

**Crane  
Independent School District**

**FOOD SERVICES REVIEW**

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

**AUGUST 2008**



## LEGISLATIVE BUDGET BOARD

Robert E. Johnson Bldg.  
1501 N. Congress Ave. - 5th Floor  
Austin, TX 78701

512/463-1200  
Fax: 512/475-2902  
<http://www.lbb.state.tx.us>

August 26, 2008

Mr. Larry Lee  
Superintendent  
Crane Independent School District

Dear Mr. Lee:

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

The report's recommendations will help Crane 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,

A handwritten signature in black ink, appearing to be "John", written over a horizontal line.

John  
Director  
Legislative Budget Board

cc: Mr. Van Dodd  
Ms. Helen Romeiser  
Ms. Evelyn Stroder  
Ms. Mary Jo Heard  
Mr. Manual Cadena Sr.  
Mr. Lonny Velasquez  
Mr. Jerry Smith



## FOOD SERVICES MANAGEMENT

Crane Independent School District (ISD) is located in Crane, Texas just south of Odessa in Crane County. The district’s boundaries parallel that of Crane County. The population of the county is approximately 3,800, and the district’s current K–12 enrollment for 2007–08 is 987. The district is comprised of three campuses.

- Crane Elementary School (Pre-K–5)
- Crane Middle School (6–8)
- Crane High School (9–12)

Each of the three Crane ISD campuses participates in the National School Lunch Program (NSLP), and the School Breakfast Program (SBP). During October 2007, the Crane ISD Food Services Department served lunch to an average of 519 students daily and breakfast to an average of 378 students. All meals for students and staff are prepared and served in the district’s only cafeteria on the elementary school campus.

Elementary school students are served breakfast in their classrooms and lunch in the cafeteria. Breakfast is free to all students (e.g., reduced- and full-price eligible students are served at no charge, and claimed in the appropriate category). The elementary school is a closed campus (closed campuses do not allow students to leave the district to obtain their meals).

The middle and high school students are also served both meals in the elementary school cafeteria. These two campuses are open and many students leave the premises for lunch. The community has several nearby restaurants and a pharmacy serving

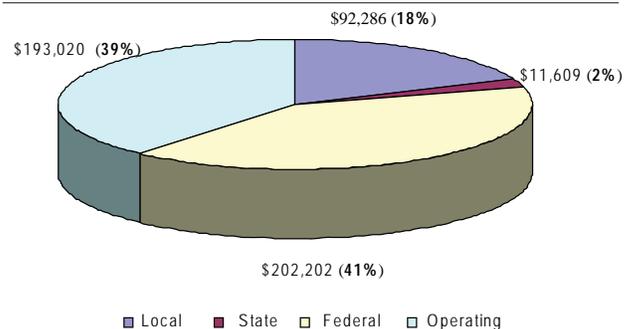
foods that compete with the Child Nutrition Programs (CNP).

A Food Services director heads the department and is supported by a full-time secretary. Responsibilities of the director include managing all components of Food Services operations while ensuring compliance with federal, state, and local regulations.

Crane ISD receives funds to support its Food Services operations from four sources: federal reimbursements through the National School Lunch Program (NSLP) and the School Breakfast Program (SBP); state matching funds required by federal law; local general funds to cover Food Services operating losses; cash payments from students, teachers, and parents who pay full price for their meals; and other district departments for purchased meals and catering activities.

**Exhibit 1** shows the amount and percentage of each of these sources of funds for the fiscal year ending 2007. At 41 percent of total revenues in fiscal 2007, federal funds made up the most significant source of funds for Crane ISD’s Child

**EXHIBIT 1  
CRANE ISD CHILD NUTRITION PROGRAM  
SOURCES OF FUNDS FOR THE YEAR ENDING 2007**



SOURCE: Crane ISD Financial Reports, August 2007.

Nutrition Program (CNP), followed by operating fund transfers representing 39 percent of funds. Cash sales accounted for only 18 percent of revenue during 2006–07.

On a per-student basis, Crane ISD is contributing \$201 of general operating funds to cover the operational losses of the CNP. These are funds that could be spent in classrooms.

The district accounts for the activities of its CNP through an established fund that is separate from its general fund. All revenues are deposited to a bank account established for the CNP, with all expenditures for vendor payments and employee payroll costs issued against this fund.

**Exhibit 2** presents an overview of the flow of funds for the program. All cash receipts for breakfast, lunch, and catering revenues are deposited directly into the CNP bank account. All federal

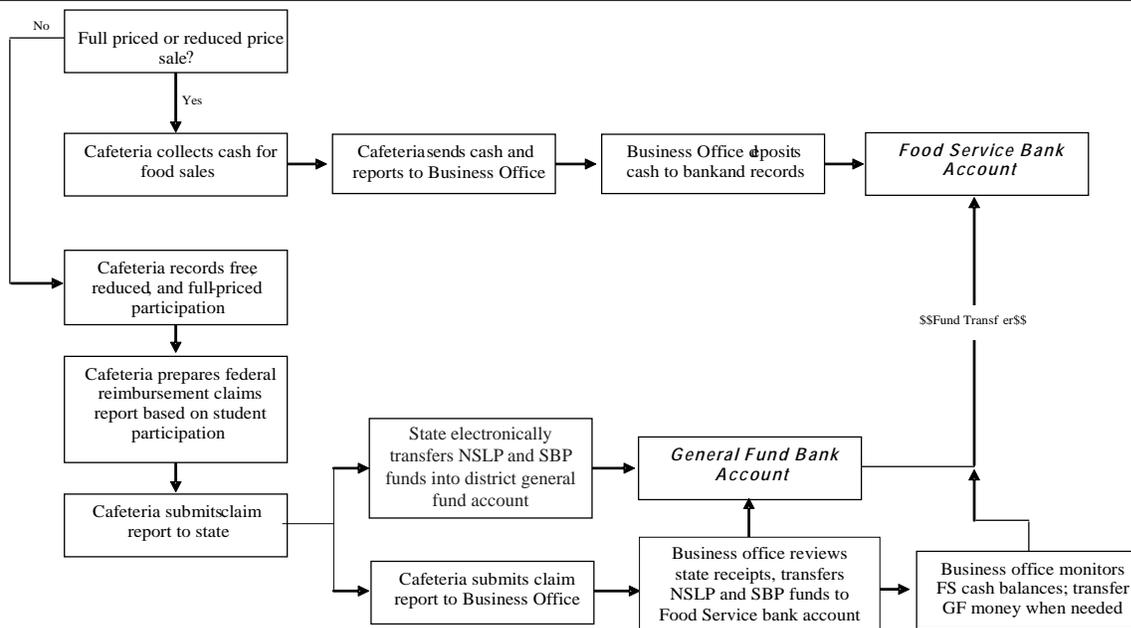
reimbursements and state matching contributions are transferred electronically into the district’s general operating account. Once these funds have been identified, they are transferred to the CNP bank account by Crane’s business office.

Because Crane ISD’s CNP is not self sufficient and is dependent upon contributions from the local funds, transfers from the general operating account are made to the CNP bank account as needed.

In addition to cash collected for school lunches, the district also provides catering services to teachers, administrators, and activity groups. **Exhibit 3** shows typical catering activities for the district.

For these services, the CNP issues invoices to the club or group who requests catering goods and services, and these invoice payments are deposited into the CNP bank account.

**EXHIBIT 2  
FLOW OF CHILD NUTRITION PROGRAM FUNDS  
CRANE ISD  
2008**



SOURCE: Based on review of documents and interviews with Crane ISD business office staff, 2008.

**EXHIBIT 3**  
**CRANE ISD CATERING ACTIVITIES**  
**2007–08**

ADMINISTRATION	ACADEMICS	ATHLETICS
School Board Meetings	Student Council Concessions	J.V. Sack Lunches
Faculty Lunches	Proud Crowd	Varsity Football Sack Lunches
Faculty Ice Cream Party	Special Education	Middle School Volleyball Tournament
Back-To-School Breakfast	Family Reading Night	High School Band Contest
Faculty Tailgate Parties		Regional Band Contest
Christmas Open House	<b>Other</b>	Varsity Girls' Basketball Tournament
Faculty Christmas Lunch	Project Graduation	Middle School Basketball Tournament
	Coronation/Prom	Tennis

SOURCE: Crane ISD Catering List for 2007–08.

For fiscal year ending 2007, the district received \$20,030 in catering revenues and incurred \$19,389 in catering food and supplies expenditures, netting a positive cash flow of \$641. For fiscal 2007–08, the district has received catering revenues of \$8,862 through February 2008. Expenditures for this period amount to \$8,799, resulting in a positive cash flow of \$63. At the direction of the current superintendent, the catering program does not charge for the CNP department labor required to produce catering goods and services.

Crane ISD reports the financial activity of all its operations to the Texas Education Agency (TEA) through the Public Education Information Management System (PEIMS). Included in this submission of data are detailed data 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 would be modeled like that shown 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.

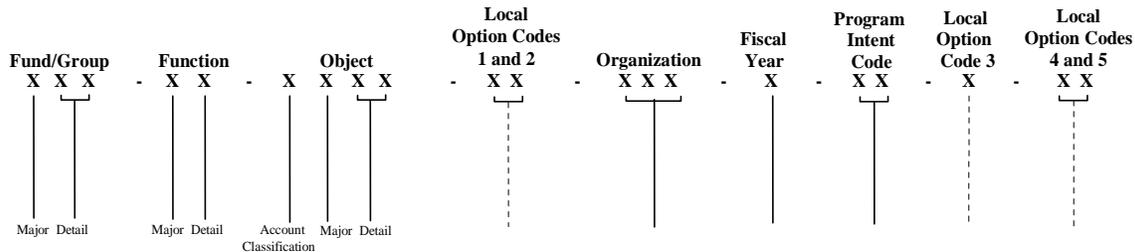
Function codes are two-digit numbers that denote a general operational area in a school district and groups together related activities. For instance, there are separate function codes to indicate instruction, transportation, health services, and Food Services.

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.

**EXHIBIT 4  
CODE STRUCTURE OF A SINGLE TRANSACTION  
FINANCIAL ACCOUNTABILITY SYSTEM RESOURCE GUIDE  
CRANE 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.

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

Districts are required to submit their financial data to the PEIMS system either electronically or by providing a compact disc with the data. 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.

**FINDINGS**

- There are no district-established standards for reasonable cost, participation, and revenue targets for the Food Services Department. The administration does not consistently monitor the financial status of the operations by generating and analyzing monthly profit and loss statements.
- The Crane ISD Food Services Department is overstaffed. 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 kitchen is less efficient than other school kitchens serving approximately the same number of meals.

- The cost of labor including wages, salaries, and benefits for Food Services employees exceeds the revenue generated by the NSLP and SBP combined.
- Crane ISD does not deposit Child Nutrition Program funds in a timely manner.
- Crane ISD’s Child Nutrition Program is not recovering the cost of labor used in preparing catering products.
- The Food Services Department has not developed a plan for marketing and promoting the NSLP and SBP. The department makes no attempt to capture the middle and high schools students in the morning for breakfast, or those leaving campus during the lunch periods.

- Daily food production records indicate that the Food Services Department prepares more food than is necessary to serve the number of students claimed.
- The portion sizes of menu items contributing to the Meat/Meat Alternates (M/MA) and other components of the Traditional Meal Pattern exceed requirements. Seconds are offered as part of the daily service.
- “Offer versus Serve” requirements are not clear to all employees; all students may not understand that they can refuse any component(s) of the breakfast or lunch reimbursable meal as long as they select three components.
- “Other foods” offered on the menus contribute to the excessive food cost.
- Crane ISD is paying higher prices for some foods and supplies than those districts that participate in the Regional Education Service Center XVIII (Region 18), Cooperative Bid. The district does not have an effective system in place for controlling inventory.

