

**Early  
Independent School District**

**FOOD SERVICES REVIEW**

**Conducted by MGT of America for the  
Legislative Budget Board**

**AUGUST 2008**



## LEGISLATIVE BUDGET BOARD

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August 26, 2008

Mr. Brett Koch  
Superintendent  
Early Independent School District

Dear Mr. Koch:

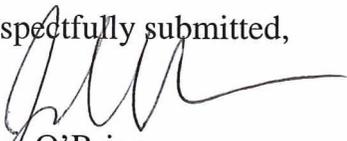
The attached report reviews the management and performance of the Early Independent School District's (EISD's) Food Services Operation.

The report's recommendations will help Early ISD improve its overall performance as it provides services to students, staff, and community members.

The Legislative Budget Board engaged MGT of America, Inc., to conduct and produce this review, with LBB staff working in a contract oversight role.

The report is available on the LBB website at <http://www.lbb.state.tx.us>.

Respectfully submitted,

  
John O'Brien  
Director  
Legislative Budget Board

cc: Ms. Shawn Russell  
Mr. Pat Mooney  
Mr. Gary Bowen  
Mr. Ray Bertrand  
Mr. James Cooley, Jr.  
Mr. Randy Ethridge  
Mr. Mike Kingston



## FOOD SERVICES MANAGEMENT

Early Independent School District (ISD) encompasses 80 square miles and is located at the intersection of U.S. highways 67 and 84, on Pecan Bayou just east of Brownwood in central Brown County. In 1928, a new school district was formed and named for Walter U. Early an attorney who donated land for the district. Shortly afterwards, the Anderson, Ricker, Delaware, and Jenkin Spring school districts consolidated with Early, and by 1935 the district had 271 pupils and nine teachers.

During the 2006–07 school year, the K–12 enrollment was 1,359 and current enrollment is 1,340. Early ISD is comprised of the four schools listed below which are housed in three buildings, and all participate in the Child Nutrition Program (CNP).

- Early Primary School - Grades PreK–2 (Shares a kitchen with elementary.)
- Early Elementary School - Grades 3–5 (Shares a kitchen with primary.)
- Early Middle School - Grades 6–8
- Early High School - Grades 9–12

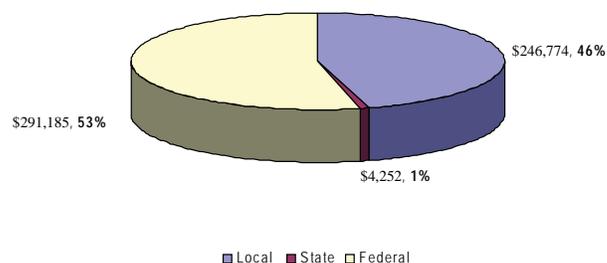
Each of the four Early ISD schools participates in the National School Lunch Program (NSLP), and the School Breakfast Program (SBP). Three of the campuses have a kitchen where all meals are prepared and served on site; Early Primary and Elementary schools share a kitchen. A new elementary school will open in January 2009, at which time the students will be divided between the two buildings. The new school will have an independent cafeteria.

During October 2007, the Early ISD Child Nutrition Department served lunch to an average of 1,013 students, and breakfast to an average of 288 students daily. Additionally, the district claimed severe need on a daily breakfast average of 228 meals. All meals are served in the individual school cafeterias, and all campuses are closed. That is, students are not allowed to leave campus for lunch.

Early ISD’s CNP has four primary sources of funding (**Exhibit 1**). Federal dollars account for 53 percent of total revenues received through the NSLP and the SBP, and also constitute the majority of the district’s funding. Local and intermediate sources of funding in the form of cash cafeteria sales account for 46 percent of funding, with state revenues amounting to one percent.

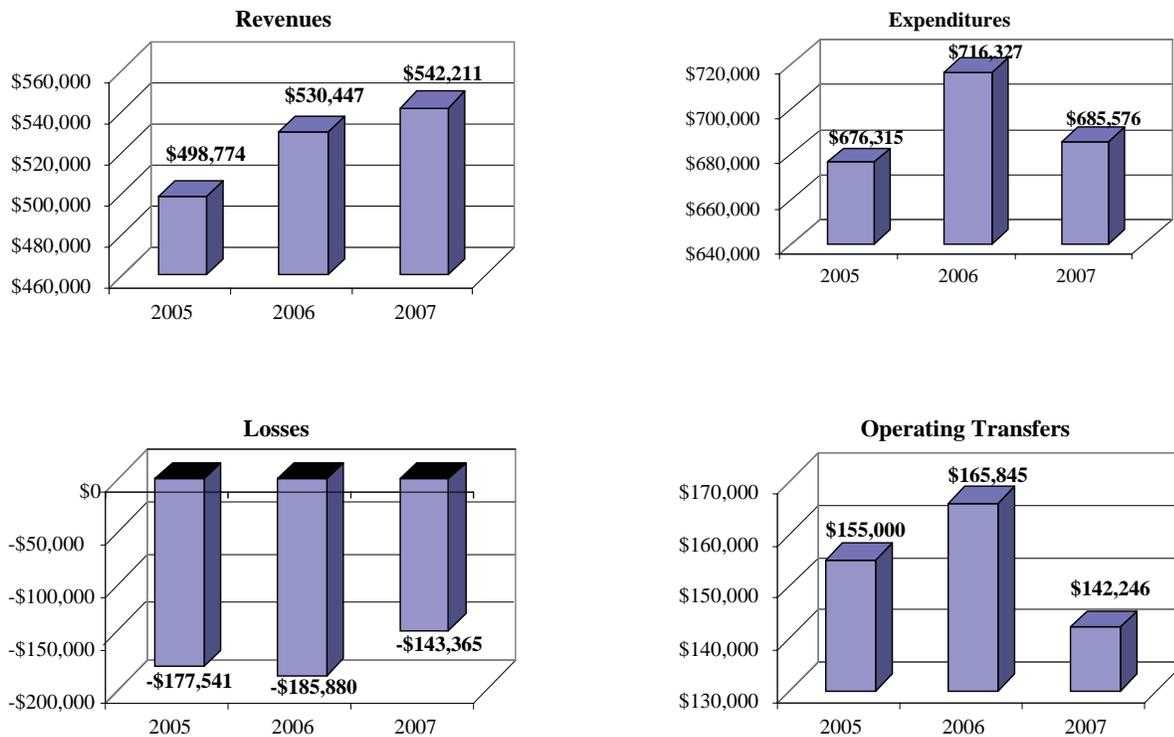
Because the district’s CNP has operated at a loss for the past several years, the program also relies on transfers from the general fund. **Exhibit 2** shows the program’s revenues generated, expenditures incurred, losses incurred, and general fund transfers made for 2004–05 through 2006–07. As shown in

**EXHIBIT 1  
EARLY ISD  
SOURCES OF FUNDING  
2006–07**



SOURCE: Early ISD audited financial statement for fiscal year 2006–07.

**EXHIBIT 2**  
**REVENUES, EXPENDITURES, LOSSES AND GENERAL FUND TRANSFERS**  
**EARLY ISD**  
**2004–05 THROUGH 2006–07**



SOURCE: Early ISD audited financial statements for the years indicated.

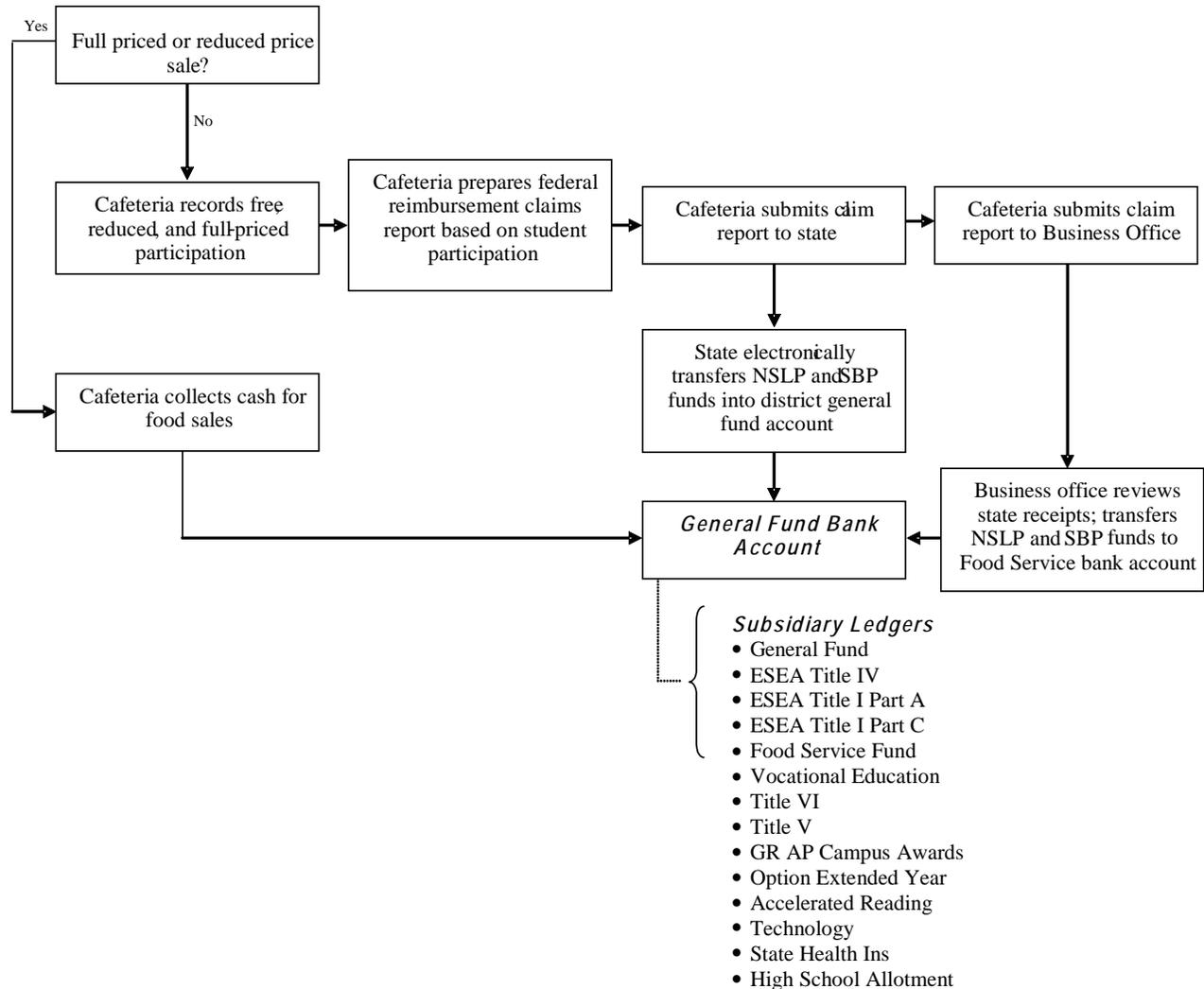
the exhibit, although revenues have steadily increased over the three-year period, expenditures also increased between 2004–05 and 2005–06. Expenditures for 2006–07 were reduced from the prior year, but not enough to generate a profit. This exhibit also shows that for 2006–07, the operating transfers have been reduced, from \$165,845 in 2005–06 to \$142,246.

