



## Some School Districts Can Take Steps to Reduce Their Food Service Costs and Ensure Self-Sufficiency

### *at a glance*

If school district food service program revenues fail to cover costs, then districts often must subsidize their food service operations through their general operating budgets, thus draining funds that could otherwise be used in the classroom. Therefore, school districts should take steps to carefully manage their food service program costs and optimize revenue opportunities. Some of the more successful school districts have implemented strategies to

- reduce food costs by joining a cooperative to receive volume discounts, making better use of United States Department of Agriculture (USDA) commodities, matching food item orders to supplier stock items, and using processors to convert commodities;
- decrease labor and operational costs by using pre-prepared foods, implementing a shared manager program, and outsourcing warehousing and delivery services; and
- increase program revenues by promoting the food service program, identifying and reducing participation barriers, using a la carte items, and establishing fair meal prices.

### Scope

This report is one in a series that highlights cost savings opportunities identified in Sharpening the Pencil reviews of Florida school districts.<sup>1</sup> This report identifies effective strategies school districts can use to reduce district food services costs. Other reports in the series examine opportunities to reduce student transportation expenses, lower costs for operating educational facilities, and successfully outsource support services.

### Introduction

School district food service programs are intended to be self-supporting. However, in the 2002-03 school year, 19 of Florida's 67 school districts (28%) transferred general funds to supplement their food service programs. In general, school districts should not use general funds to operate their food service programs. While some of these transfers may have been for reimbursements to the food service program for payments of non-food service-related expenses, school districts should examine the reasons for these transfers to ensure food service expenses are not being

<sup>1</sup> Enacted in 2001, the Sharpening the Pencil Program ([Ch. 1008.35, F.S.](#)) is intended to improve school district management and use of resources and to identify cost savings. The reviews are conducted by OPPAGA and the Auditor General.

paid for with funds that could otherwise be used in the classroom.

This report identifies successful strategies that districts have implemented to improve the financial position of their food services operations and ensure that their food service program is self-supporting. These strategies are presented in three broad areas:

- decreasing food item costs;
- lowering labor and operational costs; and
- maximizing potential revenues.

### ***Some school districts can decrease food costs***

School districts may be able to use several strategies to reduce the cost of the food used in their food service programs. Our reviews of school districts identified four successful strategies—joining cooperatives to receive volume discounts, maximizing use of United States Department of Agriculture (USDA) commodities, matching food items to supplier stock items, and using processors to convert USDA commodities.

Joining a cooperative to receive volume discounts. Smaller districts have less purchasing volume and thus often pay higher prices for food items than larger districts that can take advantage of volume discounts. Smaller districts can often reduce their food costs by joining together to increase their purchasing volume. For example, to increase its buying power, the Alachua County School District food program has organized a purchasing cooperative of several small and mid-sized school districts. In this arrangement, Alachua serves as the host district and partners with the other districts to increase the volume of food ordered from commercial distributors. At the time of our review, the group included 14 north Florida school districts. As a result of their cooperative purchasing practices, the member districts indicate that they have been able to save at least 5% in food costs. Other districts may similarly benefit from forming or joining cooperatives to minimize food costs.

Maximizing USDA commodities. Districts may be able to reduce food costs by effectively using commodities and donated food distributed by the USDA. Through this program, districts can receive no cost food items that they would otherwise have had to purchase. Commodity food items include meat, fish, poultry, fruits, cheese, oil, and grains.

Several school districts, including Martin, have taken steps to maximize their use of USDA commodities by structuring their menus to use the commodities as part of each planned meal. In addition, commodities can be more efficiently used by simply adopting a first-in first-out (FIFO) inventory method and keeping track of expiration dates. Other districts also may be able to benefit from making wiser use of their commodities allocations, which would help reduce food, storage, and delivery costs.

Matching food items to supplier stock items. Districts may be able to obtain savings by modifying their school menus to match their food suppliers' stock inventory of food items.<sup>2</sup> This avoids more expensive special orders of items. For instance, a district could avoid requiring a supplier to special order, stock, and deliver three-ounce hamburger patties when lower priced two- and four-ounce portions already are kept in the supplier's inventory.

Using food processing companies to convert USDA commodities. Some districts may be able to reduce food costs by using processing companies to convert USDA commodities into ready-to-serve food items. Some school districts, such as Gadsden and Hillsborough, have contracted with food processors to convert USDA commodities into final ready-to-heat-and-serve items for delivery to their districts. In these arrangements, district commodities are turned into a finished food product and then delivered to the district when needed. Using food processing companies allows a district to make more efficient use of its commodities allotment and

---

<sup>2</sup> Nutritional value should be a primary consideration when making adjustments to school menus.

to reduce labor and storage costs. For example, the Gadsden County School District arranges to have USDA cheese and meat commodities shipped directly to a national pizza franchise. The district receives a cash rebate when it purchases pizzas that incorporate its commodities. School districts that use food processors in this manner indicate that they have been able to reduce overall food, labor, and delivery costs by as much as 5%.