## RECOMMENDATIONS

- **Recommendation 1: Set reasonable cost, participation, and revenue standards for the Food Services department to target.** Empower and encourage the Food Services director and her staff to operate an efficient, high quality program. Identify progress through monitoring monthly participation reports, and profit and loss statements.
- **Recommendation 2: Reduce the number of Food Services positions, or the number of labor hours each employee works to provide the Crane ISD Food Services Department with the opportunity to operate most efficiently.**
- **Recommendation 3: Reduce the fixed cost of labor so that it no longer exceeds revenue.**
- **Recommendation 4: Create a policy requiring daily deposits of Child Nutrition Program funds.**
- **Recommendation 5: Assess labor charges associated with Crane ISD catering activities.**
- **Recommendation 6: Develop marketing strategies to increase participation in the NSLP and SBP using the projected levels as a goal.**
- **Recommendation 7: Reduce the amount of food prepared.** Predict the number of menu items to prepare based on prior participation; batch cook when possible to reduce overproduction; and preserve leftover foods as directed by the Texas Department of State Health Services.
- **Recommendation 8: 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.** 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 affordable. Discontinue the practices of over portioning and providing seconds.
- **Recommendation 9: Re-train all employees in the requirements of the “Offer versus Serve” provision 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. Implement “Offer versus Serve” at all grade levels for both breakfast and lunch. Promote “Offer versus Serve” with the students.

- **Recommendation 10: Eliminate or significantly reduce the use of unnecessary “other foods” until the program is fiscally sound.**

- **Recommendation 11: Conduct a detailed comparison of the prices paid for food and supplies by Crane ISD and the schools participating in the Region 18, ESC Purchasing Cooperative.** Compare only those foods currently used by the district, and weigh the importance of each item based on usage. Implement an effective system for controlling inventory.

The following chart summarizes the fiscal impact of all 11 recommendations in the performance review.

**FIVE-YEAR FISCAL IMPACT CHART**

	2009–10	2010–11	2011–12	2012–13	2013–14	TOTAL 5-YEAR (COSTS) SAVINGS	ONE-TIME (COSTS) SAVINGS
Gross Savings	\$201,466	\$201,466	\$201,466	\$201,466	\$201,466	\$1,007,330	\$0
Gross Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$1,007,330</b>	<b>\$0</b>

## DETAILED FINDINGS

### DEPARTMENT STANDARDS (REC. 1)

There are no district-established standards for reasonable cost, participation rates, and revenue targets for the Food Services Department. In addition, the administration does not consistently monitor the financial status of the operations by generating and analyzing monthly profit and loss statements; consequently, Crane's CNP lost \$288,742 during the 2006–07 school year.

Each year the district budgets for the CNP loss, and there is no expectation that the Food Services Department will generate a profit or break even and no fiscal goals are set for the operation. The Food Services director and her staff do not routinely receive current and accurate profit and loss information on which to make fact-based decisions.

The Food Services department also provides services such as labor for catered events that are not specifically reimbursed by the district. There is no

concern that the limited catering services provided would ever exceed the district's budget; however, in other districts the Food Services Department would be credited fees for catering. Those fees would then be posted to revenue and used in the department's calculation of meals per labor hour (MPLH).

Since the establishment of the National School Lunch Program (NSLP) in 1946, school districts have elected to provide local funds to support their CNP in an effort to give their children the highest affordable quality and to ensure the continuation of the service. Providing this assurance to the students is very important in most communities; however, the fact that the school district financially supports the Food Services department should not discourage good management practices, including the elimination of wasted food, labor and supplies.

**Exhibit 5** provides an overview of the Crane ISD Food Services revenue and expenditures for the 2006–07 school year. Evelina Cross, PhD, RD and

### EXHIBIT 5 EXPENDITURES AS A PERCENTAGE OF REVENUE 2006–07

CURRENT BREAKFAST AND LUNCH	REVENUE	EXPENDI- TURES	EXPENDITURES AS A PERCENTAGE OF REVENUE	COMMONLY ACCEPTED INDUSTRY STANDARDS	CRANE ISD PROJECTED EXPENDITURE USING INDUSTRY STANDARDS	CRANE ISD VARIANCE FROM STANDARDS	DOLLAR VALUE OF VARIANCE
Local/State/ Federal Revenue	\$237,543	N/A	N/A	N/A	N/A	N/A	N/A
Labor	N/A	\$275,585	116%	40–45%	\$106,894	71–76%	\$168,691
Food	N/A	\$228,000	96%	40–45%	\$106,894	51–56%	\$121,106
Other	N/A	\$22,700	10%	5–15%	\$23,754	N/A	(\$1,054)
Profit	N/A	N/A	N/A	0–5%	\$0	N/A	\$0
<b>TOTALS</b>	<b>\$237,543</b>	<b>\$526,285</b>	<b>222%</b>	<b>100%</b>	<b>\$237,543</b>	<b>122%</b>	<b>\$288,742</b>

NOTE: Use industry standards only as a guide.

SOURCE: Crane ISD Board Report Detail Comparison of Expenditures and Encumbrances to Budget, August 2007.

Shirley Watkins, MS, RD address industry standards in Chapter 7, Financial Management, of *Managing Child Nutrition Programs: Leadership for Excellence, Second Edition*, by Josephine Martin, PhD, RD, LD, and Charlotte Oakley, PhD, RD, LD, FADA (2008). These authors confirm that the 40–45 percent of revenue for food and the 40–45 percent of revenue for labor costs used in **Exhibit 5** are generally accepted standards. The exhibit shows the funds that the district is currently expending in the operation of the CNP, as well as the industry standards for district spending on food, labor, and other costs. Industry standards vary among experts, and when evaluating individual operations against industry or internally developed standards, it is necessary to consider a variety of factors that affect the balance between food and labor costs. For example:

- A school that cooks kitchen prepared foods will need more labor hours than a school that uses all pre-packaged (or pre-prepared) foods. However, preparing food in the kitchen will reduce the food cost on many products.
- The value of purchasing a fully cooked product is included in the cost of pre-packaged (or pre-prepared) foods, so those foods are generally higher in cost. However, less labor is required to produce pre-packaged (or pre-prepared) foods.

Crane ISD administration does not set reasonable cost, participation, and revenue standards for the Food Services Department to target. Without changing this practice, the district will continue to lose large sums of money on the CNP without any improvement in the food and service provided to the students. For the program to be fiscally sound, the district must empower and encourage the Food Services director and her staff to operate an efficient,

high-quality program. Once standards are set, monitoring monthly participation reports and profit and loss statements will identify progress in reaching those targeted goals. In addition, the review team understands the district does not want to close the middle and high school campuses, however, participation in Child Nutrition Programs in closed campus environments is generally higher.

Industry best practices are to track individual Food Services operations 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 standards for the Food Services Department to target and empower and encourage the Food Services director and her staff to operate an efficient, high-quality program. Identify progress through monitoring monthly participation reports, as well as profit and loss statements.

Identify methods for increasing revenue and reducing costs. Variations from the industry standards are not important as long as the operation is meeting the goal of spending no more than 100 percent of the revenue. Crane ISD exceeds industry standards in all three categories of expenditures, food, labor, and other. Labor is a fixed cost per day and is the easiest to bring into line by reducing the labor force; however, there are other factors to investigate prior to taking any such action.

Crane 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.

Effort should be made to recognize the successes of the department. In some districts, participation in state and national conferences at program expense is dependent on performance. Employees often consider such activities a reward for a job well done. Other districts purchase uniforms or work shoes for employees from recaptured wasted dollars.

The success of the Food Services Department is certainly dependent on the performance of those actually doing the food production and service; however, school administration and community encouragement and support are also necessary to make the needed changes in the Food Services operation in Crane ISD. Setting standards and celebrating successes will ease the implementation of the needed improvements.

### **PRODUCTIVITY (REC. 2)**

Neither the Food Services director nor the school district administration uses any type of Food Services staffing methodology in the planning and budgeting process. The Crane ISD Food Services Department is overstaffed. 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 kitchen is less efficient than other school kitchens serving approximately the same number of meals.

The Food Services director accepted her position five years ago. At that time, 14 full-time employees staffed the department, including the director and her secretary in the Food Services office. Through attrition, the district has since reduced the staff to 11, including the Food Services office staff.

The Food Services director manages the department with the support of a full-time secretary. The director and her secretary have no routinely assigned kitchen duties; however, when substitutes are not available, they assist in food production and service. 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 individual school) of students approved for meal benefits. Responsibilities of the secretary include but are not limited to preparing and submitting grocery orders to vendors, receiving grocery and supply orders, maintaining inventory records, and submitting invoices to the central office for payment.

Four additional district employees and five other contracted laborers staff the kitchen. According to the contract, each contract laborer must work at least 3.5 hours per day. Currently, three contract positions work seven hours, one works five hours, and one works 3.5 hours daily. These hours have remained the same since 2004.

The common measure for productivity in school kitchens is meals per labor hour (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 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 purposes.

To determine meal equivalents from meal count categories and other sources of revenue, districts

use the following factors: (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) = \$2.6575

**Exhibit 6** shows the calculation of meal equivalents for Crane ISD in October 2007.

**Exhibit 7** demonstrates the MPLH calculation. MPLH = Number of daily meal equivalents divided by the number of paid labor hours.

**SAMPLE STAFFING GUIDELINES FOR ON-SITE PRODUCTION**

MPLH is an excellent tool for monitoring the productivity of one kitchen over various time periods such as weekly or monthly. Food Services directors and administrators use MPLH to increase and decrease scheduled labor hours based on productivity. Many factors affect the number of MPLH a kitchen generates, and these factors should be considered when comparing the efficiency of one kitchen against another, or against either industry or internally developed standards.

Examples of factors that affect MPLH are:

- Number of serving lines
- Kitchen-prepared cooking versus the use of pre-purchased (or pre-packaged) foods
- Length of serving periods

**EXHIBIT 6  
CALCULATION OF CRANE ISD MEAL EQUIVALENTS  
OCTOBER 2007**

MEALS INCLUDING ADULT	CONVERSION FORMULA	AVERAGE DAILY PARTICIPATION (ADP) OCTOBER, 2007	NUMBER OF MEAL EQUIVALENTS
Breakfast	1=0.66	378 x 0.66	250
Lunch	1=1	519 x 1	519
Snack	3=1	N/A	N/A
Ala Carte	\$2.6575=1	\$69.29 ÷ \$2.6575	26
<b>TOTAL NUMBER OF DAILY MEAL EQUIVALENTS</b>			<b>795</b>

NOTE: The commodity rate is set by the USDA Food and Nutrition Service and is adjusted annually to reflect changes in the Price Index for food used in schools and institutions. The rate is currently \$0.1825 per eligible meal. The district is not currently participating in the afterschool snack program.

SOURCE: Adapted from Financial Management Instructor Guide (2005), Chapter 5, pp. 5–51, National Food Services Management Institute (NFSMI), the University of Mississippi.

**EXHIBIT 7  
CALCULATION OF MEALS PER LABOR HOUR FOR CRANE ISD KITCHEN USING MEAL EQUIVALENTS  
2007**

TOTAL NUMBER OF CRANE ISD DAILY MEAL EQUIVALENTS	TOTAL DAILY LABOR HOURS	MEALS PER LABOR HOUR (MPLH)
795	77	10.3

SOURCE: Adapted from Financial Management Instructor Guide (2005), Chapter 5, pp. 5–51; NFSMI, the University of Mississippi, Crane ISD Daily Record of Meals Claimed, October 2007.