The district's superintendent and Food Services manager have focused on reducing the amount of general fund transfers needed for cafeteria operations. Included in their efforts was the elimination of three cafeteria worker positions. The district also eliminated the assistant director position in 2007–08.

**Exhibit 3** shows the flow of funds into the CNP. The district does not maintain a separate bank account for CNP funds, choosing instead to combine all funds into a single bank account. The district's business manager maintains detailed subsidiary ledgers to show the amount of cash that belongs in each of the district's funds.

To obtain reimbursement for breakfast and lunch meals served under the federal NSLP and SBP programs, the district tracks the number of meals served that are eligible for reimbursement, submits a claims report to the state, and receives reimbursement. All federal reimbursements and state matching funds are electronically transmitted into the district's general operating bank account

**EXHIBIT 3  
EARLY ISD  
FLOW OF CHILD NUTRITION PROGRAM FUNDS  
2006-07**



SOURCE: Based on review of documents and interviews with Early ISD business office staff.

from the Texas Education Agency. The business manager reviews and identifies receipts and records them in the appropriate subsidiary ledger.

Early ISD reports the financial activity of all its operations to the TEA through the Public Education Information Management System (PEIMS). Included in this submission of data are

details related to the CNP including revenues, expenditures, operating transfers, and fund balances.

TEA requires all Texas school districts to use a uniform account coding structure as described in its Financial Accountability System Resource Guide (FASRG) in the submission of financial

data. The FASRG describes the account coding structure to include, among other things, a fund group code, a function code, and an object code. An account code for a single transaction is modeled in **Exhibit 4**.

The fund group code is a three-digit code that denotes the basic fund to which an item belongs. For instance, general funds are denoted as 199, 240 represents Food Services funds, 599 is for debt service, and 699 is for capital projects.

Function codes are two-digit numbers that denote a general operational area in a school district and groups together related activities. For instance, there are separate function codes to indicate instruction, transportation, health services, and Food Services.

Object codes are four-digit codes that define the specific types of assets, liabilities, transfers, revenues, and expenditures. For instance, codes in the 5700 range define local revenues, while codes in the 5800 range are for state revenues, and federal

revenues are defined by use of object codes in the 5900 range.

Similarly, object codes used for expenditures follow specific patterns. For instance, object codes in the 6100 range indicate payroll and benefit expenditures such as salaries and wages, insurance, workers' compensation, and retirement contributions.

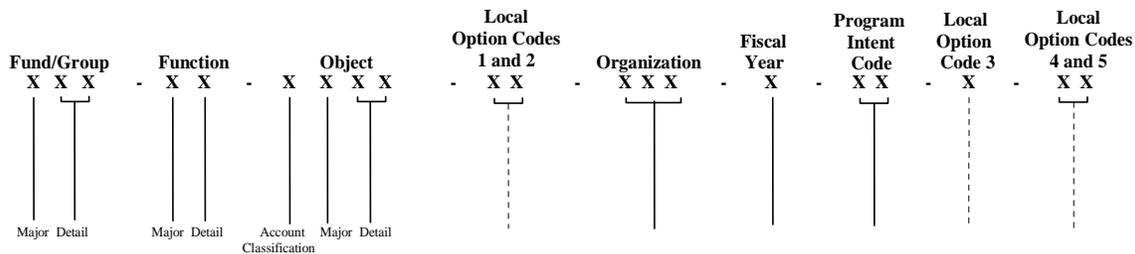
CNP revenues, expenditures and transfers are coded just like regular district operations, but are noted as CNP activity by a function code 35 and a fund code 240.

Districts are required to submit their financial data to the PEIMS system electronically or via compact disc. Once received by TEA, the data can be sorted and viewed in different ways to examine a particular district or to compare all or a set of specific districts.

Early ISD's CNP is headed by a director with a part-time assistant. The part-time assistant also serves as the manager of the high school cafeteria. Prior to the current organizational structure, the

**EXHIBIT 4  
ACCOUNT CODE FOR FINANCIAL TRANSACTIONS  
FINANCIAL ACCOUNTABILITY SYSTEM RESOURCE GUIDE  
EARLY ISD  
2007**

**The Code Structure**



**Object Codes:  
Clearing Accounts (4XXX)**

- Indicates a mandatory code for State reporting purposes
- Indicates a code that may be used at local option

SOURCE: Financial Accountability System Resource Guide, Texas Education Agency, 2007.

district maintained a full-time assistant director position. However, when the assistant director resigned in January 2008, the superintendent chose not to fill the position, instead naming the cafeteria manager as part-time assistant. The district has not decided whether or not to fill the vacant position.

Responsibilities of the director include managing all components of the CNP while ensuring compliance with federal, state, and local regulations. This includes processing the free and reduced-price meal applications, and maintaining a current listing by school of students approved for meal benefits. The high school cafeteria manager/assistant did not have a formal job description, and appears to be sharing duties with the director on an “as needed” basis.

## FINDINGS

- There are no district-established standards for reasonable cost, participation, and revenue for the Early ISD Child Nutrition Department to target.
- The district’s decision to increase meal prices did not adversely affect average daily participation (ADP) or revenue for the NSLP and SBP.
- The Early ISD Child Nutrition Department is overstaffed and the district wide cost of labor exceeds the industry standards as a percentage of revenue.
- The portion size of menu items contributing to the Meat/Meat Alternates (M/MA) and other components of the Traditional Meal Pattern exceed requirements.
- The “Offer versus Serve” provision has not been implemented at all grade levels for breakfast

and lunch at the Early Primary/Elementary School resulting in excess food waste.

- Early ISD uses “other foods” on school menus two to three times per week, which increases costs.
- Early ISD does not maintain adequate controls over cash handling operations related to cafeteria sales.
- The district does not maintain adequate controls over accounts payable transactions related to cafeteria operations.

## RECOMMENDATIONS

- **Recommendation 1: Set reasonable cost, participation, and revenue goals for the child nutrition department to target.** Empower and encourage the child nutrition director and staff to operate an efficient, high quality program. Identify progress through monitoring monthly participation reports, and profit and loss statements.
- **Recommendation 2: Analyze and evaluate district meal prices each year, when the United States Department of Agriculture (USDA) NSLP and SBP reimbursement rates are released.** Increase meal prices to align revenue generated by one full-price meal with the revenue generated by one free or reduced-price meal.
- **Recommendation 3: Reduce the number of Food Services positions, or the number of labor hours each employee works to provide the department with the opportunity to operate more efficiently.**
- **Recommendation 4: Meet the requirement for the M/MA component of the Traditional Meal Pattern and do not exceed the portion**

sizes indicated as minimum or optional for any of the components of the pattern. If there is a need for additional calories, increase the portion sizes of menu items used to satisfy the Vegetables/Fruits (V/F) or Grains/Breads (G/B) component, as appropriate and affordable.

- **Recommendation 5: Implement the “Offer versus Serve” provision at breakfast and lunch at all grade levels.**
- **Recommendation 6: Eliminate or significantly reduce the use of “other foods” until the program is fiscally sound.**

- **Recommendation 7: Implement sound internal controls related to cash collections for the district’s cafeteria operations.**
- **Recommendation 8: Move the vendor payment function for cafeteria operations to the district’s business office to improve internal controls.**

The following chart summarizes the fiscal impact of all eight recommendations in the performance review.