### ***Some districts can lower food service labor and operational costs***

Labor and operational costs associated with school food services vary among districts but typically constitute a major proportion of program expenditures. Our reviews of school districts identified five strategies that food service administrators may be able to use to manage or reduce these costs. These include using pre-prepared foods to minimize scratch cooking, implementing a shared manager program, outsourcing warehousing and delivery services, and taking full advantage of services offered by professional organizations and governmental agencies. School districts can also establish performance measurement systems that will enable them to better assess program costs and productivity.

Using pre-prepared food to minimize scratch cooking. Some school districts can reduce labor costs by increasing their use of pre-prepared foods. For example, districts that use pre-portioned and ready to bake cookie dough instead of preparing the dough from the basic ingredients can eliminate preparation time and significantly reduce the time associated with cleanup. While the extent to which Florida school districts use pre-prepared foods varies, most school districts we reviewed could have reduced labor hours and, in some cases the number of kitchen staff they employed, by reducing “scratch cooking.”

Implementing a shared manager program. Districts also may be able to reduce labor costs by implementing shared manager programs. For example, in 1998-99, the Broward County

School District decreased labor costs by \$623,150 by implementing a program in which pairs of selected schools in close proximity to one another each shared one cafeteria manager.<sup>3,4</sup> The school district was able to decrease the number of cafeteria managers it employed at participating schools by half by having 22 cafeteria managers serve 44 schools.

Other districts may be able to benefit from similar shared manager programs. Sharing cafeteria managers is particularly effective when schools serve a relatively small number of meals (about 400 or fewer meals served per school) and are close in proximity to one another. In addition, shared manager programs work best at elementary schools because they typically offer set meal plans and few a la carte items.

Outsourcing warehousing and delivery services. Districts may be able to lower their operational costs by outsourcing food storage and delivery services. For example, the Brevard County School District outsources its warehousing and delivery of all food, commodities, and supplies. As a result of this arrangement, the district estimated that it saves more than \$6,500 for the delivery of commodities alone. Other school districts should examine the benefits of outsourcing food warehousing and delivery services.<sup>5</sup> Outsourcing these services may be particularly beneficial to districts that are having difficulty keeping pace with rapidly growing student populations, do not have funds available to purchase land and/or build the necessary facilities needed for storage, or are experiencing high property and construction costs.

---

<sup>3</sup> In this arrangement, a designated “key person” was left in charge to handle any emergencies in the absence of the manager.

<sup>4</sup> These savings were estimated by the consultant under contract with OPPAGA that conducted the performance review of the Broward County School District in April 1999.

<sup>5</sup> OPPAGA [Report No. 04-26](#) entitled *With Effective Planning, Accountability, and Oversight, School Districts Can Successfully Outsource Services*, provides additional information on school district outsourcing efforts and how school districts can determine the potential benefits of outsourcing aspects of their operations.

In addition, all districts should regularly review their food service warehousing arrangements. These reviews should take into consideration the reasonableness of warehousing space and costs as well as whether current arrangements prevent the district from taking advantage of savings opportunities that could be attained from purchasing large quantities of low cost food items.

Using services offered by professional organizations and government agencies. Several school districts have lowered their training costs with assistance from organizations that provide readily available, inexpensive training for food service employees. For example, food service managers of several small school districts in north Florida rely of the Northeast Florida Education Consortium (NEFEC) to assist them in acquiring annual food service employee training. This arrangement helps the participating districts reduce training costs because the consortium is able to provide training to more individuals and spread the fixed costs across the participating districts. The Crown Consortium and the Panhandle Area Educational Consortium (PAEC) provide similar training opportunities to school districts.

Many districts also have benefited from the use of professional associations and Florida Department of Education training materials to reduce training costs. For instance, some small school districts, including Wakulla and Bradford, have taken advantage of inexpensive industry certification programs such as one provided by the Florida chapter of the [American School Food Service Association \(ASFSA\)](#). This certification program fulfills many of the food service employee core and long-term training requirements. In addition, districts often use free training materials provided by the Florida Department of Education.

Districts should continue to use these and other services offered by professional organizations and governmental agencies to

reduce training costs. Districts also should take advantage of additional training opportunities provided by the Department of Education as new programs are developed.