- Skill and knowledge levels of employees
- Complexity of the menu
- Transported foods versus foods prepared and served on-site
- Dishwashing versus the use of disposables

#### *MENUS—CONVENTION OR CONVENIENCE AFFECT MPLH*

Planning menus is one of the most important duties of the Food Services director. The menu directs all Food Services activities, from purchasing through food production and service. Planning menus is a delicate and difficult balance of many factors including:

- Student acceptability and participation
- Cost
- Nutritional value
- Compliance with local, state, and Federal regulations
- Available equipment
- Skills and knowledge of employees
- Aesthetics—color, flavor, texture, temperature, and shape
- Product availability
- Seasonal foods
- Holidays and other special events
- Promotions and other marketing activities

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, purchased prepared, or partially prepared. **Exhibit 8** provides an overview of the menu items and level of preparation required to serve each individual product on the Crane ISD menu (February 2008). The director of Food Services indicated that when

making purchasing decisions, pre-purchased (or pre-packaged) products are preferred.

**Exhibit 9** shows industry guidelines for staffing school kitchens. Crane ISD's menu items are primarily purchased prepared or partially prepared, and the kitchen is producing between 701 and 800 meal equivalents per day. According to the guidelines, Crane ISD should be staffed with 31–35 labor hours and should be producing 22 MPLH. Currently Crane ISD is staffed with 77 labor hours and is producing 10 MPLH. The department's productivity, as measured in MPLH, is less than half of what the guidelines indicate it should be.

As the number of meal equivalents increases, the number of MPLH also increases; this is due to economies of scale. Crane ISD should adjust the MPLH guidelines downward to accommodate the preparation necessary to transport breakfast to the elementary school classrooms.

Without reducing the labor hours or increasing participation to meet the current level of staffing, the district will continue to expend over 100 percent of the CNP revenue for labor.

According to industry best practices, Crane ISD should operate the CNP at a break-even point. This will not be possible until labor hours are cut or participation is increased. The CNP specialist in Regional Education Service Center XVIII would serve as an excellent resource for identifying other school districts in the surrounding area that are operating at or above the break-even point. She may also have suggestions on how Crane ISD can effectively reduce the labor hours without devaluing the services provided to students.

The district should reduce the number of Food Services positions or the number of labor hours

**EXHIBIT 8  
PRODUCTION LEVEL OF CRANE ISD BREAKFAST AND LUNCH MENU ITEMS  
FEBRUARY 2008**

LUNCH ENTREES				FRUITS AND VEGETABLES			
MENU ITEM	KITCHEN- PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED	MENU ITEM	KITCHEN- PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED
Corn Chip Pie	X			Oven Fries, Tater Tots, Cheese Tots			X
Chili Hot Dog/ Bun	X chili		X canned also used	Ranch Beans, Pinto Beans			X
Bean and Cheese Chalupa		X assembled dehydrated beans	shredded cheese	Peaches, Pineapple, Mixed Fruit, Applesauce, Pears			X
Steak Fingers			X	Salad Mix			X
Chicken-fried Steak			X	Carrots with Honey and Cherries		X sauce	X carrots
Hamburger/ Cheeseburger			X	Creamed Potatoes		X dehydrated	
McRib with BBQ on Bun			X	Hamburger Salad		X assembled	
Macaroni and Cheese	X		X frozen	Apple Slices		X fresh-cut	X canned or frozen
Pork Choppette			X	Steamed Broccoli			X
Beef Burrito			X	Au Gratin Potatoes		X dehydrated	
Cheese Pizza, Pepperoni Pizza			X	Green Beans, English Peas, Corn, Peas and Carrots, Corn on Cob			X
Spaghetti and Beef, Macaroni, Tomato	X			Baby Carrots with Dip			X
Ham and Cheese Hoagie		X assembled	sliced ham and cheese	Pineapple and Orange Salad		X	
Chicken Noodle Soup			X	Baby Red Potatoes			X
Chicken Strips			X	Orange Halves		X fresh-cut	
Lasagna	X			GRAINS/BREADS			
Steak Sandwich			X	MENU ITEM	KITCHEN- PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED
Taquitos/ Cheese Sauce			X	Bread Sticks			X
Mozzarella Sticks			X	Garlic Toast		X	
Chicken Fajitas			X	Dinner Roll			X
<b>BREAKFAST ENTREES</b>				Spanish Rice	X		
MENU ITEM	KITCHEN- PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED	Cornbread	X		
Muffins			X				
Sausage Biscuit		X assembled					

**EXHIBIT 8 (CONTINUED)**  
**PRODUCTION LEVEL OF CRANE ISD BREAKFAST AND LUNCH MENU ITEMS**  
**FEBRUARY 2008**

BREAKFAST ENTREES				"OTHER" NONCONTRIBUTING FOODS			
MENU ITEM	KITCHEN-PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED	MENU ITEM	KITCHEN-PREPARED	PARTIALLY PREPARED	PURCHASED PREPARED
Yogurt			X	Cookie			X
Breakfast Breaks			X	Fruit Bar Snack			X
Pigs in Blanket, Pancake on a Stick			X	Carrot Cake		X mix	X
Donut or Crackers and Cheese Sticks			X	Gravy		X mix	
Hot Pocket			X	Pudding			X
Peanut Butter Sandwich			X	Gelatin with Topping		X	
Honey Bun and Cheese Sticks			X	Rice Krispie Treat			X
Pop Tart			X	Trail Mix			X

SOURCE: Crane ISD menus, February 2008.

**EXHIBIT 9**  
**SAMPLE STAFFING GUIDELINES FOR ON-SITE PRODUCTION**

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
401–500	16	25–31	19	21–25
501–600	17	29–35	20	25–30
601–700	18	33–37	22	27–31
701–800	19	36–42	22	31–35
<b>Crane ISD</b>			<b>10</b>	<b>77</b>

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

each employee works to enable the Crane ISD Food Services Department to maximize efficiency.

The fiscal impact for this finding will be discussed in the third finding.

**LABOR COSTS (REC. 3)**

The cost of labor including wages, salaries, and benefits for Food Services employees exceeds the revenue generated by the National School Lunch Program (NSLP) and School Breakfast Program (SBP) combined. All district employees receive a high level of benefits; this severely increases the cost of labor beyond what many other districts in the state are paying. Benefits at this level are necessary to recruit employees due to the community’s limited available labor pool. The district must compete with the gas and oil industries to fill entry-level positions. **Exhibit 10** shows the daily fixed cost of labor for Crane ISD. The Daily Wage plus Benefits column comprises the cost of all wages or salaries as well as benefits including healthcare.

**Exhibits 11 and 12** show the average daily revenue for the NSLP and SBP for Crane ISD during October 2007.

**Exhibit 13** demonstrates that the CNP daily revenue is totally consumed by the daily fixed cost of labor.

As discussed earlier, due to the limited labor pool of entry-level employees in the community, the district pays more for hourly labor than many other school districts. Districts across the state have had to adjust their standards for labor as a percentage of revenue over the past decade because the price of school Food Services labor has unavoidably risen. An important factor to note is that Crane ISD has changed production requirements since the new Food Services director was hired five years ago. Prior to that time more menu items were kitchen-prepared. Good reasons for doing less kitchen preparation include the following:

**EXHIBIT 10  
CALCULATION OF FOOD SERVICES DEPARTMENT LABOR HOURS AND FIXED COST OF LABOR**

EMPLOYEE	DAILY HOURS	HOURLY WAGE	DAILY WAGE	DAILY WAGE PLUS BENEFITS (41%)
District employee 142	7.50	\$12.79	\$95.93	\$135.25
District employee 210	8.00	13.66	109.28	154.08
District employee 005	8.00	12.48	99.84	140.77
District employee 269	8.00	0.00	246.25	347.21
District employee 016	8.00	14.81	118.48	167.06
District employee 213	8.00	12.69	101.52	143.14
Contract employee 1	7.00	12.00	84.00	84.00
Contract employee 2	7.00	12.00	84.00	84.00
Contract employee 3	7.00	12.00	84.00	84.00
Contract employee 4	5.00	12.00	60.00	60.00
Contract employee 5	3.50	12.00	42.00	42.00
<b>DAILY TOTALS</b>	<b>77.00</b>	<b>N/A</b>	<b>\$1,125.30</b>	<b>\$1,441.51</b>

SOURCE: Crane ISD Payroll Listing, February 2008.

**EXHIBIT 11  
CALCULATION OF CRANE ISD LUNCH REVENUE FOR OCTOBER 2007**

<b>CRANE HIGH SCHOOL – LUNCH</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>REVENUE</b>
Free	525	23	22.8	\$2.49	\$0.00	\$56.38
Reduced	198	23	8.6	2.09	0.40	21.26
Full Price	487	23	21.2	0.25	1.50	36.63
Adult	111	23	4.8	0.00	2.60	12.55
A La Carte	0	23	0.0	0.00	0.00	0.00
Guest Adult	41	23	1.8	0.00	5.00	0.00
Guest Child	3	23	0.1	0.00	3.00	0.00
Free Adult	231	23	10.0	0.00	0.00	0.00
<b>TOTAL DAILY LUNCH REVENUE</b>						<b>\$126.82</b>

<b>CRANE MIDDLE SCHOOL – LUNCH</b>						
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>REVENUE</b>
Free	873	23	38.0	\$2.49	\$0.00	\$93.75
Reduced	260	23	11.3	2.09	0.40	27.92
Full Price	753	23	32.7	0.25	1.50	56.64
Adult	0	23	0.0	0.00	2.60	0.00
A La Carte	0	23	0.0	0.00	0.00	0.00
Guest Adult	0	23		0.00	5.00	0.00
Guest Child	0	23		0.00	3.00	0.00
Free Adult	0	23		0.00	0.00	0.00
<b>TOTAL DAILY LUNCH REVENUE</b>						<b>\$178.31</b>

<b>CRANE ELEMENTARY SCHOOL – LUNCH</b>						
<b>LUNCH CATEGORY</b>	<b>PARTICIPATION OCTOBER</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>TOTAL REVENUE</b>
Free	3,246	23	141.1	\$2.49	\$0.00	\$348.59
Reduced	1,035	23	45.0	2.09	0.40	111.15
Full Price	4,173	23	181.4	0.25	1.50	223.16
Adult	0	23	0.0	0.00	2.60	0.00
A La Carte	0	23	0.0	0.00	0.00	0.00
Guest Adult	0	23		0.00	5.00	0.00
Guest Child	0	23		0.00	3.00	0.00
Free Adult	0	23		0.00	0.00	0.00
<b>TOTAL DAILY LUNCH REVENUE</b>						<b>\$682.91</b>
<b>LUNCH GRAND TOTAL (3 SCHOOLS)</b>						<b>\$988.04</b>

SOURCE: Daily Record of Meals Claimed, October 2007.