**FIVE-YEAR FISCAL IMPACT CHART**

	<b>2009–10</b>	<b>2010–11</b>	<b>2011–12</b>	<b>2012–13</b>	<b>2013–14</b>	<b>TOTAL 5-YEAR (COSTS) SAVINGS</b>	<b>ONE- TIME (COSTS) SAVINGS</b>
Gross Savings	\$181,826	\$181,826	\$181,826	\$181,826	\$181,826	\$909,130	\$0
Gross Costs	\$0	\$0	\$0	\$0	\$0	\$0	(\$800)
<b>Total</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$909,130</b>	<b>(\$800)</b>

## DETAILED FINDINGS

### **COST, PARTICIPATION, AND REVENUE TARGETS (REC. 1)**

There are no district-established expectations for reasonable costs, participation levels, and revenue for the child nutrition department to target. The district recently purchased Nutri-Kids Point of Sale (POS) system and application processing software that includes an end-of-the-month summary. The individual cafeteria managers were given this report for their own production sites, but the district has not trained managers on the interpretation and use of the information. Efforts continue to reduce the operating costs of the CNP; however, according to the CNP director, the total meal cost for February 2008 for breakfast was \$2.73 and \$2.68 for lunch. This includes food, labor and other costs, but exceeds the revenue per meal.

**Exhibit 5** identifies industry standards for food, labor, and other expenditures as a percentage of revenue in the end-of-the-year report for Early ISD. The exhibit shows the funds that the district is currently expending in the operation of the CNP, followed by industry standards and what those standards dictate that the expenditures for food, labor, and other costs should be as a percentage of revenue. As shown in the exhibit, the CNP lost \$149,488 during the 2006–07 school year.

Early ISD administration does not set specific fiscal goals by production site for the department to target. Without routinely providing the Food Services director, managers, and staff with a current and accurate analysis of how each kitchen is performing, and supporting them in the areas that needs improvement, the district will continue to lose large sums of money on the CNP.

Industry best practices identify the need to track individual Food Services Department programs by production site to promote financial efficiency and overall operational effectiveness. Effective profit and loss reporting systems often assist departments in further enhancing cafeteria-level cost controls and increasing department profitability. For example, South San Antonio ISD routinely provides profit and loss statements to each campus on a monthly basis.

The district should set reasonable cost, participation, and revenue targets for the Food Services Department. It should also encourage the Food Services director and staff to operate an efficient, high quality program. Progress should be monitored through monitoring monthly participation reports, and profit and loss statements. Successes should be celebrated.

Early ISD should reduce costs in order to operate at a break-even point. The fiscal impact will be reflected in the successful implementation of the other recommendations in this report.

### **MEAL PRICES AND AVERAGE DAILY PARTICIPATION (REC. 2)**

The district's decision to increase meal prices did not adversely affect average daily participation (ADP) or revenue for the NSLP and SBP.

Food Services employees expressed a concern that as meal prices increased, NSLP and SBP participation decreased, thus reducing revenue. **Exhibit 6** shows the increases in Early ISD meal prices from 2005 through the current school year. Seldom does a school district increase meal pricing as rapidly as Early ISD did over a period of three school years. School districts are notorious for pricing their meals too low because price increases are never popular with the school board or the

**EXHIBIT 5  
EXPENDITURES AS A PERCENTAGE OF REVENUE  
EARLY ISD  
2006–07**

CURRENT BREAKFAST AND LUNCH	REVENUE	CURRENT EXPENDITURES AS A PERCENTAGE OF REVENUE	CURRENT EXPENDITURES	COMMONLY ACCEPTED INDUSTRY STANDARDS	PROJECTED EXPENDITURE USING INDUSTRY STANDARD	VARIANCE FROM STANDARD	DOLLAR VALUE OF VARIANCE
Local-State- Federal Revenue	\$560,000	N/A	N/A	N/A	N/A	N/A	N/A
Labor	N/A	58%	\$325,202	40–45%	\$252,000	(13–18%)	\$73,202
Food	N/A	68%	\$381,486	40–45%	\$252,000	(23–28%)	\$129,486
Other: travel	N/A	0.05%	\$2,800	5–15%	\$56,000	9.95%	(\$53,200)
Profit	N/A	0%	0	0–5%	0	N/A	N/A
<b>TOTALS</b>	<b>\$560,000</b>	<b>126%</b>	<b>\$709,488</b>	<b>100%</b>	<b>\$560,000</b>	<b>N/A</b>	<b>(\$149,488)</b>

SOURCES: Early ISD End of the Year Report, 2006–07 and Managing Child Nutrition Programs, Leadership by Excellence (2008), Financial Management, (Ch. 7), Evelina Cross, PhD, RD and Shirley Watkins, MS, RD (edited by) Josephine Martin, PhD, and Charlotte Oakley, PhD.

**EXHIBIT 6  
SCHOOL MEAL PRICES OVER A SPAN OF THREE SCHOOL YEARS  
EARLY ISD  
2005–06 THROUGH 2007–08**

EARLY ISD SCHOOLS	BREAKFAST PRICES			EARLY ISD SCHOOLS	LUNCH PRICES		
	2005–06	2006–07	2007–08		2005–06	2006–07	2007–08
Early Elementary and Primary Schools	\$0.75	\$1.00	\$1.35	Early Elementary and Primary Schools	\$1.50	\$1.75	\$2.00
Early Middle School	\$1.00	\$1.25	\$1.60	Early Middle School	\$1.75	\$2.00	\$2.25
Early High School	\$1.00	\$1.25	\$1.60	Early High School	\$1.75	\$2.00	\$2.25
Adult	\$1.00	\$1.25	\$1.60	Adult	\$2.20	\$2.40	\$2.60

SOURCE: Early ISD Food Services Department, February 2008.

public. Typically, a decline in participation is the community's reaction to the increase.

**Exhibit 7** demonstrates the difference in Early ISD funding levels for free and reduced-price meals versus full-price meals for a three-year period. Prior to 2007–08, the meals served to disadvantaged students at Early ISD were more heavily funded than those served to students paying full-price. The key to pricing school meals is in the district's percentage of disadvantaged students. The meal

prices have little effect on the solvency of a CNP with a high percentage of students approved for free and reduced-price meal benefits. However, in a district such as Early ISD, with fewer than 50 percent of the students qualifying for free and reduced-price meal benefits, the charge for full-price meals becomes significant.

Prior to current Early ISD meal pricing, the funding for free and reduced-price meals was subsidizing the meals served to full-price eligible

**EXHIBIT 7  
COMPARISON OF REVENUE GENERATED BY ONE FREE  
OR REDUCED-PRICE MEAL TO ONE FULL-PRICE MEAL  
EARLY ISD  
AUGUST 2005–CURRENT**

SCHOOL YEAR	EARLY ISD CNP PER MEAL REVENUE OVER A THREE-YEAR PERIOD							
	BREAKFAST			LUNCH				
	ALL SCHOOLS FREE/REDUCED PRICE	ALL SCHOOLS FULL-PRICE	ALL SCHOOLS DIFFERENCE	ALL SCHOOLS FREE/REDUCED PRICE	ELEMENTARY AND PRIMARY FULL-PRICE	MIDDLE AND HIGH FULL-PRICE	ELEMENTARY/PRIMARY DIFFERENCE	MIDDLE/HIGH DIFFERENCE
2005–06	\$1.27	\$0.98	-\$0.29	\$2.32	\$1.72	\$1.97	-\$0.60	-\$0.35
2006–07	\$1.31	\$1.24	-\$0.07	\$2.40	\$1.96	\$2.23	-\$0.44	-\$0.17
2007–08	\$1.61	\$1.59	-\$0.02	\$2.47	\$2.23	\$2.48	-\$0.24	+\$0.01

SOURCE: Adapted from USDA Reimbursement Schedule and Early ISD Meal Prices, February 2008.

students. Early ISD's 2007–08 meal price plus reimbursement for a paid meal, closely approximates the free and reduced-price reimbursement (and student payment for reduce-price meals) leveraging funds available for providing meals in all categories: free, reduced-price, and full-price.

**Exhibit 8** address the issue of whether or not the price increase has had an adverse effect on participation and revenue for the NSLP and SBP from last school year to this school year. Participation in the SBP as a percentage of average daily attendance (ADA) declined by 1 percent, and lunch was unchanged.

**Exhibit 9** is a summary of participation by category of ADP over the three year period. It illustrates that the participation levels, by category have remained constant, and full-priced meals have not been affected by the price increase.

Without maintaining the price of a full price meal at a level that covers the cost of producing and serving the meal, the district will continue to lose large sums of money on the CNP.

Industry best practices indicate that the district should not use funds identified to provide meals for disadvantaged students to supplement the cost of meals served to students paying full-price, or meals served to adults. If the district aligns the full-price meal prices (plus reimbursement for a full-price meal) in line with the reimbursement for free meals, it will be easier to keep the CNP programs fiscally sound.

The district should evaluate meal prices each year, when the USDA releases the NSLP and SBP reimbursement rates, and analyze the percentage of increase in the rates in conjunction with the financial status of the CNP. It should also increase meal prices to align revenue generated by one full-price meal with the revenue generated by one free or reduced-price meal.