Establishing a strong performance measurement system and using it to improve program performance. Districts also can use information from performance measurement systems to help identify ways to increase efficiency and reduce costs. In an effective performance measurement system, managers can regularly measure food service program performance against established standards and use this information to identify and address high program costs and low productivity. (Exhibit 1 provides some examples of food service program performance and cost indicators.)

### Exhibit 1 School Food Service Performance Measures Can Help Districts Monitor Operations

School Level	District Level
<ul style="list-style-type: none"><li>• Food cost per meal</li><li>• Meals per labor hour</li></ul>	<ul style="list-style-type: none"><li>• Food margin (food cost as a percentage of total cost)</li><li>• Labor margin (labor costs as a percentage of total cost)</li><li>• Gross margin (total revenue less total expenses as a percentage of cost)</li><li>• Participation rates (regular and free/reduced lunch as a percentage of eligible)</li><li>• Level of satisfaction by survey with food service and quality</li></ul>

Source: OPPAGA.

For example, the Monroe County School District began tracking key performance data since the 2001-02 school year. The district has defined and regularly collects data in relation to five key food service program performance measures: expense to revenue ratio, inventory turnover rates, percentage of students participating in the food service program, percentage of meals eligible for federal funding, and meals per labor hour (MPLH). When comparing its performance with peer districts, the Monroe County School District has found that it serves more lunches per

student and has about the same ratio of free and reduced price eligible students. The district is continuing to refine measures and benchmarks and plans to use them on a quarterly basis to measure program performance.

Most school district food service programs we reviewed would benefit from expanding their use of performance and cost data and using it to improve program performance. The Florida Department of Education is in the process initiating a new on-line system that will assist school districts in tracking key measures of performance and cost. The new system, "FUNDamentals," was developed by the National School Food Management Institute and will be fully operational by the end of the 2004-05 school year.

### ***Increasing program revenues***

There are several ways that districts can increase revenue generated by their food service programs without increasing meal prices, which should be done only as a last resort. These strategies center on increasing participation in lunch and breakfast programs by better promoting the food service program, identifying and reducing participation barriers, and using a la carte items.

Promoting the food service programs. Several districts have implemented promotional campaigns to increase student participation in their meal programs as well as to encourage good nutritional habits. For example, the Polk County School District developed and distributed written materials including parent and student newsletters, menus, and information briefs on topics such as nutrition and cost comparisons between school meals and meals brought from home. The district also surveyed students to assess quality, food items, and atmosphere. Similarly, the Sarasota County School District reported a 29% increase in its meal participation rates over a five-year period through its promotional campaign. Other districts may experience similar results

by better promoting their school meal programs.

Identifying and reducing participation barriers. Some districts also have increased revenues in their meal programs by identifying and addressing barriers to student participation. Such barriers include poor food quality, inadequate lunch periods, insufficient seating, and untimely bus scheduling. Districts that were most successful at identifying barriers often analyzed school participation rates, used surveys to identify the reasons for low participation, and implemented innovative strategies to increase participation.

For example, the Collier County School District placed a survey form on its web page to solicit comments regarding services and food quality in the district. In addition, principals at each school annually administered a food services survey to at least one class per grade and the results were used to make menu changes. Information collected in these surveys helped the district to identify and address many of the reasons students chose not to eat school meals and, thus, to increase breakfast and lunch program participation rates.

Many districts have found that a major reason students do not participate in school breakfast programs is because bus scheduling does not allow students enough time to eat breakfast before school begins. To address this issue the St. Lucie County School District rearranged bus schedules to provide students with additional time to eat breakfast once they arrive on campus. Other districts have instituted "Breakfast on the Bus" programs in which students can pick up a bag breakfast as they board their bus to eat while traveling to school or made breakfast available on meal carts at bus drop off points to allow students an opportunity to pick up a ready-to-go breakfast. Other districts could increase their breakfast participation by implementing similar strategies, thereby increasing participation and program revenues.

## Information Brief

Using a la carte items. Districts can also increase revenues through the sale of a la carte food items that are popular with students.<sup>6</sup> At the time of our review, the Wakulla County School District had a successful a la carte food sales program, and the district annually sold about twice as many a la carte items per student as its peer school districts.

To avoid cannibalizing regular meal sales, districts should set a la carte item prices so that they do not compete with reimbursable meal prices. For example, if a district prices a la carte items too low, it can entice students to opt for these items instead of fully reimbursable meal offerings, decreasing the district's overall federal reimbursement rates.<sup>7</sup> However, through careful selection and pricing of a la carte items, districts may use this option as a means to supplement existing program revenues.<sup>8</sup>

Increasing meal prices only after ensuring the Food Service Program is efficient and effective. Due to the financial impact on families, a district should consider increasing meal prices only after it has taken steps to minimize operating costs and has taken advantage of other opportunities to increase program revenues. At a minimum, districts should follow four steps to determine whether and how much to increase its meal prices.

