76% of ADA)
- Reduced federal reimbursement revenue
- Reduced commodity entitlement

While enrollment has declined, many operating costs have not declined at the same pace. Specifically labor costs.

2. Labor Costs Have Not Adjusted to Participation Levels

Our preliminary review indicates that staffing levels have remained relatively constant despite declining enrollment and meal participation as calculated against ADA.

As a result:

- Meals Per Labor Hour (MPLH) is below industry benchmarks. Staffing is at approximately 9-14 mplh when it should be at 18-23 mplh.
- Labor cost per meal has increased.
- Fixed labor costs consume a larger percentage of program revenue.

Simply stated, the department is preparing and serving fewer meals while utilizing a staffing structure designed for higher participation levels or enrollment levels from 5 years ago or more. There has been no adjustment to staffing levels. A complete meals per labor hour report has been provided to Director of Food and Nutrition. A reduction in hourly staff by campus has been provided based on complete and thorough analysis of productivity.

3. Budget Development

A review of the Child Nutrition Department's historical budgets indicates that revenue projections have remained relatively consistent from year to year despite a continuing decline in student enrollment and meal participation. Actual revenues have routinely fallen short of budgeted expectations, resulting in recurring operating deficits and a gradual reduction of the department's fund balance. Budget development does not appear to have been adjusted to reflect changing participation trends, creating a structural imbalance between projected revenues and actual operating performance. Moving forward, budget assumptions should be aligned with realistic participation forecasts and current demographic trends to ensure long-term financial sustainability.

4. Operating Expenses Continue to Increase

This is mainly due to current inflation, cost of food, cost of fuel and overall nationwide economic environments. Over the last several years, the district has experienced:

- Higher food costs
- Increased employee wages
- Rising benefit costs
- Increased supply and operating expenses

Although federal reimbursement rates have increased, those increases have not fully offset the growth in operating costs.

5. Deficit

The most concerning trend is that the deficit appears to be structural rather than temporary.

A structural deficit occurs when:
Operating Revenue < Operating Expenses

This means the department is not experiencing a one-time loss but rather an ongoing imbalance that repeats each year.

As a result:

- Fund balance decreases annually.
- Cash reserves are depleted.
- Financial flexibility is reduced.
- Future deficits become more difficult to absorb.

6. Budget Development and Use of Fund Balance

Revenue Budget Overstatement

A review of the Child Nutrition Department's historical budgets indicates that revenue projections have consistently exceeded actual collections. With the exception of FY 2022–2023, beginning revenue budgets were based on assumptions that were not supported by actual enrollment and meal participation trends. As a result, actual revenues routinely fell short of budgeted expectations, contributing to recurring operating deficits and the continued decline of the Child Nutrition Fund balance.

Fiscal Year	Beginning Revenue Budget	Actual Revenue	Dollar Overstatement	Budget Overstated By
2020–2021	$40,927,254	$25,055,893	$15,871,361	**63.34%**
2021–2022	$41,163,613	$35,889,806	$5,273,807	**14.69%**
2022–2023	$41,561,740	$40,977,586	$584,154	**1.43%**
2023–2024	$43,383,265	$39,794,113	$3,589,152	**9.02%**
2024–2025	$43,116,757	$37,249,660	$5,867,097	**15.75%**

Key Observation

The department has consistently adopted revenue budgets that exceeded actual revenues, resulting in unrealistic financial expectations and recurring operating deficits. Budget assumptions have not been sufficiently adjusted to reflect declining enrollment, reduced meal participation, and changing demographic trends. Aligning future budgets with historical performance and realistic participation forecasts will improve financial planning and long-term sustainability.

Reliance on Fund Balance & Payment of Indirect Cost

Historically, the department has relied on accumulated fund balance to absorb annual operating losses including annual indirect cost applied. Indirect cost rate is applied per TEA published rate. The indirect cost rate is debited against revenue. The amount fluctuates from year to year. While indirect costs (IC) are not the sole cause of the Child Nutrition Program's operating deficit, charging these costs to a program that is already experiencing recurring financial losses further weakens its financial position. Historically, the department has relied on its accumulated fund balance to offset annual operating deficits. This approach is comparable to using savings to pay for recurring operating expenses. Although it may provide short-term financial relief, it is not a sustainable long-term strategy because fund balance is a finite resource. Continued reliance on fund balance, coupled with the assessment of indirect costs, accelerates the depletion of available reserves and increases the risk that the program will require future support from local funds or significant operational adjustments. Without corrective action, the district will ultimately need to:

- Transfer local funds to support operations.
- Reduce operating expenditure.
- Increase meal participation and program revenue.
- Implement a combination of these strategies to restore long-term financial stability.