**EXHIBIT 12  
CALCULATION OF CRANE ISD BREAKFAST REVENUE FOR OCTOBER 2007**

<b>CRANE HIGH SCHOOL – BREAKFAST</b>							
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>REVENUE</b>	<b>BENEFITS CATEGORY</b>
Free	14	23	0.6	1.61	0.00	0.26	\$0.98
Reduced	2	23	0.1	1.31	0.30	0.26	0.14
Full Price	5	23	0.2	0.24	1.00	0.00	0.27
Adult	0	23	0.0	0.00	1.50	0.00	0.00
A La Carte	0	23	0.0	0.00	0.00	0.00	0.00
<b>TOTAL DAILY BREAKFAST REVENUE</b>							<b>\$1.39</b>

<b>CRANE MIDDLE SCHOOL – BREAKFAST</b>							
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>REVENUE</b>	<b>BENEFITS CATEGORY</b>
Free	16	23	0.7	1.35	0.00	0.26	\$1.12
Reduced	2	23	0.1	1.05	0.30	0.26	0.14
Full Price	19	23	0.8	0.24	1.00	0.00	1.02
Adult	0	23	0.0	0.00	2.60	0.00	0.00
A La Carte	0	23	0.0	0.00	0.00	0.00	0.00
<b>TOTAL DAILY BREAKFAST REVENUE</b>							<b>\$2.28</b>

<b>CRANE ELEMENTARY SCHOOL – BREAKFAST</b>							
<b>BENEFITS CATEGORY</b>	<b>PARTICIPATION MONTH</b>	<b>DAYS IN PERIOD</b>	<b>ADP DAY</b>	<b>REIMBURSEMENT RATE</b>	<b>PRICE OF MEAL</b>	<b>REVENUE</b>	<b>BENEFITS CATEGORY</b>
Free	2,893	23	125.8	1.35	0.00	0.26	\$202.51
Reduced	1,128	23	49.0	1.05	0.00	0.26	64.25
Full Price	4,610	23	200.4	0.24	0.00	0.00	48.10
Adult	0	23	0.0	0.00	2.60	0.00	0.00
A La Carte	0	23	0.0	0.00	0.00	0.00	0.00
<b>TOTAL DAILY BREAKFAST REVENUE</b>							<b>\$314.86</b>
<b>BREAKFAST GRAND TOTAL (3 SCHOOLS)</b>							<b>\$318.54</b>
<b>LUNCH GRAND TOTAL (3 SCHOOLS)</b>							<b>\$988.04</b>
<b>A LA CARTE FOR ALL SCHOOLS, SBP AND NSLP</b>							<b>\$69.29</b>
<b>BREAKFAST AND LUNCH GRAND TOTAL (3 SCHOOLS)</b>							<b>\$1,375.87</b>

SOURCE: Daily Record of Meals Claimed, October 2007.

**EXHIBIT 13  
DAILY FIXED COST OF LABOR AS A PERCENTAGE OF REVENUE FOR OCTOBER 2007**

<b>CALCULATION FOR DAILY FIXED LABOR COST AS A PERCENTAGE OF REVENUE</b>			
<b>DAILY FIXED COST OF LABOR</b>	<b>÷</b>	<b>DAILY REVENUE</b>	<b>LABOR AS A PERCENTAGE OF REVENUE</b>
\$1,441.53	÷	\$1,375.87	105%

SOURCE: Daily Record of Meals Claimed, October 2007, and Crane ISD Payroll Listing, February 2008.

- Fewer labor hours are required to heat purchased-prepared products than to prepare products “from scratch.”
- The purchase of fully cooked products reduces the chance of spreading food-borne illness.
- Less training is required for employees to produce a high-quality purchased prepared product.
- Students are often more accepting of purchased prepared items because they are accustomed to purchasing such products from commercial establishments.
- There are fewer hidden costs in purchased prepared menu items.
- There is less decision making required of the employee, thus reducing production failures.

Purchasing “heat and serve” products can be the proper decision; however, when doing so, it is important to adjust labor hours downward to accommodate the new style of production. Food costs increase when using purchased prepared menu items. The reduction of labor costs keeps the increased food expenditure in line with revenue.

Currently, the Crane ISD Food Services Department cannot rely exclusively on CNP local, state, and federal revenue to operate. When the annual cost of labor is 116 percent of the revenue generated, another source of funding is required to continue operation. Crane ISD supplements the Food Services Department budget with local funds to ensure the continuation of this service to students. Increasing participation can help resolve this problem. If efforts to increase participation fail, the second option is to reduce labor.

**Exhibit 14** offers daily labor costs and per meal equivalent labor costs related to the scenarios

described below. The following are offered as examples and should not be interpreted as the recommended methods for reducing labor.

- If the Food Services director’s hours remained the same and all other Food Services employees’ hours were cut by one-half, the kitchen staffing would be reduced to 42.5 labor hours daily, with a projected daily fixed cost of labor of \$894.36, and a daily savings of \$547.15.
- Following the same scenario but reducing the labor hours as recommended by the guidelines, to 33 daily, the projected fixed cost of labor would be \$743.70 with a daily savings of \$697.81.

The Food Services director’s salary is listed separately because she has no kitchen duties; however, her eight hours per day are included in the total hours assigned and her salary is paid from the revenue generated by the kitchen.

Without reducing the labor hours or increasing participation to meet the current level of staffing, the district will continue to expend over 100 percent of the CNP revenue for labor.

According to industry best practices, the district should operate the CNP at a break-even point or better. This will not be possible until the cost of labor is reduced or participation is increased. As previously stated, the CNP specialist in Region 18 would serve as an excellent resource for identifying other school districts in the surrounding area that are operating at or above break-even point. She may also have suggestions on how Crane ISD can effectively reduce the cost of labor.

The Food Services Department should reduce the fixed cost of labor so that it no longer exceeds revenue. The following may be useful in planning necessary changes in the workforce:

**EXHIBIT 14  
LABOR AS A PERCENTAGE OF REVENUE AS LABOR HOURS ARE REDUCED**

BASED ON 795 DAILY MEAL EQUIVALENTS	REVENUE	EXPENDITURES					
		CURRENT		PROJECTED		PROJECTED	
		DAILY	PER MEAL	REDUCTION TO 42.5 HOURS	PER MEAL WITH 42.5 HOURS	REDUCTION TO 33 HOURS	PER MEAL WITH 33 HOURS
Daily Revenue Reimbursable Meals and A La Carte	\$1,375.87	N/A	N/A	N/A	N/A	N/A	N/A
Revenue Per Meal Equivalent	\$1.73	N/A	N/A	N/A	N/A	N/A	N/A
Daily Food Services Director Salary	N/A	\$347.21	\$0.45	\$347.21	\$0.45	\$347.21	\$0.45
Daily Secretary, Employees and Contracted Labor	N/A	\$1,094.30	\$1.42	\$547.15	\$0.88	\$396.49	\$0.52
Cost of Labor	N/A	\$1,441.51	\$1.81	\$894.36	\$1.12	\$743.70	\$0.97
Labor as Percentage of Revenue	N/A	105%	105%	65%	65%	57%	57%

SOURCE: Compilation of Exhibits 6, 7, 8, and 9, created by MGT of America, Inc..

- Assign kitchen duties to the director. A full-time Food Services director position dedicated to non-kitchen duties and tasks may not be necessary. Most districts with one kitchen generating fewer than 800 daily meal equivalents have a working manager with assigned kitchen duties.
- Eliminate the full-time position dedicated to secretarial support of the Food Services director or make it a part-time position shared with another department. In a district with one kitchen generating fewer than 800 daily meal equivalents, the current level of clerical support may not be necessary.
- Eliminate all contract labor or reduce full-time positions to part-time positions. Nine of the 11 Food Services positions are seven- to eight-hour employees. As schools have integrated convenience foods into their menus, Food Services directors have learned

to staff kitchens with a greater percentage of part-time employees than when food was kitchen-prepared. Today, school Food Services operations typically do not have the majority of employees working full time. The need for employees is greatest during meal service periods. Reducing hours from the beginning and end of the work day allows for adequate coverage during the busy serving periods, while reducing the hours during meal preparation and clean-up. Some Food Services employees could work part time as maintenance or drive a school bus, in addition work part time in the Food Services Department, so that their income would not be disrupted by the reduction in the Food Services Department’s scheduled labor hours.

- Consider closing the second serving line. The students appear to move through the serving lines rapidly. Identify how much time it would take to serve each grade level from one serving

line and consider closing the second line, thus eliminating the need for the two servers and one cashier until participation increases.

- To ensure success, develop carefully constructed work schedules for each new position prior to making any reductions in the labor force. Written work schedules should not only identify the duties and tasks required to produce the meals, but also the estimated times each duty or task should take to complete. Work schedules with additional menu-specific information, such as food production records and standardized recipes, direct the production employees.

If the district took the actions listed below, it would save \$437 per day, or \$78,660 annually, in the cost of labor for the Food Services Department:

- Eliminate all contracted labor.
- Assign kitchen duties to the Food Services director.
- Reduce the secretarial position to half-time.

**Exhibit 15** indicates amounts to be saved by the district in labor costs.

The kitchen would still be more than adequately staffed with 42.5 labor hours, producing 795 meal

equivalents, which equates to 18 MPLH, a very respectable level for this kitchen.

**DEPOSIT OF CNP FUNDS (REC. 4)**

Crane ISD does not have a policy requiring the timely deposit of Child Nutrition Program funds.

Crane ISD’s CNP cash receipts are collected by the cashier in the cafeteria and submitted to the CNP manager. The manager and secretary review cash receipt reports and reconcile them to daily sales reports. When the cash has been balanced against the reports, cash is stored in a locked drawer and taken to the business office every few days where receipts are recorded to the CNP general ledger and cash is then transported to the bank.

Storing deposits in the CNP office not only reduces the amount of potential interest earnings on these funds, it poses the risk of funds being lost.

It is a standard business practice to deposit all cash on a daily basis to protect against loss, misplacement, and to maximize interest earnings. Isle of Wight Public Schools in Virginia uses this best practice in their Food Services operation.

The district should create a policy requiring daily deposits of Child Nutrition Program funds.

**EXHIBIT 15  
ASSUMED SAVINGS ON LABOR**

EMPLOYEE	HOURS	SALARY PER HOUR	TOTAL: HOURS X SALARY	NEW SCHEDULE OF TOTAL SALARIES
Contract 1	7.00	\$12.00	\$84.00	\$84
Contract 2	7.00	\$12.00	\$84.00	\$84
Contract 3	7.00	\$12.00	\$84.00	\$84
Contract 4	5.00	\$12.00	\$60.00	\$60
Contract 5	3.50	\$12.00	\$42.00	\$42
Secretary Salary	8.00	\$14.81	\$118.48	167.06(1/2 = \$83)
<b>TOTAL SAVINGS</b>				<b>\$437</b>

SOURCE: MGT of America, 2008.

This recommendation can be implemented with existing resources and may result in additional interest earnings for the CNP fund.

#### **CATERING SERVICES (REC. 5)**

Crane ISD's Child Nutrition Program is not recovering the cost of labor used in preparing catering products. Child Nutrition staff explained to the review team that in the past, a 10 percent labor charge was added to the cost of catering products to cover expenses associated with the efforts required to prepare catering menu items. However, recent direction from the superintendent was to discontinue this practice of charging labor on catering items. The superintendent stated that, "Catering meals for activities is no different than lunch or breakfast at school. The intent is to enhance learning experiences. Not all learning experiences happen at school." Child Nutrition staff also told the review team that many coaches and teachers had mentioned that charging for labor makes the catered items more expensive than procuring food from outside sources.

However, the practice of not charging for labor for catering engagements results in lost opportunities for the district to maximize CNP revenue. In addition, if the child nutrition workers have excess time in their day, their shifts could be cut to reduce expenditures rather than spending time on catering activities.

A review of model Food Services operations shows effectively managed and marketed catering activities are more profitable. San Elizario ISD, for example, increased catering revenues from just over \$7,000 annually to over \$20,000 by properly charging for catered items and marketing the program. In addition, Waxahachie ISD similarly has a successful catering program that brings in revenue for its CNP operations.

The primary goal of the CNP is to provide meals to Crane ISD's children to enhance their learning experiences every school day. Providing catering services has the potential to distract from this focus and drain resources.

The Food Services Department should assess labor charges associated with Crane ISD catering activities. By reinstating the 10 percent labor charge on catered items, catering services could be offered at a break-even or possibly profitable level.