First, districts should identify their program revenue and costs, including both direct (food and labor) and non-direct costs. Non-direct costs include utilities, equipment maintenance,

custodial services, and warehousing.<sup>9</sup> Non-direct costs also include the federal indirect rate.<sup>10</sup> Second, districts should project annual student growth as well as major anticipated expenditures (1-5 years) such as replacing, repairing, or obtaining additional equipment. Third, districts should estimate total expected revenues and costs for the next five years, including major equipment purchases and renovations. Finally, districts should plan to ensure that they have a healthy fund balance reserve fund to cover emergencies or unanticipated expenditures. While there are no legal requirements for establishing a minimum food service program fund balance reserve, a balance of at least 3% to 5% of total revenue will usually provide adequate monies to cover unforeseen expenditures.<sup>11</sup> However, federal program regulations prohibit school districts from accumulating a fund balance reserve in excess of the average of three months operating expenditures without a planned for use of this surplus.

Districts should use the information above to determine whether current program revenues will cover costs while maintaining a healthy fund balance reserve for the next five years under current meal prices. If the projection indicates that the program is not able to cover its costs and maintain a healthy fund balance reserve, the district may need to consider exploring alternative service delivery methods, such as outsourcing, or increasing meal prices if it has exhausted opportunities to reduce

---

<sup>6</sup> A la carte items can be defined as any food item that is not part of a regular lunch. These include items such as ice cream, pizza, chips, soft drinks, bottled water, and cookies. Also considered a la carte are extra items the student requests, such as an extra carton of milk, entrée, or dessert.

<sup>7</sup> "Reimbursable meals" are those meals for which the federal government provides grant payments to the school district through states for nutritionally balanced, low-cost meals served to children eligible under the program for free and reduced meals under the National School Lunch and School Breakfast Programs.

<sup>8</sup> School districts should balance decisions to increase revenues through the sale of a la carte items against their need to regulate, and in some cases, prohibit the sale of unhealthy food and beverages.

---

<sup>9</sup> Districts should track actual or reasonably estimate all program-related expenditures such as cafeteria utilities, janitorial service, equipment maintenance, armored car services, delivery services, and renovation costs. For instance, districts can estimate the cost of janitorial services and utilities based on the percentage of square footage of the kitchen compared to the remainder of the building.

<sup>10</sup> As part of a grant program, federal and state rules provide for an "indirect rate" that covers district personnel and accounting support provided to the food service program. Yet, some districts do not charge the food program for the costs of these services.

<sup>11</sup> Some factors that a food service program should consider when establishing the approximate level for its food service fund balance reserve include historical, financial, student enrollment patterns, and exposure to emergencies.

costs. To assist as a guide in revising meal prices, districts should compare their current meal prices to those of its peer districts. Districts should also consider how a price increase would affect participation rates. This business model approach can help districts maintain food service program self-sufficiency.

# *The Florida Legislature*

## *Office of Program Policy Analysis and Government Accountability*

---



Visit the [Florida Monitor](http://www.floridamonitor.com), OPPAGA's online service. See <http://www.oppaga.state.fl.us>. This site monitors the performance and accountability of Florida government by making OPPAGA's four primary products available online.

- [OPPAGA publications and contracted reviews](#), such as policy analyses and performance reviews, assess the efficiency and effectiveness of state policies and programs and recommend improvements for Florida government.
- [Performance-based program budgeting \(PB<sup>2</sup>\) reports and information](#) offer a variety of tools. Program evaluation and justification reviews assess state programs operating under performance-based program budgeting. Also offered are performance measures information and our assessments of measures.
- [Florida Government Accountability Report \(FGAR\)](#) is an Internet encyclopedia of Florida state government. FGAR offers concise information about state programs, policy issues, and performance.
- [Best Financial Management Practices Reviews of Florida school districts](#). In accordance with the *Sharpening the Pencil Act*, OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

Subscribe to OPPAGA's electronic newsletter, [Florida Monitor Weekly](#), a free source for brief e-mail announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.

---

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

*Florida Monitor:* <http://www.oppaga.state.fl.us/>

Project supervised by David Summers (850/487-9257)

Project conducted by Deborah Wagar (850/487-9258) and Don Wolf (850/487-9237)

Jane Fletcher, OPPAGA Education Staff Director (850/487-9255)

Gary R. VanLandingham, OPPAGA Interim Director