Preliminary Observations

Based on the initial review:

- Enrollment has declined.
- Meal participation has not kept pace with operating costs. BISD enjoys a steady average daily participation (ADP) percentage, but this percentage is calculated based on average daily attendance (ADA)
- Labor productivity appears significantly below accepted benchmarks.
- Staffing levels warrant further review and aggressive changes to staffing ratios by campus.
- The Child Nutrition Program is experiencing recurring annual deficits.
- Fund balance continues to diminish each year.

Actionable Recommended Items

1. Campus-by-campus staffing analysis has been completed
2. Established Meals Per Labor Hour benchmarks for each site.

3. Reduction in force recommended that is aligned with meal per labor hour formula, report has been completed and submitted to FND with an approximate reduction in force of over 100 hourly personnel
4. Reduction in force at location 913
5. Review indirect cost allocations and compliance requirements.
6. Develope 2026-2027 financial recovery plan (Increase Revenues)
7. Develop a multi-year financial recovery plan.
8. Monitor participation trends monthly.
9. Monitor MPLH by month
10. Monitor per plate cost by month
11. Align staffing levels with actual meal production and participation.
12. Budget based on past performance and make adjustments based on current performance indicators
13. Implement a la carte sale of smart snack throughout all campuses
14. Increase participation at breakfast thru breakfast in the classroom, breakfast in the hallway or second chance breakfast.
15. Increase lunch participation
16. Increase after school snack or at risk snack (nslp, or cacfp)
17. Increase supper (cacfp)

Conclusion

The declining fund balance is not the problem itself—it is the symptom of a larger financial trend. The underlying causes appear to be declining enrollment, reduced participation, rising operating costs, and staffing levels that have not adjusted to current demand. Corrective action now can stabilize the program and prevent the need for recurring financial support from local funds.

<u>As for the breakdown of 2025-2026 fiscal year and what caused the deficit.</u>

Expenditure Category	Expensed Amount	% of Revenue
Total Revenue	**$32,045,839**	**100.00%**
Salaries	$14,993,481	**46.79%**
Benefits	$5,220,820	**16.29%**
Professional Services	$349,934	**1.09%**
Food Purchased	$16,149,720	**50.40%**
USDA Foods	$1,056,623	**3.30%**
Supplies	$1,272,229	**3.97%**
Travel	$67,522	**0.21%**
Equipment	$1,554,645	**4.85%**
Total Expenditures	**$40,664,974**	**126.90%**

Key Findings

- Total expenditures equal 126.9% of total revenue, meaning the Child Nutrition Program spent 26.9% more than it generated in revenue.
- Salaries and benefits together consume 63.08% of total revenue.
- Food purchases account for 50.40% of revenue.
- Combined, labor (63.08%) and food costs (50.40%) represent 113.48% of total revenue, before considering supplies, equipment, travel, and other operating costs.
- This indicates that the department's two largest cost drivers alone exceed the revenue available to operate the program, resulting in a structural operating deficit.

Summary of Findings

- **FY25-26 Total Revenue: $32,045,839**
- **FY25-26 Total Expenditures: $40,664,974**
- **FY25-26 Total Expenditures: 126.90% of Revenue**

Key Takeaways

- **Labor costs (Salaries + Benefits) = 63.08%**
- **Food Purchased = 50.40%**
- Together, **labor and food costs consume 113.48% of all revenue**, before considering supplies, equipment, travel, professional services, or other operating expenses.

As a result, the department is operating with a **deficit**, where recurring expenditure consistently exceeds recurring revenues, contributing to the annual decline in the Child Nutrition fund balance. Industry indicators recommend 80-85% should be devoted to Food and Labor Costs depending on the district, depending on market. An LEA should always allow for 10% of budget for "other" (professional service, repair, equipment).

Institute of Child Nutrition. (2017). *Financial management: A course for school nutrition directors* (2nd ed.). The University of Mississippi.

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Texas Department of Agriculture. (n.d.). *School Nutrition Programs Open Data*. Texas Open Data Portal. Retrieved June 9, 2026, from https://data.texas.gov/stories/s/e2dm-5r4v

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