In October 2007, the district served an average of 508 paid lunches and 60.3 paid breakfasts. Lunch prices increased \$0.25, and breakfast prices increased \$0.35 or ( 508 paid lunches x \$0.25 = \$127 + 60.3 paid breakfasts x \$0.35 = \$21.11 for a total of \$148.11 per day). This increases Food Services revenue by \$26,659.80 rounded to

**EXHIBIT 8  
THE EFFECTS OF INCREASED PRICING ON ADP  
EARLY ISD  
2005–06 THROUGH 2007–08**

SCHOOL YEAR	LUNCH	BREAKFAST	ADP LUNCH	ADP		
				BREAKFAST	% OF TOTAL	
2005–06	10/2005	10/2005	10/2005	10/2005	ADP LUNCH	ADP BREAKFAST
ADA	1272	1272	N/A	N/A	N/A	N/A
Full-Price	7398	1489	389	78	47%	25%
Reduced-Price	1872	626	99	33	12%	10%
Free	6527	3892	344	205	41%	65%
Reimbursement	\$20,365.00	\$6,006.00	N/A	N/A	N/A	N/A
<b>TOTALS</b>	<b>N/A</b>	<b>N/A</b>	<b>832</b>	<b>316</b>	<b>Lunch 65%</b>	<b>Breakfast 25%</b>

SCHOOL YEAR	LUNCH	BREAKFAST	ADP LUNCH	ADP		
				BREAKFAST	% OF TOTAL	
2006–07	10/2006	10/2006	10/2006	10/2006	ADP LUNCH	ADP BREAKFAST
ADA	1322	1322	N/A	N/A	N/A	N/A
Full-Price	9227	1442	486	76	49%	23%
Reduced-Price	2471	745	130	39	13%	12%
Free	7115	4137	374	218	38%	65%
Reimbursement	\$24,140.00	\$6,517.00	N/A	N/A	N/A	N/A
<b>TOTALS</b>	<b>N/A</b>	<b>N/A</b>	<b>990</b>	<b>333</b>	<b>Lunch 75%</b>	<b>Breakfast 25%</b>

SCHOOL YEAR	LUNCH	BREAKFAST	ADP LUNCH	ADP		
				BREAKFAST	% OF TOTAL	
2007–08	10/2007	10/2007	10/2007	10/2007	ADP LUNCH	ADP BREAKFAST
ADA	1324	1324	N/A	N/A	N/A	N/A
Full-Price	9501	1372	500	72	50%	23%
Reduced-Price	2297	740	121	39	12%	12%
Free	7163	3823	377	201	38%	64%
Reimbursement	\$23,633	\$7,453	N/A	N/A	N/A	N/A
<b>TOTALS</b>	<b>N/A</b>	<b>N/A</b>	<b>998</b>	<b>312</b>	<b>Lunch 75%</b>	<b>Breakfast 24%</b>

SOURCE: Early ISD Claim History, November of 2005, 2006, and 2007.

\$26,660 annually and \$133,300 over a five-year period (\$26,660 annual revenue increase x 5 years).

**LABOR COSTS AND PRODUCTIVITY (REC. 3)**

The Food Services Department is overstaffed, and the cost of labor exceeds the industry standards as a percentage of revenue. This can be demonstrated using commonly accepted standards for staffing

school kitchens. Using meals per labor hour (MPLH) as an indicator of productivity, the district kitchens are less efficient than other school kitchens serving approximately the same number of meals.

The common measure for productivity in school kitchens is MPLH, the “meal” being one reimbursable lunch. All other sources of revenue such as reimbursable breakfasts, snacks, a la carte sales, and catering sales are converted to the

**EXHIBIT 9  
A SUMMARY OF PARTICIPATION BY CATEGORY OF ADP OVER A THREE-YEAR PERIOD  
EARLY ISD  
2005-06 THROUGH 2007-08**

CATEGORY	2005-06		2006-07		2007-08	
	% ADP LUNCH PARTICIPATION	% ADP BREAKFAST PARTICIPATION	% ADP LUNCH PARTICIPATION	% ADP BREAKFAST PARTICIPATION	% ADP LUNCH PARTICIPATION	% ADP BREAKFAST PARTICIPATION
Full Price	47%	25%	49%	23%	50%	23%
Reduced-Price	12%	10%	13%	12%	12%	12%
Free	41%	65%	38%	65%	38%	65%

SOURCE: Early ISD Claim History, November of 2005, 2006, and 2007.

equivalent of one reimbursable lunch (meal equivalent) prior to calculating MPLH. Food Services directors and school business managers use meal equivalents as the unit of productivity for school Food Services programs when evaluating efficiency and formulating staffing patterns for budgeting.

Meal equivalents are determined from meal count categories and other sources of revenue using the following factors, and round to nearest whole number.

- Lunch: 1 lunch = 1 lunch
- Breakfast: 3 breakfasts = 2 lunches (factor – 0.66)
- Snack: 3 snacks = 1 lunch
- Non-reimbursable food sales (a la carte and catering): Dollar amount in sales divided by free reimbursement (\$2.47) + commodity value (\$0.1875) = \$2.66

After determining the number of meal equivalents a kitchen is producing, the MPLH calculation is performed:

- MPLH = Number of daily meal equivalents divided by the number of paid labor hour

**Exhibit 10** shows the calculation of MPLH for Early elementary and primary, middle, and high schools. As shown in the exhibit, the MPLH for the elementary/primary school is 13.9, 9.07 for the middle school, and 7.9 for the high school.

Prior to using the MPLH guidelines, one must identify whether the district is using a conventional system or a convenience system of food production. The determining factor is whether the majority of the menu items are kitchen-prepared (“from scratch”), or are purchased-prepared or partially-prepared. **Exhibit 11** shows sample breakfast and lunch menus with a mixture of purchase-prepared and partially-prepared entrees.

Sample staffing guidelines based on MPLH are shown in **Exhibit 12**. When the MPLH standards shown in the exhibit are compared with Early ISD’s MPLH (shown in **Exhibit 11**), the MPLH in Early is significantly below the standard.

Due to the economy of scale, as the number of meal equivalents increases, so does the number of MPLH. Without reducing the labor hours or increasing participation to meet the current level of staffing, the district kitchens will continue to operate at less than optimal efficiency. Ineffective deployment of labor contributes to the deficit in the CNP funds and requires that the district

**EXHIBIT 10  
CALCULATION OF MEAL EQUIVALENTS  
EARLY ISD  
OCTOBER 2007**

<b>ELEMENTARY AND PRIMARY SCHOOL</b>			
<b>MEALS INCLUDING ADULT</b>	<b>CONVERSION FORMULA</b>	<b>ADP OCTOBER, 2007</b>	<b>NUMBER OF MEAL EQUIVALENTS</b>
Breakfast	1=0.66	148.1 X 0.66	97.7
Lunch	1=1	487.6 X 1	487.6
Snack	3=1	N/A	N/A
Ala Carte	\$2.6575=1	\$72.54 ÷ \$2.6575	27.3
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>			<b>612.6</b>
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>	<b>DIVIDED BY</b>	<b>TOTAL DAILY LABOR HOURS</b>	<b>MEALS PER LABOR HOUR (MPLH)</b>
612	÷	44	13.9
<b>MIDDLE SCHOOL</b>			
<b>MEALS INCLUDING ADULT</b>	<b>CONVERSION FORMULA</b>	<b>ADP OCTOBER, 2007</b>	<b>NUMBER OF MEAL EQUIVALENTS</b>
Breakfast	1=0.66	93.3 X 0.66	61.6
Lunch	1=1	272.8 X 1	272.8
Snack	3=1	N/A	N/A
Ala Carte	\$2.6575=1	\$75.46 ÷ \$2.6575	28.4
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>			<b>362.8</b>
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>	<b>DIVIDED BY</b>	<b>TOTAL DAILY LABOR HOURS</b>	<b>MEALS PER LABOR HOUR (MPLH)</b>
362.8	÷	40	9.07
<b>HIGH SCHOOL</b>			
<b>MEALS INCLUDING ADULT</b>	<b>CONVERSION FORMULA</b>	<b>ADP OCTOBER, 2007</b>	<b>NUMBER OF MEAL EQUIVALENTS</b>
Breakfast	1=0.66	50.3 X 0.66	33.2
Lunch	1=1	295 X 1	295
Snack	3=1	N/A	N/A
Ala Carte	\$2.6575=1	\$142.44 ÷ \$2.6575	53.6
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>			<b>381.8</b>
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>	<b>DIVIDED BY</b>	<b>TOTAL DAILY LABOR HOURS</b>	<b>MEALS PER LABOR HOUR (MPLH)</b>
381.8	÷	48	7.9

SOURCE: Adapted from Financial Management Instructor Guide (2005), Ch. 5, pp 5–51. NFSMI, the University of Mississippi.

supplement the department from the general fund, depleting other programs of needed funding.