If the district had charged for labor on its catering activities, it would have increased revenues for 2005–06 and 2006–07 by \$1,972 annually or (average of 2005–06 catering revenue of \$19,409 and 2006–07 catering revenue of \$20,030 X 10 percent labor charge or  $(\$19,409 + \$20,030 = \$39,439 / 2 = \$19,720 \times 10 \text{ percent} = \$1,972.)$ )

#### **MARKETING FOOD SERVICES (REC. 6)**

Crane ISD does not market its NSLP and SBP to attract the students in the morning for breakfast, or those leaving campus during the lunch periods. Marketing is the process of advertising, promoting, merchandising, and then selling a product. The Food Services director indicated that the department did little to encourage middle and high school students to come to the cafeteria for breakfast and lunch. The department does an excellent job of attracting elementary school students during breakfast and lunch; however, traditionally Crane ISD has had an open campus at the middle and high schools, and students either eat breakfast and lunch at home or patronize area businesses.

The last three columns of **Exhibit 16** identify by school and by meal benefit category the number of students who are currently not participating in the

**EXHIBIT 16  
POTENTIAL CUSTOMERS**

<b>L U N C H</b>										
SCHOOL	CURRENT ENROLLMENT	CURRENTLY APPROVED			CURRENT AVERAGE DAILY PARTICIPATION			CURRENTLY NOT PARTICIPATING		
		FREE	REDUCED-PRICE	FULL-PRICE	FREE	REDUCED-PRICE	FULL-PRICE	FREE	REDUCED-PRICE	FULL-PRICE
Elementary	481	176	55	250	154	44	172	22	11	78
Middle	215	69	25	121	33	10	34	36	15	87
High	286	77	18	191	17	5	23	60	13	188

<b>B R E A K F A S T</b>										
SCHOOL	CURRENT ENROLLMENT	CURRENTLY APPROVED			CURRENT AVERAGE DAILY PARTICIPATION			CURRENTLY NOT PARTICIPATING		
		FREE	REDUCED-PRICE	FULL-PRICE	FREE	REDUCED-PRICE	FULL-PRICE	FREE	REDUCED-PRICE	FULL-PRICE
Elementary	481	176	55	250	127	33	196	49	22	54
Middle	215	69	25	121	1	0	0.2	68	25	120
High	286	77	18	191	0.2	0.0	0.2	76	18	190

SOURCE: Crane ISD Daily Record of Meals Claimed, March 2008.

NSLP and SBP. These students are potential customers.

The projections in **Exhibit 17** assume that participation in the CNP increases to 65 percent of the enrolled high school students, 75 percent of the enrolled middle school students, and 85 percent of the enrolled elementary school students. These are not average percentages, but are instead representative of a highly successful CNP. This would be a very realistic goal if the middle and high school campuses were closed and the programs were marketed; however, school Food Services can capture participation even with an open campus when its operation becomes student driven. All increases in participation in the Crane ISD NSLP and SBP, no matter what the percentage, will benefit the CNP.

Many districts enhance their dining areas as a way of attracting more students to eat in the cafeteria. Although Crane's cafeteria serving and dining areas are very clean, with modern, well-maintained

equipment, there are opportunities to make them more attractive to potential customers. In recent years, schools have worked diligently to appoint their dining rooms in a manner similar to commercial establishments. In 1995, the Texas Nutrition Education and Training (NET) program produced a 35-minute video, *Hey, What's Cookin'?, Recipes for a School Food Services Revolution, Marketing Strategies for Schools*. This video displays large and small school districts that turned their programs around through innovative, student-driven marketing practices. Although the video is several years old, the message is current: "Turn your cafeteria environment into a place that students want to be, a place that not only can compete with the local restaurants, but also come out a winner!" **Exhibit 18** illustrates the steps to this type of marketing plan.

The menu is an important tool for marketing the NSLP and SBP as well as improving participation. The menu planner must consider a wide variety of factors including acceptability to students,

**EXHIBIT 17  
POTENTIAL INCREASED REVENUE DUE TO INCREASED PARTICIPATION**

	CURRENT LUNCH			PROJECTED LUNCH		CURRENT BREAKFAST			PROJECTED BREAKFAST	
	ADP	%	REVENUE	ADP 65%	REVENUE	ADP	%	REVENUE	ADP 65%	REVENUE
<b>HIGH SCHOOL</b>										
Free	17	22%	\$41.99	50	\$123.50	0.2	0.26%	\$0.49	50	\$80.50
Reduced-Price	5	28%	\$12.35	12	\$29.64	0.0	0.00%	\$0.00	12	\$19.32
Full-Price	23	12%	\$39.79	124	\$214.52	0.2	0.01%	\$0.35	124	\$153.76
<b>TOTAL DAILY CURRENT REVENUE</b>			<b>\$94.13</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$0.84</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL DAILY PROJECTED REVENUE</b>					<b>\$367.66</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$253.58</b>

	CURRENT LUNCH			PROJECTED LUNCH		CURRENT BREAKFAST			PROJECTED BREAKFAST	
	ADP	%	REVENUE	ADP 75%	REVENUE	ADP	%	REVENUE	ADP 75%	REVENUE
<b>MIDDLE SCHOOL</b>										
Free	33	47.8%	\$81.51	52	\$128.44	1.00	1.45%	\$1.61	52	\$83.72
Reduced-Price	10	40.0%	\$24.70	19	\$46.31	0.00	0.00%	\$0.00	19	\$30.59
Full-Price	34	28.1%	\$58.82	91	\$157.00	0.02	0.02%	\$0.00	91	\$112.84
<b>TOTAL DAILY CURRENT REVENUE</b>			<b>\$165.03</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$1.61</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL DAILY PROJECTED REVENUE</b>					<b>\$331.75</b>					<b>\$227.15</b>

	CURRENT LUNCH			PROJECTED LUNCH		CURRENT BREAKFAST			PROJECTED BREAKFAST	
	ADP	%	REVENUE	ADP 85%	REVENUE	ADP	%	REVENUE	ADP 85%	REVENUE
<b>ELEMENTARY SCHOOL</b>										
Free	154	87%	\$380.38	150	\$370.50	127	72%	\$204.47	150	\$241.5
Reduced-Price	44	80%	\$108.68	47	\$116.09	33	60%	\$43.23	47	\$61.57
Full-Price	172	69%	\$254.56	213	\$315.24	196	78%	\$47.04	213	\$51.12
<b>TOTAL DAILY CURRENT REVENUE</b>			<b>\$743.62</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$294.74</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL DAILY PROJECTED REVENUE</b>					<b>\$801.83</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$354.19</b>

SOURCE: Crane ISD Daily Record of Meals Claimed, March 2008.

regulatory requirements, aesthetic appeal, financial restrictions, available facilities, and scheduling of production employees. The development of a cycle menu, a valuable management tool, reduces the time spent on this difficult job and prevents menu-planning errors. A review of the Crane ISD October 2007 menus reveals opportunities for improvement, including the following:

- Steak fingers, chicken fried steak, and hamburger on a bun follow one another on

three sequential days. All of the menu items are beef, and the steak fingers and chicken fried steak are very similar.

- The menus call for fried potatoes three times in one week.
- Lasagna and beef, macaroni, and cheese casserole are similar entrees served during the same week.

## EXHIBIT 18 MARKETING CHILD NUTRITION PROGRAMS

### STEPS TO DEVELOPING A MARKETING PLAN

- Determine What the Customer Wants and Needs.
- Provide Products or Services that Meet those Wants and Needs.
- Inform the Customer about the Availability of Products and Services and the Benefits of Using Them.
- Sell Products and Services at Prices the Customer Considers Fair.

### THE FOUR P<sub>s</sub> OF MARKETING

- Products: The Goods or Services for Sale
- Place: Where and When the Product or Service is Sold
- Price: The Value Placed on the Product or Service
- Promotion: Encouragement to Buy

### EIGHT STEPS TO DEVELOPING A SUCCESSFUL MARKETING PLAN

1. Identify the Target Audience.
2. Establish Measurable Goals.
3. Assess Strengths and Weaknesses.
4. Develop a Specific Message.
5. Develop Strategies.
6. Develop Budgets.
7. Implement Strategies.
8. Evaluate Results.

SOURCE: Adapted from Real-Time Marketing, Satellite Seminar (October 24, 2001), NFSMI, the University of Mississippi.

- French fries and macaroni and cheese are both very high in fat and on the same menu.
- Macaroni, beef and tomato casserole, and creamed potatoes are not an aesthetically pleasing combination.
- Popular items such as chef's salad are only available to staff members. All students and staff need to have their choice of all available entrees without having to determine that they want the item prior to service. Several students indicated that they would enjoy a grilled chicken salad entree as an addition to the menu, as well as the option of a chef's salad every day.

Other ways to increase participation through marketing strategies is to have student-driven programs. Encouraging an elevated level of student and community involvement in the NSLP and SBP almost always increases participation. Students are more likely to patronize an establishment that focuses on their likes and dislikes and allows them to be part of the decision-making process. The cafeteria dining room should reflect student interests and be a comfortable yet exciting place to come. Students should have input into the menu and have a readily available way of suggesting improvements.

Ector County ISD and Midland ISD both have professionally operated school Food Services departments that successfully maintain participation in the CNP. The CNP specialist in the Region 18 may provide suggestions for additional districts that could serve as models for the Crane ISD Food Services Department.

The following are suggested strategies for making the cafeteria more student-driven:

- Survey and analyze student likes and dislikes, and then use as many suggestions as possible.
- Conduct student taste-testing using products currently available on the market.
- Form a community focus group to offer suggestions and ongoing support.
- Enlist the help of students and community members in developing a theme and improving the cafeteria environment; make the cafeteria a “clubhouse” for students.
- Use awnings and signage to create kiosks similar to restaurants in food courts.
- Add music to the cafeteria; some schools have a juke box.
- Add a television to one area of the cafeteria.
- Ask the art class to paint murals on the wall.
- Use elementary school artwork for decoration.
- Frame colorful posters that feature seasonal themes, nutrition messages, and/or popular personalities.
- Add more round tables and chairs in place of the standard institutional long tables.
- Enlist the help of a local radio station to promote the CNP.
- Invite popular radio personalities to lunch.
- Issue special invitations to parents, grandparents, and other community members to join the children for breakfast or lunch on special days.
- Plan weekly promotions.
- Plan surprise promotions such as supplying small prizes for the children, who have a sticker on the bottom of their trays, or the child at the cash register when a prize bell is rung.
- Plan special promotions to support the athletic teams; for example, ask cheerleaders to serve a special team cake to all who purchase a reimbursable lunch. Construct one long cake from several sheet cakes, decorate it appropriately, and serve it in the dining room.
- Dress servers in coordinated tee shirts and ball caps like fast food restaurant employees.
- Conduct a “name the cafeteria” contest.
- Rotate menu items to alleviate boredom.
- Offer a la carte items such as those sold in competing restaurants. Ensure that the items offered are allowed by the Texas Public School Nutrition Policy.
- Offer choices within all components of the menu every day. Do not expect a morning count of those who want the various options (as currently done with teachers’ salads); produce the foods based on historical trends.
- Ensure that every menu includes popular items.
- Take advantage of national advertising by offering the district’s version of popular commercial menu items; for example, when McDonald’s is offering and advertising the McRib sandwich, place a similar item on the school menu.
- Invent specialty menu items that are unusual and interesting such as submarine sandwiches

made on long loaves of French bread and sold by the inch.

- Use tablecloths and centerpieces for special occasions.
- Develop and publish a colorful menu with a school calendar, nutrition facts, and activities on the back.
- Post the daily menu throughout the school.
- Offer “grab and go” meals in the cafeteria or in remote locations in the school (“catch them as they are going out the door” strategy). If the district has a space for outdoor picnic tables, students might be persuaded to stay on campus and to eat outdoors.
- Place a “rate the meal” board near the door and allow the students to put colored dots on the board to indicate the popularity of the meal.
- Constantly monitor participation.

