THE WINNETKA PUBLIC SCHOOLS
DISTRICT 36

A Community of Learners

Information and Action Item: Vendor/Contract - Food Service

TO: School Board
       Trisha Kocanda

FROM: Brad Goldstein. CFO

April 21, 2020

Overview & Background

The District went out to bid for food services on February 27, 2020. We have had Arbor Management, Inc. ("Arbor") as our food service provider since 1996, and I am not aware of the last time that the District went out to bid. They provide services only at Carleton Washburne. We have received concerns from staff, parents and students regarding the quality and variety provided by Arbor and determined that this warranted the District to do it's due diligence and see what other options were available to provide a better program.

We held a mandatory pre-bid meeting on March 13th, and had four vendors in attendance. A bid opening was held on March 31st, where the District received three proposals. These proposals were submitted by Arbor Management, Inc., Ceres Food Group and Quest Food Management Services.

The food service bid process in Illinois is highly regulated, and requires school districts to go with the lowest responsible bidder. In reviewing the bids, the lowest cost provider was Ceres Food Group ("Ceres"). Their proposal did not comply with the following Request for Proposal requirements that were required as part of the bid process.

- A list of all operations and locations where Bidder is operating institutional food service accounts. Provide length of time, name, address, and telephone number of a contact person for each operation.
- Annual reports or financial statements prepared or certified by a licensed public accountant for the past three consecutive years. Financial reports must be in conformity with U.S. generally accepted accounting principles.

In addition to not being compliant with the bid requirements, Ceres does not have a

local presence in similar Districts in the area. Only one Illinois school district was provided as a reference, the remainder were out of state. With the lack of a local presence there is a concern that the support provided to our account would not be sufficient to meet our needs with a new vendor. In addition to this, their proposal, which provided for a slight surplus, was based upon a 29% increase in sales, which does not appear viable given the nature of the program. The Administration deems this submission non-responsive, and recommend that we reject this proposal as a non-conforming bid.

Our second lowest bidder is Arbor Management, Inc. ("Arbor"), who has provided services to our District since 1996. Although the District has had an overall good relationship with Arbor, we have found the quality of product is not meeting the expectations of our students, parents and staff. The program has seen stagnation over the past several years, as well as a growing loss in what was intended to be a breakeven program. This past year saw a deficit of $24,000 after a slight deficit of $4,000 the prior year. We have been raising the cost of meals by between 2.5-5.0% each year, but have not seen a corresponding increase in quality that should be expected.

An additional factor to consider is the sales level increase in the proposal submitted by Arbor in order to reach the sales level that provides a breakeven program. The proposal shows an increase in sales expected to be approximately 20% over current levels. It seems that this is an unrealistic sales target given the recent history and current pricing of the program. Based upon these factors, and our experience with the vendor, the Administration recommends that Arbor be rejected for demonstrated lack of responsibility.

Our third submission is from Quest Food Management Services ("Quest"). Quest has a large presence in the area including many districts of a similar size and volume. These include: Park Ridge, Hinsdale, Northbrook-Glenview 30, Frances W. Parker, University of Chicago Lab School, Aptakisic-Tripp, Lake Forest. Locally they service Loyola Academy, New Trier High School, and Avoca. I was able to check references with many of these districts, and received nothing but positive feedback. Many of these districts, including Aptakisic-Tripp, Avoca and Park Ridge switched from Arbor to Quest over the past several years and saw the quality of program improve greatly. They indicated that the company does an excellent job in surveying students and is very hands on with the program.

Quest's program will emphasize a focus on scratch cooking with less heat and serve convenience foods that are typical in most other school food service programs. Food quality was indicated as the number one overall improvement in those currently using Quest. The quality of staff training and food safety is emphasized in the proposal as well.

Although the Administration intended to visit sites to evaluate the program and quality of the food, in addition to sampling vendors' products with student groups, this was not viable given the closure of schools due to the COVID-19 pandemic. We are relying on the outstanding references provided by Quest's current clients from surrounding Districts. The depth of local presence in the area indicates that our

District would be serviced well by Quest.

With Quest as the lowest responsible bidder, we were able to negotiate their fee to bring it down and reduce the cost of the program. Our current student cost for a lunch including an entree, sides and a milk, is $4.05. Quest's proposal offered a price point of $4.50, which netted a loss of ($84,241). In speaking to Quest, they felt comfortable with a student cost of $5.00, or an increase of 22% over the current cost, and offered a reduction in their management fee from $50,000 to $40,000. This would result in a deficit of ($38,177), more in line with the program results from this past year. An analysis of the program shows that a student cost of $6.00, or an increase of 47% from our current student cost, would be necessary to run a break even program given the estimated purchase volume. Although Quest indicated that it has a variety of price points in Districts it serves, the Administration recommends the $5.00 price point to better gauge the program and evaluate offerings.

The Financial Subcommittee discussed the ongoing concern about closures related to COVID-19, and the impact this would have on contracted services. In reviewing the bid documents for food services with our attorney, he indicated that the bid documents as written state that the contractor's monthly invoice shall be exclusively based upon food services actually provided during the billing month in question; thus this language appears to provide a basis for the District to cease payment obligations in the event of future school closing due to COVID-19. In addition to this language, however, the bid documents also include a "force majeure" clause that addresses the obligations of the parties in the event of an Act of God, such as a pandemic. Our attorney has updated the language limiting payment to services actually provided and Quest has agreed to this updated language. If there are sporadic closures throughout the year, the District would need to evaluate whether food service would be offered, and determine if we would choose to not offer food service until stability returned to the school year.

Recommendation

Administration recommends that the District enter a one-year contract with Quest Food Management Services to provide food services at Carleton Washburne for the 2020-2021 school year. This contract can be extended upon mutual agreement by the District and Quest. Administration also recommends the cost of a student meal be set at $5.00 for the 2020-2021 school year.

Should the Board concur with this recommendation, the following motion should be made: "I move to reject Ceres as a non-responsive bidder for the reasons discussed, reject Arbor for its demonstrated lack of responsibility for the reasons discussed and to award the contract to Quest, in accordance with the Administration's recommendations, subject to attorney review and approval."

Attachments

Bid Tabulation Sheet

Negotiated Fee and Updated Pricing Model