Industry best practices indicate that kitchens should be staffed according to the number of meal equivalents produced. Increasing MPLH can be achieved by reducing labor hours or increasing

**EXHIBIT 11**  
**PRODUCTION LEVEL OF BREAKFAST AND LUNCH MENU ITEMS**  
**EARLY ISD**  
**FEBRUARY 2008**

LUNCH ENTREES				FRUITS AND VEGETABLES			
MENU ITEM	KITCHEN-PREPARED	PARTIALLY-PREPARED	PURCHASED-PREPARED	MENU ITEM	KITCHEN-PREPARED	PARTIALLY-PREPARED	PURCHASED-PREPARED
Chili Hot Dog/ Bun Corn Dog			X Canned Chili	Oven Fries, Potato Wedges			X
Taco Salad		X Beef Crumbles		Pinto Beans			X
Chef's Salad		X Assembled		Peaches, Mixed Fruit			X
Steak Fingers			X	Salad Mix			X
Chicken Fried Steak			X	Whipped Potatoes		X Dehydrated	
Hamburger/ Cheeseburger			X	Hamburger Salad		X Assembled	
Cheese Pizza			X	Apples		X Fresh, Cut	X Whole
Bean Burrito/ Cheese			X	Steamed Broccoli W/ Cheese Sauce			X
Spaghetti with Meat Sauce		X Canned Sauce and Beef Crumbles		Fruity Freeze			X
Ham and Cheese on Bun		X Assembled	Sliced Ham and Cheese	Green Beans, English Peas, Corn, Black Eyed Peas and Corn			X
Chicken Nuggets Chicken Patty on Bun			X	Baby Carrots/ Dip Vegetable Sticks			X
Fish Strips			X	Orange Halves		X Fresh, Cut	X Whole
Baked Potato with Ham and Cheese	X			Steamed Peppers and Onions		X Cut In Kitchen	X Purchased Cut
Soft Taco	X		X				
Chicken Fajitas			X				

**EXHIBIT 11 (CONTINUED)  
PRODUCTION LEVEL OF BREAKFAST AND LUNCH MENU ITEMS  
EARLY ISD  
FEBRUARY 2008**

BREAKFAST ENTREES				OTHER NON-CONTRIBUTING FOODS			
MENU ITEM	KITCHEN MADE	PARTIALLY PREPARED	PURCHASED-PREPARED	MENU ITEM	KITCHEN MADE	PARTIALLY PREPARED	PURCHASED-PREPARED
Sausage and Biscuits			X	Ice Cream			X
French Toast Sticks			X	Baked Chips			X
Muffins and Little Smokies			X	Pudding			X
Scrambled Eggs and Biscuits			X Frozen Eggs	Sherbet			X
Pancake Pups			X	Cookies			X
Breakfast Pizza			X	Gelatin		X	
Breakfast Burrito			X	Gravy		X Mix	X
Macaroni and Cheese	X		X May Be Frozen	<b>GRAINS/BREADS</b>			
				<b>MENU ITEM</b>	<b>KITCHEN MADE</b>	<b>PARTIALLY PREPARED</b>	<b>PURCHASED-PREPARED</b>
				Garlic Bread		X	
				Dinner Roll			X
				Texas Toast		X	
				Hush Puppies			X

SOURCE: Early ISD menus, October 2007.

participation. The Region XIV, ESC Child Nutrition Program specialist can provide guidance as to how labor hours may be cut without devaluing the services provided to the students.

Reduce the number of Food Services positions, or the number of labor hours each employee works to provide the Early ISD Food Services Department with the opportunity to operate more efficiently.

Prior to calculating the cost of labor, it is important to know the daily revenue generated on each

campus. **Exhibit 13** shows the daily average revenue generated by each school. As shown in the exhibit, breakfast revenue totaled \$211, \$140, and \$78 respectively for elementary, middle and high schools. Lunch revenue at each school level totaled \$1,226, \$683, and \$869.

The review team was unable to determine what methodology is used in the staffing of the district’s cafeterias. Labor as a percentage of revenue is 68 percent using 2006–07, end-of-the-year data. However, the superintendent and the Food Services

**EXHIBIT 12**  
**SAMPLE STAFFING GUIDELINES FOR ON SITE PRODUCTION**  
**EARLY ISD**  
**2007–08**

MEAL EQUIVALENTS	MEALS PER LABOR HOUR (MPLH)			
	CONVENTIONAL SYSTEM		CONVENIENCE SYSTEM	
	MPLH	TOTAL HOURS	MPLH	TOTAL HOURS
10–100	12	8	16	6
101–150	12	8–12	16	6–9
151–200	12	12–16	16	9–12
201–250	14	14–17	17	12–14
251–300	14	17–21	18	14–16
301–400	15	20–26	18	17–21
			Middle School 9.07	Middle School 40
			High School 7.9	High School 48
401–500	16	25–31	19	21–25
501–600	17	29–35	20	25–30
601–700	18	33–37	22	27–31
			Elementary 13.1	Elementary 44

SOURCE: Adapted from Financial Management Instructor Guide (2005), Ch. 5, p 5–56. NFSMI, the University of Mississippi.

director have been working on this issue over the past year and have already reduced labor hours by several positions in each kitchen.

**Exhibit 14** shows the daily fixed cost of labor by school for Early ISD. The Daily Wage plus All Benefits column includes the cost of all benefits, health insurance, and the annual supplement. The district pays an annual \$2,292 health insurance premium and a \$500 annual supplement for each employee.

Early ISD's Food Services central does not generate revenue, thus requiring revenue-generating kitchens to carry the cost of the office. **Exhibit 15** is a summary of this cost. As shown in the exhibit, the total annual fixed cost for kitchen labor is \$270,244.92. This figure increases to \$303,220.50 when Food Services central office personnel are included.

At Early Elementary/Primary School, the cost of labor as a percentage of revenue is 31.5 percent,

which is significantly under the recommended 40–45 percent which may be related to the cost of wages and benefits in this district; however, the MPLH shows that the kitchen is under producing according to the accepted staffing guidelines.

Early ISD supplements the Food Services Department from local funds to ensure the continuation of this service to students. Increasing participation can help resolve this problem. The district should try to increase participation without taking the less preferable action, reduction of labor.

Without eliminating additional kitchen positions, reducing the labor hours, or increasing participation to meet the current level of staffing, the district will continue to supplement the Food Services Department from the general fund.

Industry best practices identify the need to operate the CNP at a break-even point or better. This is not possible for Early ISD unless the cost of labor

**EXHIBIT 13  
CALCULATION OF TOTAL DAILY REVENUE BY SCHOOL  
EARLY ISD  
2007-08**

<b>EARLY ELEMENTARY AND PRIMARY SCHOOL - BREAKFAST</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	2389	22	108.6	1.35	0.00	\$146.60
Reduced	327	22	14.9	1.05	0.30	\$20.07
Full-Price	517	22	23.5	0.24	1.35	\$37.37
Adult	26	22	1.2	0	2.60	\$3.07
Ala Carte	0	22	0.0	0	0.00	\$4.00
<b>TOTALS</b>	<b>3259</b>	<b>N/A</b>	<b>148.2</b>	<b>N/A</b>	<b>N/A</b>	<b>\$211.10</b>
<b>EARLY ELEMENTARY AND PRIMARY SCHOOL - LUNCH</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	4634	22	210.6	2.47	0.00	\$520.27
Reduced	1234	22	56.1	2.07	0.40	\$138.54
Full-Price	4499	22	204.5	0.23	2.00	\$456.04
Adult	361	22	16.4	0	2.60	\$42.66
Ala Carte	0	22	0.0	0	0.00	\$68.54
<b>TOTALS</b>	<b>10728</b>	<b>N/A</b>	<b>487.6</b>	<b>N/A</b>	<b>N/A</b>	<b>\$1,226.06</b>
<b>TOTAL DAILY BREAKFAST AND LUNCH REVENUE</b>						<b>\$1,437.16</b>
<b>EARLY MIDDLE SCHOOL - BREAKFAST</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	1263	22	57.4	1.35	0.00	\$77.50
Reduced	224	22	10.2	1.05	0.30	\$13.75
Full Price	543	22	24.7	0.24	1.35	\$39.24
Adult	24	22	1.1	0	2.60	\$2.84
Ala Carte		22	0.0	0	0.00	\$6.92
<b>TOTAL ADP</b>			<b>93.4</b>			
<b>TOTAL DAILY REVENUE BREAKFAST</b>						<b>\$140.25</b>
<b>EARLY MIDDLE SCHOOL - LUNCH</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	2054	22	93.4	2.47	0.00	\$230.61
Reduced	733	22	33.3	2.07	0.40	\$82.30
Full Price	3030	22	137.7	0.23	2.25	\$341.56
Adult	185	22	8.4	0	2.60	\$21.86
Ala Carte		22	0.0	0	0.00	\$6.98
<b>TOTALS</b>	<b>6002</b>	<b>N/A</b>	<b>272.8</b>	<b>N/A</b>	<b>N/A</b>	<b>\$683.31</b>
<b>TOTAL DAILY BREAKFAST AND LUNCH REVENUE</b>						<b>\$823.56</b>

**EXHIBIT 13 (CONTINUED)**  
**CALCULATION OF TOTAL DAILY REVENUE BY SCHOOL**  
**EARLY ISD**  
**2007–08**

<b>EARLY HIGH SCHOOL - BREAKFAST</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	595	22	27.0	1.35	0.00	\$36.51
Reduced	229	22	10.4	1.05	0.30	\$14.05
Full Price	267	22	12.1	0.24	1.35	\$19.30
Adult	15	22	0.7	0	2.60	\$1.77
Ala Carte	0	22	0.0	0	0.00	\$6.96
<b>TOTALS</b>	<b>1106</b>	<b>N/A</b>	<b>50.2</b>	<b>N/A</b>	<b>N/A</b>	<b>\$78.59</b>
<b>EARLY HIGH SCHOOL - LUNCH</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	1670	22	75.9	\$2.47	0.00	\$187.50
Reduced	781	22	35.5	\$2.07	0.40	\$87.69
Full Price	3655	22	166.1	\$0.23	2.25	\$412.02
Adult	383	22	17.4	\$0.00	2.60	\$45.26
Ala Carte	0	22	0.0	\$0.00	0.00	\$137.48
<b>TOTALS</b>	<b>6489</b>	<b>N/A</b>	<b>295.0</b>	<b>N/A</b>	<b>N/A</b>	<b>\$869.95</b>
<b>TOTAL DAILY BREAKFAST AND LUNCH REVENUE</b>						<b>\$948.54</b>

SOURCE: Early ISD Record of Meals Claimed, November 2007. A la carte information was provided by the Food Services Director in that the cash drawers are not reconciled daily by the individual schools.

is reduced or participation is increased. The CNP specialist at ESC Region XIV would serve as an excellent resource for identifying other school districts in the surrounding area that are operating at a profit, or break-even point. She may also have suggestions on how Early ISD can effectively reduce the cost of labor.

