



Senior and Disability Services

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Area Agency on Aging

MEMORANDUM

DATE: May 2, 2017

TO: OCWCOG Senior Services Advisory Council (SSAC)

FROM: Diane Harvey, Senior Meals Supervisor

RE: **Request for Approval of FY2018 and FY2019 Senior Meals Food Service Contract Increases with Bateman Senior Meals**

The Oregon Cascades West Council of Governments (OCWCOG) is a partner in an interagency consortium with NorthWest Senior & Disability Services (NWSDS) and Lane Council of Governments (LCOG) to procure food service for the meal sites and home delivered meals programs in a seven-county area. NWSDS is the lead agency in the food service procurement consortium.

Bateman Senior Meals (Bateman) has been providing food service for the partnership since 1992. Bateman has continued to control costs and provide high quality food service to our clients in fiscal year (FY) 2017.

Bateman was the successful bidder in the Request for Proposals (RFP) conducted for FY2014. This is the 5th year of a five (5) year agreement and has requested an extension of the contract into the 6th year. All Consortium partners have agreed to the one (1) year contract extension through June 2019, with the provision that the rate scale was locked for the second year.

This year, the Area Agency on Aging (AAA) Directors of the Consortium agencies agreed to implement a volume-based sliding rate scale due to the volatility of the various agency meal counts and the difficulty in forecasting meal counts for this contract. This eliminates the need for mid-year contract amendments.

In compliance with the Memorandum of Understanding between the three agencies, each Agency is to review the price proposal and then recommend to NWSDS that it continue the contract with Bateman.

METHOD OF SERVICE PROVISION:

Bateman operates kitchens in Salem, Newport, and Eugene. They plan the menu; hire, train, and supervise all kitchen staff; purchase raw food; prepare the food according to standardized recipes; deliver the food in our trucks to the meal sites, where it is served or packaged for home delivery by our staff; and maintain our kitchen equipment and trucks.

IMPLEMENTATION OF A VOLUME BASED RATE SCALE:

Payments will be based on a volume-based unit rate scale for hot meals and a volume-based unit rate scale for frozen meals. The per unit meal rate will be calculated on the following service levels: hot meals **426,000** and frozen meals **133,000**.

The per unit meal rate will be adjusted on a quarterly basis to reflect the total year-end projected meals. The projections will be calculated and agreed to by both the Consortium and the Provider.

Hot Meal Rate Chart – Bateman has submitted the following chart, breaking out per meal rates for the following volume price increments; in 5,000 hot meal increments, starting with 415,000 – 500,000 hot meals for each of the following time periods: July 1, 2017 – June 30, 2018; and July 1, 2018 – June 30, 2019.

HOT MEALS

From To

500,000	Over	\$4.38
495,000	499,999	\$4.41
490,000	494,999	\$4.44
485,000	489,999	\$4.47
480,000	484,999	\$4.50
475,000	479,999	\$4.53
470,000	474,999	\$4.56
465,000	469,999	\$4.59
460,000	464,999	\$4.63
455,000	459,999	\$4.66
450,000	454,999	\$4.69
445,000	449,999	\$4.73
440,000	444,999	\$4.78
435,000	439,999	\$4.81
430,000	434,999	\$4.85
425,000	429,999	\$4.89
420,000	424,999	\$4.93
415,000	419,999	\$4.97

Frozen Meal Rate Chart – Bateman has submitted the following chart, breaking out per meal rates for the following volume price increments; in 2,500 frozen meal increments, starting with 100,000 to 137,500 meals for each of the following time periods: July 1, 2017 – June 30, 2018; and July 1, 2018 – June 30, 2019.

FROZEN MEALS

From	To	
137,500	Over	\$4.34
135,000	137,499	\$4.38
132,500	134,999	\$4.42
130,000	132,499	\$4.46
127,500	129,999	\$4.52
125,000	127,499	\$4.59
122,500	124,999	\$4.65
120,000	122,499	\$4.72
117,500	119,999	\$4.78
115,000	117,499	\$4.85
112,500	114,999	\$4.92
110,000	112,499	\$4.99
107,500	109,999	\$5.07
105,000	107,499	\$5.16
102,500	104,999	\$5.24
100,000	102,499	\$5.33

STAFF COMMENTS:

- This contract incorporates a volume-based sliding rate scale which will allow quarterly price adjustments to the hot and frozen meal rates based on our actual purchase volume. This payment method is in use in several Oregon senior meal programs. It will eliminate the need for mid-year contract amendments and will minimize risk and loss for both the Consortium and the Food Service Provider.
- This is a proposal that is fixed for two years and is based on FY2018 costs. Bateman expects wage and food increases in FY2019, which they plan to absorb as a loss. The company is willing to take this loss for the privilege of an extension for a 6th year.
- The proposed base unit cost for hot meals is \$4.89, 7% higher than the FY2017 agreement. The volume of hot meals proposed to be purchased by the Consortium is 24,000 less. The increase in price is primarily due to the reduced purchasing volume, continuing food inflation, and implementation of Oregon’s minimum wage law in the current tight labor market.
- The unit rate based on the proposed volume of frozen meals is \$4.42, which is approximately 1.5% higher than the FY2017 price. The proposed volume of frozen meals is 3,000 meals higher than the current year.

- Bateman estimates 3.5% food inflation over the next year. They manage food cost increases by engaging in national food contracts with producers and suppliers, which are continually reviewed and updated. They pool the volume of their various contracts, which allows them to negotiate large volume contracts to give all their customers a lower price. Because of this purchasing power, they can reach different regional markets for competitive prices. Bateman consistently tracks the food inflation across the various menu items we use and incorporates that data in the menu planning.
- The menu specifications written by the Consortium for this contract require that Bateman “scratch” cook most the items served on the menu. Scratch cooking: 100% salads, 75% of breads, 70% of entrees; and frozen vegetables seasoned in the kitchen. Most recipes have been modified to control sodium and fat, and to meet the strict Federal and State nutrition standards for these meals.
 - For example, Bateman bakes breads and desserts; the pudding is a scratch recipe with no sodium. While canned fruit is used on the menu, seasonal fresh fruit is also used. Fresh salads are prepared in the kitchens. Fruit and vegetables purchased out of season are higher priced and lower quality. Processed items, such as beef or chicken patties are used to assure food safety and control labor costs. These pre-made products help control costs. Based on recent Customer Satisfaction Surveys, an additional meatless entrée is being added to the monthly menu, more brown rice and more variety of fresh fruit will also be used.
- This is a food service production and delivery contract which includes delivering the food from the Central Kitchens to the service locations. This budget is based on gas prices no higher than \$3.25 per gallon in Salem and Eugene and \$3.50 per gallon in Newport. Variations in the actual cost of gas will be handled as a credit or charge on the monthly billing. Bateman will credit the agencies if the cost of gas is lower. The Consortium partners will pay the difference between the budgeted price and the actual price, if the monthly average cost of gas is higher than these figures.
- Bateman does not charge a profit in this contract. They discounted \$.10 on the hot meal rate and \$.09 of the frozen meal rate because we pre-pay 80% of the average monthly bill.

OCWCOG SSAC RECOMMENDATIONS:

- 1) OCWCOG contracts with NWSDS, as the lead agency in the Food Service Consortium, and;
- 2) NWSDS continues the contract with Bateman for the provision of food service for FY2018 and FY2019 using the volume-based scales noted above.