Additional resources for Crane ISD Food Services staff to explore are:

- National Food Services Management Institute (NFSMI): The mission of the NFSMI is to provide information and services that promote the continuous improvement of CNPs. The Web site ([www.nfsmi.org/Information/resourceguide.htm](http://www.nfsmi.org/Information/resourceguide.htm)) lists resources by topic. Check marketing, merchandising, productivity, promotion, menu planning, surveys, and team nutrition links for additional resources.
- The school nutrition associations at both the national and the state levels develop resources to help individual operators provide students with the highest affordable quality of food and service through the CNP. Participation in annual conferences provides an opportunity to gather useful information while networking with other professionals in the child nutrition

field, including school district, government, and industry representatives. The school nutrition association Web sites are [www.tsfsa.org/](http://www.tsfsa.org/) and [www.schoolnutrition.org/](http://www.schoolnutrition.org/).

- If the district does not market the NSLP and SBP, the surrounding business community will continue to serve the CNP customers, robbing the district of federal dollars and preventing the department from justifying the level of staffing it currently enjoys.
- Industry best practices dictate the need to market and merchandize the CNP, especially in districts where the campus is open. Burleson ISD is in Burleson, Texas, 12 miles south of Fort Worth in Johnson County. The district has done an excellent job of marketing their programs to the students. The dining room at the high school is painted with large murals depicting various “restaurants.” The name of the cafeteria is the Elk City Cafés, and most of the renovations were done by members of the community. Although Crane High School would not offer as many choices as Burleson High School, seeing this operation might spur ideas for how Crane ISD could make its Food Services area more exciting and popular with the students. Menus are available on the Burleson ISD Food Services Department Web site: [www.burlesonisd.net/drupal/?q=node/33](http://www.burlesonisd.net/drupal/?q=node/33).

**Exhibit 19** displays a copy of their current menu.

Crane’s Food Services Department should develop marketing strategies to increase participation in the NSLP and SBP using the projected levels as a goal.

The district could gain significant funds to support Food Services by increasing participation in the NSLP and SBP. A benefit to making the cafeteria a

**EXHIBIT 19  
SAMPLE SCHOOL LUNCH MENU  
CRANE ISD**

### ELK CORRAL

- 3/03 Steak Fingers or Chili Pie
- 3/04 Sliced Turkey or Chicken Deluxe Sandwich
- 3/05 Beef Tips & Noodles or Chicken Nuggets
- 3/06 Hot Ham & Cheese Sandwich or Chicken Rings
- 3/07 Chicken Strips or Chicken Spaghetti
- 3/10 Grilled Cheese Sandwich or Chicken Supreme
- 3/11 Meatloaf or Country Style Steak
- 3/12 Loaded Baked Potato & Vegetable Beef Soup or Chicken Nuggets
- 3/13 Chicken Rings or Chicken Pot Pie
- 3/14 Soft Tacos or Chicken Strips

**3/17 to 3/21 SPRING BREAK**

- 3/24 Corny Dog or Charbroiled Steak
- 3/25 Deluxe Nachos or Chicken Parmesan
- 3/26 King Ranch Chicken or Chicken Nuggets
- 3/27 Chili Mac or Chicken Rings
- 3/28 Fish Planks or Chicken Strips
- 3/31 Spaghetti & Meat Sauce or Chicken Deluxe Sandwich

Assorted sides offered with each meal.  
(Hot Veggies, Fruits, Fresh Salads, Hot Bread, & Desserts)  
Fresh Fruits and vegetables will be offered when in season.

Salad Bar offered every Monday, Wednesday & Friday  
Asian Bar offered every Tuesday & Thursday

**Red Rack Ala Carte**  
Mon.- Mini Burritos Tues.- Assorted Items  
Wed.- Egg Rolls Thurs. & Fri.- Assorted Items

Food Service has openings if you would like to work and have school hours and school holidays off. Pay scale: \$7.13 an hour.  
For information, call 817-245-1162.

\*In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, SW, 1400 Independence Avenue, Washington, D.C. 20250-9410 or call (800) 795-3272 or (202) 720-6382 (TTY). USDA is an equal opportunity provider and employer.

### BURLESON HIGH SCHOOL ELK CITY CAFES MARCH 2008 MENU

Elk Corral.....\$2.75 Student / \$3.25 Adult  
Mama's Pizza Place.....\$2.75 Student / \$3.25 Adult  
Red Rack.....\$2.75 Student / \$3.25 Adult

Reduced Students.....\$.40 in all lines  
Bonus meal with \$50.00 prepayment to student or adult account.

Online payment: [Burlesonisd.revtrak.net](http://Burlesonisd.revtrak.net)  
A student with insufficient funds on their account will be required to have cash to participate in the school meal program.

Free & Reduced Meal applications are available to every student but only one application per household is necessary. When listing household income, list everyone in the home including children of all ages (even if no income). To ensure your privacy, please return your application to the cafeteria manager or the administration office.

**OFFER vs. SERVE** is implemented in this school at breakfast & lunch.

A variety of choices of Milk & 100% Fruit juice offered in all cafes.

Gourmet Cookies: offered in all Cafes for .25¢

We do not fry and our Mashed Potatoes have only 1 gram of fat.

### Breakfast Menu

- 3/03 Scrambled Eggs/Sausage
- 3/04 Apple Knotches
- 3/05 Pancakes & Smokies
- 3/06 Sausage/Egg/Cheese Burrito
- 3/07 French Toast Stix/Ham
- 3/10 Steak & Eggs
- 3/11 Cinnamon Toast
- 3/12 Cheery Eggs/Smokies
- 3/13 Sausage Toaster
- 3/14 Breakfast on a Bun

**3/17 to 3/21 SPRING BREAK**

- 3/24 Breakfast Pizza
- 3/25 Scrambled Eggs & French Toast
- 3/26 Sausage Cheese Biscuit
- 3/27 Waffles/Smokies
- 3/28 Breakfast Burrito
- 3/31 Homemade French Toast

Daily Breakfast items: Biscuits/Gravy, Cereal/Toast, Juice, & Milk.  
Cinnamon Roll- Tues. & Thurs.  
Student or Adult Breakfast \$1.50  
Reduced Breakfast \$ .30

### RED RACK CAFE

Gourmet Hamburgers & Cheeseburgers served daily.

Sides include Hamburger Salad, French Fries, or Onion Rings. A variety of Fruits and Vegetables, and 100% Fruit Juice or Milk.

### Mama's Pizza Place

Assorted Hand-Made Pizza Hot from the Oven Daily!

Bread Stix w/ Sauce offered T/Th.

Sides include Assorted Pasta Salads, Fruits, Hot Veggies, & a Variety of Homemade Desserts.

Deli Fats include:  
Sandwich, Chips, Fruit and or Vegetables, Dessert, Juice and Milk.

### THE FINISH LINE

Assorted Desserts & Quick Snacks:

Milk.....4¢	Blue Bell Ice Cream.....75¢
Sports Drink.....75¢	Gourmet Cookies.....25¢
Tea & Punch.....75¢	Candy Bars.....75¢
Bottled Water.....75¢	Snick Cakes.....75¢
Fresh Fruit.....75¢	Pretzel Chips.....50¢
Baked Chips.....35¢	Popscorn.....50¢
Gourmet Ice.....\$1.00/\$1.25	Cheese Nachos.....\$2.25
Soft Pretzel.....\$1.25	Sandwich.....\$2.25
	Beef Jerky.....\$1.00

SOURCE: Burleson ISD Food Services Department, 2007.

“hot spot” for middle and high school students is that it may cause some who have not applied for free and reduced-price meal benefits to apply, increasing funding not only in the cafeteria but in other state-funded programs.

While it is difficult to predict the potential growth in revenue from the addition of an à la carte menu of popular products that are priced to make a profit, **Exhibit 20** demonstrates the resulting revenue if participation were increased to 65 percent at the high school level, 75 percent at the middle school level, and 85 percent at the elementary level. Assuming that food and other costs are contained at 55 percent of \$186,514.20

(as seen in **Exhibit 20**), a net profit of \$83,931 annually could result from the projected increases in ADP. Over a five-year period, the increase in revenue would be \$419,655. Crane ISD Food Service Department can accommodate the projected increases using current staffing. No increase in labor is necessary.

Currently Crane ISD’s food and other costs exceed 100 percent of revenue; therefore, it is assumed that prior to marketing the programs these costs are brought more in line with industry standards. Otherwise, increased participation will result in increased loss. With an aggressive marketing campaign, it may be possible to increase those

**EXHIBIT 20  
CONTRAST OF CURRENT REVENUE AND INCREASED REVENUE  
DUE TO MEETING PROJECTED PARTICIPATION LEVELS**

<b>CURRENT</b>					
<b>MEAL</b>	<b>HIGH SCHOOL DAILY REVENUE</b>	<b>MIDDLE SCHOOL DAILY REVENUE</b>	<b>ELEMENTARY SCHOOL DAILY REVENUE</b>	<b>DISTRICT CURRENT DAILY REVENUE</b>	<b>DISTRICT CURRENT ANNUAL REVENUE</b>
Current Breakfast	\$0.84	\$1.61	\$294.74	\$297.19	\$53,494.20
Current Lunch	94.13	165.03	743.62	1,002.78	180,500.40
<b>CURRENT TOTAL REVENUE</b>	<b>\$94.97</b>	<b>\$166.64</b>	<b>\$1,038.36</b>	<b>\$1,299.97</b>	<b>\$233,994.60</b>
<b>PROJECTED</b>					
<b>MEAL</b>	<b>HIGH SCHOOL DAILY REVENUE</b>	<b>MIDDLE SCHOOL DAILY REVENUE</b>	<b>ELEMENTARY SCHOOL DAILY REVENUE</b>	<b>DISTRICT PROJECTED DAILY REVENUE</b>	<b>DISTRICT PROJECTED ANNUAL REVENUE</b>
Projected Breakfast	\$253.58	\$227.15	\$354.19	\$834.92	\$150,285.60
Projected Lunch	367.66	331.75	801.83	1,501.24	270,223.20
<b>PROJECTED TOTAL REVENUE</b>	<b>\$621.24</b>	<b>\$558.90</b>	<b>\$1,156.02</b>	<b>\$2,336.16</b>	<b>\$420,508.80</b>
<b>DIFFERENCE</b>	<b>\$526.27</b>	<b>\$392.26</b>	<b>\$117.66</b>	<b>\$1,036.19</b>	<b>\$186,514.20</b>

SOURCE: Crane ISD Daily Record of Meals Claimed, March 2008.

percentages to even higher levels at the middle and high schools.

**FOOD PRODUCTION (REC. 7)**

Daily food production records indicate that the Food Services Department prepares more food than is necessary to serve the number of students claimed. Daily food production records provide information on the menu items offered, the planned portion sizes, the amount of food prepared, the number of students and adults served, and the amount of food left over. This information should be used to determine how many servings of each item to prepare when planning the same or a similar menu.

Each day, the Crane ISD Food Services staff prepares and transports approximately 450 breakfasts to the elementary classrooms across the street. The staff members do not adjust that number based on menu offerings or ADP on prior days, even though the school serves an average of only 380 students daily. The rationale behind this

practice is that the classrooms must be prepared to serve everyone. After the breakfast meal service, the staff returns to stock leftover shelf-stable, individually wrapped items, such as Breakfast Breaks; however, leftover hot entrees are disposed of as they cannot be stored and reused. According to the Food Services director, the staff disposes of 50–100 half-pint containers of milk that are returned from breakfast each day. Possible solutions to the wasted breakfast foods include the following:

- The kitchen has an ample labor force, so a Food Services employee could remain in the elementary school during the breakfast period and anticipate needs before food runs out.
- If there is refrigerated storage in the elementary school, extra half-pints of milk could be made available so that the Food Services staff does not need to send extra cartons of milk. This action could cut the number of wasted, unselected milk cartons to zero.