The district should reduce the fixed cost of labor in the middle and high schools and use care in staffing the primary and elementary schools when the new elementary school opens in January 2009.

The higher the average daily participation (ADP) of a school, the lower the labor cost as a percentage of revenue will be. A small school (low ADP) has a

more difficult time breaking even than a larger school (higher ADP) due to the economy of scale.

When the new elementary school opens in January 2009, the district will have two relatively small schools, each with a staffed kitchen. The staffing guidelines offered in this report call for 14–21 labor hours for kitchens serving 251–400 students. When staffing these small schools, the director should consider converting some of the full-time positions to part-time. The cafeteria needs the greatest number of employees during the serving periods, and it is easier to add needed hours than to reduce established hours. **Exhibits 16, 17, and 18** illustrate one method of reducing labor cost and shifting staff to help facilitate the new kitchen.

**EXHIBIT 14  
CALCULATION OF THE FOOD SERVICES DEPARTMENT LABOR HOURS AND FIXED COST OF LABOR  
EARLY ISD  
2007-08**

<b>EARLY PRIMARY AND ELEMENTARY SCHOOLS</b>					
<b>EMPLOYEE</b>	<b>HOURS</b>	<b>DAILY HEALTH INSURANCE AND SUPPLEMENT</b>	<b>DAILY WAGE</b>	<b>BENEFITS (7%)</b>	<b>DAILY WAGE PLUS ALL BENEFITS</b>
1	8	\$14.93	\$57.98	\$4.06	\$76.97
2	8	\$14.93	\$57.47	\$4.02	\$76.42
3	4	\$14.93	\$26.96	\$1.89	\$43.78
4	8	\$14.93	\$81.66	\$5.72	\$102.31
5	8	\$14.93	\$56.52	\$3.96	\$75.41
6	8	\$14.93	\$57.47	\$4.02	\$76.42
<b>TOTALS</b>	<b>44</b>	<b>\$89.58</b>	<b>\$338.06</b>	<b>\$23.66</b>	<b>\$451.30</b>
<b>AVERAGE DAILY REVENUE</b>		<b>\$1,437.16</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>LABOR AS A PERCENTAGE OF REVENUE</b>		<b>31.5%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>EARLY MIDDLE SCHOOL</b>					
<b>EMPLOYEE</b>	<b>HOURS</b>	<b>HEALTH INSURANCE AND SUPPLEMENT DAILY</b>	<b>DAILY WAGE</b>	<b>BENEFITS (7%)</b>	<b>DAILY WAGE PLUS BENEFITS (7%)</b>
1	8	\$14.93	\$52.12	\$3.65	\$70.70
2	8	\$14.93	\$108.719	\$7.61	\$131.26
3	8	\$14.93	\$57.469	\$4.02	\$76.42
4	8	\$14.93	\$67.648	\$4.74	\$87.31
5	8	\$14.93	\$60.492	\$4.23	\$79.66
<b>TOTALS</b>	<b>40</b>	<b>\$74.65</b>	<b>\$346.445</b>	<b>\$24.25</b>	<b>\$445.35</b>
<b>AVERAGE DAILY REVENUE</b>		<b>\$823.56</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>LABOR AS A PERCENTAGE OF REVENUE</b>		<b>54.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>EARLY HIGH SCHOOL</b>					
<b>EMPLOYEE</b>	<b>HOURS</b>	<b>HEALTH INSURANCE AND SUPPLEMENT DAILY</b>	<b>DAILY WAGE</b>	<b>BENEFITS (7%)</b>	<b>DAILY WAGE PLUS BENEFITS (7%)</b>
1	8	\$14.93	\$62.87	\$4.40	\$82.20
2	8	\$14.93	\$73.86	\$5.17	\$93.96
3	8	\$14.93	\$52.12	\$3.65	\$70.70
4	8	\$14.93	\$60.06	\$4.20	\$79.19
5	8	\$14.93	\$61.87	\$4.33	\$81.13
6	8	\$14.93	\$118.21	\$8.27	\$141.41
<b>TOTALS</b>	<b>48</b>	<b>\$89.58</b>	<b>\$428.99</b>	<b>\$30.03</b>	<b>\$548.60</b>
<b>AVERAGE DAILY REVENUE</b>		<b>\$948.54</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>LABOR AS A PERCENTAGE OF REVENUE</b>		<b>57.8%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

SOURCE: Adapted from Early ISD Employee Payroll Listing, February 28, 2007.

As shown in the exhibits, the options entailed in this cost reduction are as follows:

- Reduce the Early High School labor cost as a percentage of revenue, and increase the

**EXHIBIT 15  
CENTRAL FOOD SERVICES OFFICE FIXED COST OF LABOR  
EARLY ISD  
2007–08**

<b>CENTRAL FOOD SERVICES OFFICE</b>					
<b>EMPLOYEE</b>	<b>HEALTH INSURANCE ANNUAL</b>	<b>SUPPLEMENT ANNUAL</b>	<b>HEALTH INSURANCE AND SUPPLEMENT DAILY</b>	<b>DAILY WAGE</b>	<b>DAILY WAGE PLUS BENEFITS (7%)</b>
1	\$2,292	\$500	\$14.93	\$150.85	\$176.34
2	\$0	\$0	\$0	\$0	\$0
				<b>\$176.34</b>	<b>\$32,975.58</b>
<b>TOTAL DAILY LABOR COST OF FOOD SERVICES CENTRAL OFFICE SHARED BY PRODUCTION KITCHENS</b>					
<b>TOTAL DAILY COST OF PRODUCTION KITCHENS</b>				<b>\$1,445.16</b>	<b>NA</b>
<b>TOTAL DISTRICT ANNUAL FIXED LABOR COSTS FOR KITCHENS</b>				<b>NA</b>	<b>\$270,244.92</b>
<b>TOTAL ANNUAL FOOD SERVICES LABOR INCLUDING OFFICE STAFF</b>					<b>\$303,220.50</b>

SOURCE: Early ISD Payroll Lists, February 2008.

number of MPLH by moving the high school cafeteria manager into the assistant director position, and filling the cafeteria manager position internally.

- Move four high school labor hours to the Early Elementary/Primary School.
- Move four middle school labor hours to the Early Elementary/Primary School.

These actions will not reduce district labor costs; however, they will balance the labor hours among the schools, based on productivity.

**Exhibits 16, 17, and 18** show a greater balance in labor hours among schools but the number of labor hours remains the same, just redistributed. In this option, the district still continues to staff its kitchen above recommended industry standards. **Exhibits 19 and 20** show the projected labor savings and MPLH if staff in each kitchen were

reduced by eight hours or if one full-time employee were eliminated from the staff of each school.

If the district were to reduce the labor hours by one full-time employee from each kitchen, the annual savings would be \$51,696; and over a five-year period, \$258,480.

**PORTION SIZE (REC. 4)**

The portion size of menu items contributing to the Meat/Meat Alternates (M/MA) and other components of the Traditional Meal Pattern exceed requirements.

There is an excessive amount of tray waste generated by the CNP. According to the portion sizes indicated on food production records, the district serves larger than minimum-sized portions of many entrees and other foods. Among the reasons this practice is inefficient are the following:

**EXHIBIT 16  
CURRENT COMPARED TO PROJECTED LABOR AT EARLY HIGH SCHOOL AFTER THE TRANSFERS**

HIGH SCHOOL	CURRENT			MANAGER TO ASSISTANT DIRECTOR			HALF-TIME EMPLOYEE MOVED TO ELEMENTARY			
	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	
	\$948.54	\$548.59	58%	7.9	\$407.18	43%	9.5	\$371.83	39%	10.6

SOURCE: Early ISD Payroll Lists, February 2008.

**EXHIBIT 17  
CURRENT COMPARED TO PROJECTED LABOR AT EARLY MIDDLE SCHOOL AFTER THE TRANSFER**

MIDDLE SCHOOL	CURRENT			HALF-TIME TRANSFERRED OUT			
	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	
	\$823.56	\$451.22	54%	9.07	\$415.87	50%	10

SOURCE: Early ISD Payroll Lists, February 2008.

**EXHIBIT 18  
CURRENT COMPARED TO PROJECTED LABOR AT EARLY PRIMARY/ ELEMENTARY SCHOOL AFTER THE TRANSFERS**

PRIMARY/ ELEMENTARY	CURRENT			HALF-TIME TRANSFERRED IN FROM HIGH SCHOOL			HALF-TIME TRANSFERRED IN FROM MIDDLE SCHOOL			
	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	COST OF REVENUE	LABOR AS % OF REVENUE	MPLH	
	\$1,437.16	\$451.22	31%	13.9	\$486.57	33.9%	12.75	\$521.92	36%	10.9

SOURCE: Early ISD Payroll Lists, February 2008.

- Food thrown away due to over-portioning wastes CNP funds and does not contribute to students’ nutritional health.
- Large-sized portions discourage the consumption of a variety of foods and may be overwhelming to younger children.
- Over-portioning may increase the caloric value, and the fat and saturated fat levels of the meal above the recommended levels, particularly when the M/MA food is over portioned.

On the day of the visit to the high school, the lunch menu was chicken fried steak, gravy, mashed potatoes, green beans, salad, peaches, two two-

ounce rolls, and a sherbet cup. The student could select all offerings as part of the unit priced meal.

The minimum requirement for the Traditional Meal Pattern for the NSLP is a total of 3/4 cup of the Vegetable/Fruit (V/F) component, from two or more sources. The standard serving size of all fruits and vegetables in the district is 1/2 cup. At the high school, the exception to the 1/2 cup serving is mashed potatoes, which are served with a #6 scoop (2/3-cup).

In addition to the mashed potatoes, students were offered 1/2 cup each of green beans, salad, and peaches, almost three times the required amount of V/F component in four food items on this

**EXHIBIT 19**  
**INCREASING MPLH BY REDUCING THE LABOR HOURS IN EACH KITCHEN BY EIGHT HOURS**

EARLY ELEMENTARY/PRIMARY				EARLY MIDDLE SCHOOL				EARLY HIGH SCHOOL			
LABOR HOURS	COST OF LABOR	LABOR AS % OF REVENUE	MPLH	LABOR HOURS	COST OF LABOR	LABOR AS % OF REVENUE	MPLH	LABOR HOURS	COST OF LABOR	LABOR AS % OF REVENUE	MPLH
36	\$374	26%	17	3	\$365	44%	11.38	40	\$454.58	48%	9.5

SOURCE: Early ISD Payroll Lists, February 2008.

**EXHIBIT 20**  
**REDUCED LABOR COSTS DUE TO PROJECTED STAFF REDUCTION**

SCHOOLS	CURRENT ANNUAL LABOR COST	ANNUAL LABOR COST WITH STAFF REDUCTION	PROJECTED ANNUAL SAVINGS
Early Elementary/ Primary School	\$84,378.14	\$67,320	\$17,058.14
Early Middle School	\$83,280.45	\$65,700	\$17,580.45
Early High School	\$102,586.33	\$85,528.19	\$17,058.14
District Wide	\$270,244.92	218,548.19	\$51,696.73

SOURCE: Early ISD Payroll Lists, February 2008.

menu. Out of four consecutive trays returned to the garbage can, one of the servings of mashed potatoes was eaten entirely, two were half-eaten, and the fourth was uneaten.

In addition to the over portioning of fruits and vegetables, the students received eight steak fingers (only four met the two-ounce M/MA component), four ounces of grains/breads (G/B) which all of the students selected and many ate (the requirement is one ounce per day, eight per week). **Exhibit 21** compares the cost of the popular high school meal as served and as required. The required menu matches the served menu in food items used to contribute to the Traditional Meal Pattern; however, whereas only two portions of V/F are required, four are actually served. Two portions could be cut and the menu would still meet minimum meal pattern requirements.

In addition to the problem of portion sizes, each of the serving lines becomes crowded and congested during peak lunch periods. The Food Services director and the high school cafeteria manager

should focus on providing more self-serve items (either pre-plated, or self-served from the table) on the line. If the main serving line was predominantly self-serve and an additional serving line was established, the lines would move more quickly and students would be less likely to pick up food items they do not intend to eat. The Texas Department of State Health Services must always be consulted before taking any actions in the direction of self-serve lines.

The problem at the high school is that students are paying what they consider to be a high price for their meals, and they expect to receive the traditional excessively large-sized portions. Any changes made must be carefully planned in order to be perceived by the customers as an improvement to the service provided through the NSLP and SBP, rather than reducing the value of food or service.

The Food Services Department employees at Early ISD are confused about what they should actually do when planning portion sizes. The superintendent and private consultants who have visited the district

**EXHIBIT 21  
COST OF POPULAR CHICKEN FRIED STEAK FINGER MEAL AT THE HIGH SCHOOL  
EARLY ISD  
2007-08**

MENU ITEM	COST OF THE MENU AS SERVED		COST OF THE MENU AS REQUIRED	
	PORTION SIZE	PER PORTION COST AS SERVED	PORTION SIZE	PER PORTION COST AS REQUIRED
Breaded Beef Patty	8 fingers	\$0.73	4 fingers	\$0.365
Mashed Potatoes	2/3 cup	\$0.24 (estimate)	1/2 cup	\$0.18 (estimate)
Gravy	2 fluid ounces	\$0.10 (estimate)	2 fluid ounces	\$0.10 (estimate)
Tossed Salad	1/2 cup	\$0.30 (estimate)	1/4 cup	\$0.15 (estimate)
Salad Dressing	1.5 fluid ounces	\$0.12	9 gram	\$0.02
Green Beans	1/2 cup	\$0.16 (estimate)	1/4 cup	\$0.08 (estimate)
Peaches	1/2 cup	\$0.255 (partially drained)	1/4 cup	\$0.13(partially drained)
Dinner Roll 2 oz.	2	\$0.093 x2=\$18.6	1	\$0.093
Sherbet (Ice Cream)	unknown	\$0.225	N/A	N/A
Milk	8 fluid ounces	\$0.2445	8 fluid ounces	\$0.2445
<b>FOOD COST PER MEAL AS OFFERED</b>	<b>N/A</b>	<b>\$2.561</b>	<b>N/A</b>	<b>\$1.36</b>

SOURCES: Early ISD Menu, and Educational Region Service Center 10, ESC Cooperative Bid Award, 2007.

recommend that the portion sizes be reduced to cut food costs. In the National Food Services Management Institute (SMI) review of district menus, the menus were cited for low caloric value. According to the high school cafeteria manager, the review recommendation was to serve 1/2 cup of all fruits and vegetables. The district has also been instructed to provide a fresh fruit choice every day. Many schools do this, but it can be very expensive.

To conform to the minimum requirements of the Traditional Meal Patterns without reducing the large portion sizes, the district will continue to experience excessive tray waste resulting in increased food cost, with no real benefit to the students. The district will have to continue supplementing the program from the general fund, reducing the funding available for other programs.

Industry best practices identify the need for the NSLP to provide sufficient food to meet 1/3 of the child’s Recommended Daily Allowance (RDA). The ESC Region XIV Child Nutrition Program specialist can help the director of Food Services analyze the Early ISD menus to identify needed changes in portion sizes in order to meet the requirements of both the Traditional Meal Pattern and the SMI.

The Food Services Department should meet the requirement for the M/MA component of the Traditional Meal Pattern, and not exceed the portion sizes indicated as minimum or optional for any of the components of the pattern. If there is a need for additional calories, increase the portion sizes of menu items used to satisfy the Vegetables/ Fruits (V/F) or Grains/Breads (G/B) component, as appropriate and affordable.

The district should contact the Texas Department of Agriculture and the ESC Region XIV Child Nutrition Program specialist to request technical assistance in identifying methods for meeting the requirements of the SMI using a restricted food budget. No supplemental state reimbursement is provided to implement SMI or the state regulations, Texas Public School Nutrition Policy, that limits foods that may be served as part of the reimbursable meal or sold as a la carte in the cafeteria.

The cost of this meal could have been reduced by \$1.20 if the district's current portion sizes were reduced to the minimum as required by the Traditional Meal Pattern. All menus served in the district are not as costly as the menu cited. Conservatively, the district could reduce the cost of food by fifteen percent or \$57,222 ( $\$381,486 \text{ food cost} \times 15 \text{ percent} = \$57,222$ ) by reducing the portion sizes served to students.

#### **OFFER VS. SERVE (REC. 5)**

The "Offer versus Serve" provision has not been implemented at all grade levels for breakfast and lunch at the Primary/Elementary School. "Offer versus Serve" successfully implemented and promoted reduces the cost of food.

"Offer versus Serve" does not require that food be pre-plated or self-served by the children; however, it is most effective when handled in this manner. Choices are not required by "Offer versus Serve", but choices make the line more appealing and should further reduce waste. Children will select only the foods they intend to eat.

A barrier to implementation is the serving table used in the Primary/Elementary School. The serving table is too high for primary students. Some schools have built a ramp in front of the serving area to raise the children so that the food is

accessible. Consider replacing the tray rail with one that runs the full length of the serving line on the student side of the serving table and move the key pad closer to the cash register for easier access. Currently, each tray is "walked" from the hot table to a place beyond the key pad to where the children can reach the food.

The high school and middle schools also experienced tray waste on the day of the visit. The district should set a goal of zero waste in the garbage cans at the end of the serving periods. This will come closer to being achievable with choices, particularly in the fruit and vegetable components of the meal.

If the district does not successfully implement and promote the "Offer versus Serve" provision at all grade levels for both breakfast and lunch, the children will continue to dispose of foods they would not have taken had they been allowed to refuse the food on the serving line. The district will continue to supplement the Food Services Department with revenues from the general fund that could be used to support other programs within the district.

The district should implement the "Offer versus Serve" provision at breakfast and lunch at all grade levels. All employees should be re-trained in the requirements of "Offer versus Serve" to ensure that each understands that any component of the meal may be refused as long as the student takes three components of the breakfast and three components of the lunch. Promote "Offer versus Serve" with the children. Emphasize that it is good when they take and eat everything offered, but if they do not intend to eat the food item, they should not pick it up. If the district decides to offer more choices in every component of the meal, it will be easier for

students to remember to take only what they choose to eat.