- Popular choices such as individual packs of ready-to-eat cereal or the Breakfast Breaks could accompany the regular menu item each day, reducing the number of servings of the hot menu item needed. If there is a shortage, the alternate item would replace the menu item.
- Consult with the Texas Department of State Health Services as to the length of time that milk may remain in the insulated bags before it must be disposed of; request suggested food handling procedures that could potentially be used to the district's benefit.

A similar situation exists in the dining room's lunch service. One example is that on the first day of school, 154 portions of frozen pizza were left over and discarded. At a cost of \$0.34 per portion, this one action resulted in a \$52 loss. The district overproduces and discards many foods that other school kitchens would refrigerate promptly, re-heat to the proper temperature, and serve as a choice the following day. The Food Services director indicated that Hazard Analysis Critical Control Points (HACCP) procedures prohibit the district from keeping certain leftover foods. According to HACCP, the temperature of the foods must be taken and logged two hours and four hours after being placed in refrigerated or freezer storage. School Food Services employees are not in the kitchen two hours after leftover food is stored; therefore, they believe it is necessary to dispose of the food. Districts need to incorporate the following for safe school food operations:

- Plan production carefully based on prior food production records.
- Batch cook as many foods as practical to avoid overproduction.

- Consult with the Texas Department of State Health Services for guidance on storing and reheating leftover foods at lunch. When offered as an alternative meal the following day, the reheated product is often a choice welcomed by students.

If the Food Services director does not plan food production on projected participation, batch cook according to need, and retain leftover foods and reheat them properly as directed by the Texas Department of State Health Services, the district will continue to dispose of unused foods at a significant cost.

According to industry best practices, school Food Services employees need to carefully protect and preserve food, the "raw product" of the industry. When planning production, use all available information to predict as closely as possible the number of servings needed, with a back-up plan in place in case the projections are not correct. Useful information can be drawn from past food production records and recipes. The Region 18 CNP specialist is a good resource for providing assistance in predicting the amount of food to purchase and prepare.

The Food Services Department should reduce the amount of food prepared. Predict the number of menu items to prepare based on prior participation, batch cook when possible to reduce overproduction, and preserve leftover foods as directed by the Texas Department of State Health Services.

In addition, the district should base the number of servings of milk and other breakfast items on participation, not enrollment. Batch cook lunch items so that the number of portions prepared does not greatly exceed actual participation. Because the staff delivers the breakfast food to the elementary school just across the street from the kitchen

entrance, if a particular menu item were running out, the kitchen could respond to a phone call in minutes and deliver the needed product.

The cost of food may be reduced by incorporating certain practices into the department's food production procedures. One half-pint container of milk costs \$0.22/\$0.24 each. Using an average of 75 half-pints at \$0.23 each, the district is throwing away \$17.25 worth of milk per day, or \$3,105 (\$17.25 for milk x 180 days) per school year for breakfast in one school. Many of the heated breakfast entrees would also yield similar or higher calculations, conservatively estimated at an additional \$3,105 per school year. Therefore the district could save approximately \$3,105 for milk and similarly \$3,105 for breakfast entrees, for a total of \$6,210 annually.

#### **PORTION SIZES AND SECOND HELPINGS (REC. 8)**

The portion sizes of menu items contributing to the meat/meat alternates (M/MA) and other components of the traditional meal pattern exceed requirements. Seconds are offered as part of the daily service. There is an excessive amount of food waste in the district. According to the serving sizes indicated on food production records, the district plans larger than minimum-sized portions of many entrees and other foods in addition to offering seconds. Several reasons why these are not good practices are:

- Food thrown away due to over-sized portioning is money wasted and does not contribute to the nutritional health of students.
- Larger-sized portions discourage the consumption of a variety of foods and may be overwhelming to younger children.

- Over-sized portions may increase the caloric value, as well as the fat and saturated fat levels of the meal, above the recommended levels.
- Seconds of favorite foods discourages students from trying unfamiliar foods. When a school serves seconds, generally the child leaves one or more of the other foods on the tray uneaten and consumes the double portion of the food of choice.

Examples of over-portioning include:

- During the on-site visit, the review team noted that students in grades 6–12 received two chili dogs in addition to a full menu of accompaniments. Most students threw away at least one of the chili dogs and much of the other food. Children in the lower grades ate very little and returned almost-full trays of food for disposal.
- The actual serving of French fries far exceeded the portion size indicated on the food production record. The director records the planned serving size on the food production record and uses it in the nutritional analysis of the menu. The server determines the actual serving size by what she places on the student's tray. Over-sized portioning may be planned or actual, but both contribute to the wasted district dollars.

The food production records for the lunch menus indicate that the district consistently exceeds the minimum requirement for the portion size of the M/MA component as prescribed by the United States Department of Agriculture (USDA). This results in increased calories, protein, fat, and saturated fat.

**Exhibit 21** summarizes the nutrient analysis information provided by the district for one week (five menus). The analysis reflects the nutrients

**EXHIBIT 21  
EFFECTS OF EXCEEDING THE MINIMUM PORTION SIZES OF MEAT/  
MEAT ALTERNATE ON THE NUTRIENT ANALYSIS OF THE MENU**

DATE	MENU ITEM	AVERAGE CALORIES PROVIDED BY MEAL	TARGET	PERCENTAGE OF REQUIRED CALORIES	PROTEIN	TARGET	PERCENTAGE OF REQUIRED PROTEIN
10/1/07	Sloppy Joe	813	634	128%	34.39g	8.65g	398%
10/2/07	Chalupa	736	634	116%	28.77g	8.65g	333%
10/3/07	Chicken Patty on Bun	819	634	129%	29.27g	8.65g	330%
10/5/07	Chicken Fried Steak	1055	634	167%	36.46g	8.65g	421%
10/6/07	Hamburger Patty on Bun with Cheese	703	634	111%	44.30g	8.65g	512%

SOURCE: Crane ISD, Food Services Department, 2007.

provided to elementary students. Due to increased caloric requirements for students in the upper grades, the middle and high school menus are more in line with the nutrient standards required by the USDA.

Larger than minimum serving sizes on the M/MA component of the meal makes it more difficult to reach, yet not exceed the School Meals Initiative (SMI) standards. As M/MA is the component that carries the fat and saturated fat, it may cause the district to exceed the maximum limitations on these two nutrients in addition to the protein and the caloric value of the meal.

An on-site review of the food production records revealed opportunities for change:

**Sloppy Joe (High School–Chili Dogs):**

- Reduce the portion size for K–3 by 25 percent to 1.5 oz. M/MA.
- Ground beef used - 80 lbs.; ground beef required - 71.5 lbs.; 70 servings of product were left over and saved for future use.
- High school students received chili dogs on this menu. The portion size was 2 each, plus half cup of chili. This menu doubled the M/MA requirement.

**Chalupa:**

- Reduce the portion size for K–3 by 50 percent to 1.5 oz. M/MA (290 servings).
- 50 lbs. of cheese contributes 400 (2-oz. M/MA) servings; according to the food production record, 21 bags of beans provide 441 (2-oz. M/MA) servings. The district prepared 841 (2-oz. M/MA) servings and served 525 students. Seven servings were left over; they were disposed of.

**Chicken Patty (High School Steak Fingers - five each):**

- It is not practical to reduce the portion size of the chicken patty for K–3; however, if chicken or steak fingers were used it is possible to serve 1.5-oz. M/MA by cutting the serving size to three fingers instead of four.
- Twelve servings were left over and thrown away. The cost of one chicken patty is \$0.37 each.
- High school students received one steak finger more than needed to meet minimum 2-oz. M/MA required by the traditional meal pattern. This increased the cost of the serving by \$0.10.

**Chicken Fried Steak:**

- It is not practical to reduce the portion size of the breaded beef patty for K–3; however, if steak fingers were used it is possible to serve 1.5-oz. M/MA.
- Fifteen servings were left over and disposed of at a cost of \$7.00.

#### Hamburger on Bun with Cheese:

- The portion size for K–3 is a 2-oz. M/MA in that it is a commodity patty.
- The portion size for grades 4–12 is a 4-oz. patty that contributes 2.75-oz. M/MA.
- The food production record projects 385 (half-oz.) servings of cheese; 25 lbs. of cheese used. 25 lbs. of cheese provides 800 (half-oz.) servings. The food production record does not indicate that any cheese was left over. The cheese servings were 1 oz., making the M/MA contribution to grades K–3 (3-oz. M/MA) and grades 4–12 (3.75-oz. M/MA).
- One case of patties was left and returned to inventory.

If the Food Services director does not begin to plan portion sizes more in line with the traditional meal pattern, the district will continue to experience excessive tray waste resulting in increased food cost, with no benefit to the students.

Industry best practices identify the need for the NSLP to provide sufficient food to meet one-third of the child's recommended daily allowance (RDA). The Region 18 CNP specialist can help the director of Food Services analyze the Crane ISD menus to identify needed changes.

The Food Services Department should meet the requirement for the M/MA component of the Traditional Meal Patterns, and not exceed the portion sizes indicated as minimum or optional in any of the components of the pattern. If there is a

need for larger-sized portions, increase portion sizes of menu items used to satisfy the vegetables/fruits (V/F) or grains/breads (G/B) components, as affordable. Discontinue the practices of over-sized portioning and providing seconds.

The fiscal impact is dependent on the current portion sizes of individual menu items on any given day, and the food cost of those items. In the last example, hamburger on bun with cheese, given in **Exhibit 21**, *Effects of Exceeding the Minimum Portion Sizes of Meat/Meat Alternate on the Nutrient Analysis of the Menu*, the district used 25 pounds of cheese unnecessarily. The beef patties exceeded the requirements for M/MA at all grade levels. Sliced American cheese is \$1.77 per pound; twenty-five pounds cost the district \$44.25. Purchasing smaller beef patties that meet but do not exceed the minimum portion size required might further reduce the portion cost.

Each time hot dogs or chili dogs are served, the portion size is doubled. The estimated cost of a hot dog on bun with chili sauce is \$0.25. If four hundred students select a chili dog, the district has overspent \$100 on raw product, much of which will be returned as tray waste.

When chalupas were served, sufficient food was prepared to serve 841 2-oz. M/MA portions and 525 customers were served. At an estimated \$0.30 food cost per serving, the district lost \$5 because there were only seven servings left over and they were discarded.

On many days the size of the M/MA portion for K–3 could be reduced by 25 percent or more.

Free seconds could be eliminated and extra servings sold at à la carte prices.

Conservatively, one might estimate that there are opportunities to cut the cost of the meal at least

two to three times per week. Using the examples provided above for a conservative estimate, \$100 per week in over-sized portioning could be reclaimed by reducing the amount of food purchased and prepared, resulting in annual savings of \$3,600 or  $\$100 \times 36 \text{ weeks} = \$3,600$ .

### **“OFFER VS. SERVE” (REC. 9)**

“Offer versus Serve” requirements are not clear to all employees; all students may not understand that they can refuse any component of the breakfast or lunch as long as they select three. Some of the servers may not understand that the child can refuse any component of the meal under the “Offer versus Serve” provision. On the day that Spanish rice was on the menu, the server placed a portion on every plate and students returned most of it uneaten. Although Spanish rice is not an expensive menu item, Food Services professionals measure the difference between profit and loss in pennies.

Many foods were thrown away by students during the observation of meal service, including many unopened milk containers. Students should be encouraged to refuse foods they do not intend to eat.

If the district does not fully implement the “Offer versus Serve” provision, they will continue to purchase and prepare food that will ultimately be disposed of by students as tray waste. In October 1975, the “Offer versus Serve” provision was enacted as a Congressional mandate in response to public outcry to curtail food waste in schools.