It is not possible to predict the dollar value of proper implementation of “Offer versus Serve” from the visit. Studies of the amounts, costs, and reasons that the food is discarded must be conducted to get an accurate prediction of the savings. Some districts do food waste studies to influence future menus. When students eat the food they take and don’t throw it away, district dollars have been saved. On the day of the visit to the elementary school for breakfast, almost all of the children who were served graham crackers threw away at least one of the packages. The food cost on one package is \$0.095. Milk is \$0.2445 per carton. Four unopened cartons cost the district \$1.00 in wasted resources and many cartons of milk are returned unopened. They must be opened and drained prior to disposal of the carton which wastes labor hours.

If “Offer versus Serve” were properly implemented and promoted, a conservative estimate would be ten percent or \$38,148.60 or (\$381,486 food cost x 10 percent) of the food cost could be saved per year for five years.

### **USE OF “OTHER FOODS” (REC. 6)**

Early ISD uses “other foods” on the menu two to three times per week, which increases costs unnecessarily. “Other foods” are foods that are allowed to be served but do not contribute to any of the components of the meal pattern. “Other foods” found on the menu included cookies, gelatin, ice cream, sherbet, pudding, and baked chips. There are valid reasons to include “other foods” on the menu:

- They round out the menu and make it more appealing to children.
- Sometimes they are necessary to increase the caloric value of the menu, thus reducing the

percentage of calories from fat and saturated fat.

- Condiments such as mustard and ketchup are expected with particular foods.

On the day of the visit to the Early Elementary/ Primary School, the rainbow frozen fruit sticks were served. The majority of the children ate this treat prior to eating other foods on the tray. Pizza was the entrée served that day and many whole pieces of pizza were discarded. The cost of the rainbow stick was \$0.21 each. This school serves 480 lunches per day. Almost all of the children took the frozen treat. The food cost of this menu item was \$100. If the item were removed from the menu the students would have had plenty to eat and the district would have saved \$100 in one school, on one day. If the product were served district wide and conservatively 75 percent (75% of 1,000 = 750 students x \$0.21 = \$157.50) of the students selected one, the total cost to the district would be \$157.50.

If the district continues to offer “other foods” two to three times per week, the menu costs will continue to increase and discourage the consumption of the foods used to contribute to the components of the meal pattern.

Industry best practices dictate that each lunch served and claimed for reimbursement contain food items that fulfill the requirements of each of the components, in the required portion sizes as prescribed by the Traditional Meal Pattern, and other foods sufficient to meet one-third of the child’s RDA. Including foods above and beyond those requirements raises the cost of the meal with no additional nutritional benefit to the student. The Region XIV, ESC Child Nutrition Program specialist may help the director of Food Services analyze the Early ISD menus to identify if “other

foods” are contributing positively to the SMI review of the menus or can be eliminated until the programs are fiscally sound.

The Food Services Department should eliminate or greatly reduce the use of “other foods” until the program is fiscally sound.

The district serves an “other food” an average of twice per week. If conservatively 75 percent ( $1,000 \times 75\% = 750$ ) of the students select two \$0.15 items per week for a total of \$0.30 per student, the annual ( $180 \text{ days} / 5 \text{ days per week} = 36 \text{ weeks}$  annually) cost to the district is \$8,100 or ( $750 \times \$0.30 = \$225 \times 36 \text{ weeks} = \$8,100$ ). The fiscal impact of this action, combined with other recommended actions, will aid in bringing the Food Services Department closer to the goal of being self-sufficient.

#### **CONTROL OVER CASH COLLECTIONS (REC. 7)**

Early ISD does not maintain adequate controls over its cash collections processes related to cafeteria operations. During the on site visit, the review team observed cafeteria cashiers that did not have cash drawers. Cash that was collected during serving times was left in a tray located near the cafeteria’s point of sale (POS) terminal. If cashiers were called aside to perform tasks other than collecting cash, the trays remained out on the counter. In addition, in the elementary cafeteria, only one person is trained to operate the POS.

The review team also noted that there is no independent reconciliation of cash collections to sales reports. Food Services staff, primarily the director or assistant director, collect all cash deposits from each school, transport deposits to the bank, and record deposits to the district’s general ledger accounts.

Food Services staff reported to the review team that cash collections are not verified against daily sales reports. Instead, cash is counted at each school, a “start-up” change fund is left in the cash till for the next day’s operations, and the remainder is deposited in the bank. Further, only bills are counted; change is simply left in the drawers and deposited only when the volume becomes too excessive to keep on hand.

These cash practices leave the district at risk of losing funds either through theft or mistakes.

Internal controls are the measures taken by an organization for the purpose of protecting resources as follows:

- Preventing waste, fraud, and inefficiency.
- Ensuring accuracy and reliability in accounting and operating data.
- Securing compliance with policies, rules, regulations, and laws.
- Evaluating the level of performance.

The elements of good internal controls include adequate segregation of duties. Proper segregation of duties reduces the likelihood of errors and irregularities. An individual should not have responsibility for more than one of three transaction components: authorization, custody, and record keeping. When the work of one employee is checked by another, and when the responsibility for custody of assets is separate from the responsibility for maintaining the records relating to those assets, appropriate segregation of duties exists. Proper internal controls help detect errors in a timely manner and deter improper activities. At the same time, proper internal controls and the segregation of duties should be devised to prompt operational efficiency and allow for effective communications.

To improve the internal controls over cash, the district should do the following:

- Obtain locking cash drawers that can easily be secured at each POS terminal in the cafeteria line.
- Cross-train employees on the cashiering duties so that there is adequate coverage in the event of illness or absence of the main cashier.
- Reconcile POS reports to the amount of cash collected.
- Reconcile POS reports to deposit slips.

In addition, Early ISD should have some of the cash collections function performed by staff in the business office. Recording deposits to the general ledger and reconciling POS reports to deposit slips are two tasks that the business office personnel should perform.

Most of these controls can be implemented at minimal to no cost. The installation of locking cash drawers at each school will cost approximately \$200 each or (\$200 x 4 schools = \$800), amounting to a total one-time fiscal impact of \$800.

**CAFETERIA VENDOR PAYMENTS (REC. 8)**

The district does not maintain adequate controls over its processes related to cafeteria vendor

payments. All invoices for food and supplies related to cafeteria operations are received by the Food Services manager. The manager enters the invoice into the district’s accounting system for payment. Although checks are actually printed in the business office, they are turned over to the Food Services director to be mailed out.

Similar to the issue of cash controls, there is not adequate separation of duties in the vendor payment function. Because the Food Services director handles all aspects of vendor payment (checking the invoice, entering the invoice to the accounting system, and mailing checks to vendors), any error or irregularity in the process would not likely be caught because it is not independently verified by another person.

Early ISD can improve its controls over vendor payments, in addition to alleviating some of the paperwork burden on the Food Services Department, by assigning staff in the business office to perform some of the payment responsibilities.

**Exhibit 22** provides a schematic of the functions that should be performed by the business office and the Food Services Department.

**EXHIBIT 22  
RECOMMENDED SEGREGATION OF DUTIES FOR THE PAYMENT PROCESS  
EARLY ISD  
2007–08**

FOOD SERVICES DEPARTMENT	BUSINESS OFFICE
Receive invoice  Check invoice for accuracy (Were the correct items delivered? Were the correct quantities delivered? Were the correct prices charged?)	Establish and maintain vendor files in accounting system  Verify amounts of invoices and ensure that invoices match to purchase orders
Provide accounting coding for items purchased  Submit invoice to business office	Enter invoice information into accounting system  Issue vendor checks  Mail vendor payments

SOURCE: MGT of America, Inc., March 2008.

These recommended changes can be accomplished by using existing resources.

## FISCAL IMPACT

RECOMMENDATIONS	2009–10	2010–11	2011–12	2012–13	2013–14	TOTAL 5–YEAR (COSTS) SAVINGS	TOTAL ONE-TIME (COSTS) SAVINGS
1. Set reasonable cost, participation, and revenue standards for the Food Services Department to target.	\$0	\$0	\$0	\$0	\$0	\$0	
2. Analyze and evaluate district meal prices each year, when the USDA NSLP and SBP reimbursement rates are released.	\$26,660	\$26,660	\$26,660	\$26,660	\$26,660	\$133,300	
3. Reduce the fixed cost of labor in the middle and high schools and use care in staffing the primary and elementary schools.	\$51,696	\$51,696	\$51,696	\$51,696	\$51,696	\$258,480	
4. Meet the requirement for the M/MA component of the Traditional Meal Pattern; do not exceed the portion sizes indicated as minimum or optional for any of the components of the pattern.	\$57,222	\$57,222	\$57,222	\$57,222	\$57,222	\$286,110	
5. Implement the "Offer versus Serve" provision at breakfast and lunch at all grade levels.	\$38,148	\$38,148	\$38,148	\$38,148	\$38,148	\$190,740	
6. Eliminate or significantly reduce the use of unnecessary "other foods" until the program is fiscally sound.	\$8,100	\$8,100	\$8,100	\$8,100	\$8,100	\$40,500	
7. Improve internal controls over cash handling in school cafeterias.	\$0	\$0	\$0	\$0	\$0	\$0	(\$800)
8. Improve internal controls over the vendor payment function.	\$0	\$0	\$0	\$0	\$0	\$0	
<b>TOTALS</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$181,826</b>	<b>\$909,130</b>	<b>(\$800)</b>

<b>Five-Year Gross Savings</b>	<b>\$909,130</b>
<b>Five-Year One-Time Gross Costs</b>	<b>(\$800)</b>
<b>Grand Total</b>	<b>\$908,330</b>