Industry best practices dictate that all resources available to reduce the cost of food used in the NSLP and SBP be utilized to the fullest. The “Offer versus Serve” provision is one of the most effective tools CNP operators have for eliminating tray waste. The USDA printed and distributed an

“Offer versus Serve” manual in the fall of 2004. The district should have one in their resource library. If not, the materials can be downloaded from the website shown below:

[http://www.fns.usda.gov/tn/Resources/offer\\_v\\_serve.html](http://www.fns.usda.gov/tn/Resources/offer_v_serve.html)

The Food Services Department should retrain all employees 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.

Implement “Offer versus Serve” at all grade levels for both breakfast and lunch. Implementation in the elementary school at breakfast will require training the teachers to ensure that they too understand which menu items comprise a reimbursable meal.

Promote “Offer versus Serve” with the students. 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 thrown away must be done to get an accurate prediction of the savings. Some districts do food waste studies to influence future menus. Whenever students begin eating all of the foods they take and little uneaten food is thrown away, good district dollars have been saved. If “Offer versus Serve” were properly implemented and promoted, a conservative estimate would be

that 10 percent of the food cost could be saved or 10 percent of \$228,000 = \$22,800.

### **“OTHER FOODS” (REC. 10)**

“Other foods” contribute to the excessive food cost. “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 October 2007 Crane ISD menu included cookies, cake, gelatin with topping, and pudding. There are valid reasons to include “other foods” on the menu:

- They round out the menu and may make it more appealing to children.
- Sometimes they are necessary in order to meet SMI requirements by increasing the caloric value of the menu, so that the percentage of calories from fat and saturated fat are reduced.
- “Other foods” that are condiments such as ketchup, mustard, and salad dressings are necessary for the meal to be acceptable to students.

The Food Services director indicated that she adds other foods to please the children, not to increase the caloric value of the meal.

If the Food Services director does not entirely remove “other foods” from the menu, or reduce their use significantly, the district will continue to exceed industry standards for food cost as a percentage of revenue.

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 each

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 18 CNP specialist can help the director of Food Services analyze the Crane 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 significantly reduce the use of unnecessary “other foods” until the program is fiscally sound.

The fiscal impact of this action is minimal; however, combined with other recommended actions, it will aid in bringing the Food Services Department closer to the goal of being self-sufficient. Assuming that 397.5 (one-half of the meal equivalents) students select the “other food” two times per week and the cost of the product is \$0.15, the savings would be approximately \$4,293 annually or 397.5 (one-half of meal equivalents) x \$0.30 savings per week x 36 weeks = \$4,293.

The cost of food is 96 percent of the revenue generated by the NSLP and SBP (**Exhibit 22**). The excessive costs are caused by a combination of tray waste and district-established food handling procedures. Often, too much food is prepared and portion sizes are too large, the “Offer versus Serve” provision is not fully implemented at all grade levels, and students do not eat much of what is placed on their trays. Wasted food contributes to no one’s nutritional health. A department goal should be to reduce wasted food to a minimum.

### **PURCHASING AND INVENTORY CONTROL (REC. 11)**

Crane ISD is paying higher prices for some foods and supplies than those districts participating in the Region 18 cooperative bid.

**EXHIBIT 22**  
**ANNUAL FOOD COST AS A PERCENTAGE OF ANNUAL REVENUE**  
**2006–07**

CURRENT BREAKFAST AND LUNCH	REVENUE	EXPENDITURES	EXPENDITURES AS A PERCENTAGE OF REVENUE
Local/State/Federal Revenue	\$237,543.00		100%
Food		\$228,000.00	96%

NOTE: This figure includes expenditures only, not the value of USDA-donated commodities foods used in preparing the meals.  
 SOURCE: Board Report Detail Comparison of Expenditures and Encumbrances to Budget, as of September 2007.

The district purchases food and supplies using requests for proposals. Two broad line distributors responded. The district depends on these distributors for milk, bread, produce, groceries, and supplies. In addition, the Food Services director requests separate proposals for paper and chemicals. Four vendors respond in each of these two categories.

The district awards products to both food distributors, not always to the one with the lowest price. For example, the milk contracts were awarded to both vendors even though one vendor had the low pricing on all milk cartons.

The Food Services secretary receives delivered food but is not always able to check the prices charged against the established pricing. She enters the products into an inventory system in the Food Services office, but the software does not tie into other management software or into the district system. There is no targeted value for inventory, nor does the department know the current value of inventory, therefore, if food were taken by an unauthorized person, the department could not identify the source of the problem. There is no effective method for tracking the inventory as it is used. Employees are supposed to write products that they are taking from the storage areas on a clipboard, but they forget. The cost of food as a percentage of revenue is not routinely calculated.

Region 18 administers a Food Services purchasing cooperative. Crane ISD participated in the buying group for one year but withdrew and does not currently participate in this shared service. The reason given by the Food Services director is that she prefers to have the flexibility to make the decisions for her district. She also values the service provided by the distributors’ sales staff.

When comparing prices on one bid against another, it is important to ensure that the products compared are equal. Pricing varies dependent on factors such as the ingredients used in the product, the size of the portion needed to contribute one ounce of M/MA, whether the product comes individually wrapped, and if the product’s formulation is lower in fat. The menu items shown in **Exhibit 23** are not necessarily of equal quality; however, the products awarded on the Region 18 cooperative bid are acceptable to the students of the member districts. In addition, on the cooperative bid there are a variety of offerings within food categories such as pizza, French fries, and breaded chicken products. One or more of the offerings in each category should meet the needs of Crane ISD.

If the Food Services director does not choose to purchase from the Region 18 Purchasing Cooperative bid, they will continue to invest the time and effort as well as financial resources necessary to purchase independently, including writing food descriptions, researching products to establish what is currently available on the market,

**EXHIBIT 23****COMPARISON OF DISTRICT OFFERED PRICING TO REGION 18 COOPERATIVE-ESTABLISHED BID PRICE**

<b>FOOD ITEM</b>	<b>CRANE VENDOR 1</b>	<b>CRANE VENDOR 2</b>	<b>COOPERATIVE</b>	<b>DISTRICT PRICE VERSUS CO-OP PRICE</b>	<b>NOTE</b>
Beef, Ground	\$1.41/lb.	\$1.97/lb.	\$1.54/lb. 80/20	Undecided	Appears that fat content may be different.
Beef Sticks (160) (4=2-oz. M/MA)	0.400 (4)	0.446 (4)	0.360 (4)	Higher 0.04/serving	
Burrito (60)	0.429 each	0.476 each	0.400 wrapped and branded	Higher 0.029/serving	
Salisbury Steak (50)	0.435 each	0.451 each	0.365 each	Higher 0.07/serving	
Diced Chicken (10lb.)	2.80/lb. diced	2.98/lb.	2.50/lb. pulled	Higher 0.30/lb.	Diced versus pulled; diced may be more costly
Chicken Nuggets (250)	0.074 each	0.083 each	0.064 each	Higher per nugget	No information on per serving M/MA contribution
Chicken Patty (60)	0.373 each	0.416 each	0.307 breast w/rib meat	Higher 0.066/serving	
Corn Dog (48)	0.461 each	0.483 each	0.298	Higher 0.163/serving	
Franks (80)	0.156 each	0.243 each	0.162 each	Lower 0.006/serving	Quality may differ
Mozzarella Cheese	2.70/lb.	2.18/lb.	2.148/lb. shredded	Higher 0.042/lb.	
Mozzarella Cheese Sticks (160)	0.212 each	0.199 each	0.175 each	Higher 0.037/serving	1 oz.
Peanut Butter and Honey Sandwich (72)	0.473 each	0.507 each	0.479 each	Lower 0.006/serving	
BBQ Rib Patty	0.286 each	0.373 each	0.252	Higher 0.034/serving	
Pizza, Pepperoni (96)	0.388 each	0.397 each	0.352 each	Higher 0.036/serving	
Pizza, 5" Round Pepperoni (54)	0.881 each	0.996 each	0.630 each 0.664 each	Higher 0.034/serving	

SOURCE: Crane ISD, Food Services Department, 2007.

comparing nutritional and pattern contributions of competing products, analyzing ingredients content of products as it relates to quality, maintaining necessary documentation of the contributions of products as required by the NSLP and SMI, and awarding and administering the contracts. Depending on the results of the price

comparison, the district may be paying more for the same or similar products represented on the cooperative bid award.

Industry best practices dictate that school districts provide for free and open competition when using federal funds for purchases made to support the CNP. This requirement may be met as the district

currently does, by requesting proposals, or by purchasing from the established regional cooperative bid. Price comparisons will support the decision made by the district.

Once food and supplies are delivered, it is imperative that safeguards be put in place so that inventory is protected from pilferage.

The Food Services Department should conduct a detailed comparison of the prices paid for food and supplies by Crane ISD versus the prices on the Region 18 Purchasing Cooperative bid. Crane ISD should compare only those foods currently used in the district and weigh the importance of each food based on usage. Twenty percent of the most-used

foods will give the district a good indication as to whether or not to rejoin the cooperative. It is important to note that not only does the cooperative obtain lower pricing on many items, but it saves district labor in awarding and administering the bid.

It is not possible to determine the fiscal impact of purchasing from the Region 18 Purchasing Cooperative bid versus individual Crane ISD pricing without conducting a study of the prices currently paid by both entities using the projected quantities that the Crane ISD will buy during the bid period.

## FISCAL IMPACT

RECOMMENDATIONS	2009-10	2010-11	2011-12	2012-13	2013-14	TOTAL FIVE-YEAR (COSTS) SAVINGS
1. Set reasonable cost, participation, and revenue standards for the Food Services Department to target.	\$0	\$0	\$0	\$0	\$0	\$0
2. Reduce the number of food services positions, or the number of labor hours each employee works to provide the Crane ISD Food Services Department with the opportunity to operate most efficiently.	\$0	\$0	\$0	\$0	\$0	\$0
3. Reduce labor hours so that the fixed cost of labor does not exceed revenue.	\$78,660	\$78,660	\$78,660	\$78,660	\$78,660	\$393,300
4. Create a policy requiring daily deposits of Child Nutrition Program Funds.	\$0	\$0	\$0	\$0	\$0	\$0
5. Assess labor charges associated with Crane ISD catering activities.	\$1,972	\$1,972	\$1,972	\$1,972	\$1,972	\$9,860
6. Develop marketing strategies to increase participation in the NSLP and SBP using the projected levels as a goal.	\$83,931	\$83,931	\$83,931	\$83,931	\$83,931	\$419,655

**FISCAL IMPACT (CONTINUED)**

<b>RECOMMENDATIONS</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>TOTAL FIVE-YEAR (COSTS) SAVINGS</b>
7. Reduce the amount of food prepared.	\$6,210	\$6,210	\$6,210	\$6,210	\$6,210	\$31,050
8. Meet the requirement for the M/MA component of the Traditional Meal Pattern; do not exceed the portion sizes indicated as minimum or optional in any of the components of the pattern.	\$3,600	\$3,600	\$3,600	\$3,600	\$3,600	\$18,000
9. Re-train all employees in the requirements of the "Offer versus Serve" provisions and promote their use with students.	\$22,800	\$22,800	\$22,800	\$22,800	\$22,800	\$114,000
10. Eliminate or significantly reduce the use of unnecessary "other foods" until the program is fiscally sound.	\$4,293	\$4,293	\$4,293	\$4,293	\$4,293	\$21,465
11. Conduct a detailed comparison of the prices paid for food and supplies by Crane ISD versus the prices on the Region 18, ESC Purchasing Cooperative bid.	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTALS</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$201,466</b>	<b>\$1,007,330</b>