

## **5. FOOD SERVICES**

We have analyzed the GDRSD Food Services Department to evaluate the costs of providing food services in-house vs. outsourcing service delivery. Many districts have privatized their food service with outside vendors with the objectives of improving both service delivery and efficiency. One important aspect is determining whether the operation is self-sufficient financially.

### **1. Self-Sufficiency**

We have reviewed financial statements for FY 2015 and FY 2016. In FY 2015 the Food Service revolving fund showed a loss of \$8,076. For FY 2016 the fund showed a profit of \$681. GDRSD acknowledges that these figures do not include the full cost of benefits.

We sought to determine the full cost of the program including employee benefits.

### **Findings**

We found that only a portion of employee benefits are charged to the Food Services Program. Figures provided by the district indicate that benefits for Food Service employees in FY 2016 totaled approximately \$179,897 that was not charged to the fund.

### **Recommendation**

Whether GDRSD charges the cost of benefits to the Food Service fund is a local decision, but the district should acknowledge that benefits are not charged fully to the fund, and the program is not self-sufficient.

Appendix 5.1 demonstrates that the lunch program had a net loss of around \$180,000 in both FY 2015 and FY 2016.

### **2. Benefit Savings**

Government managers have become acutely aware that employee benefits are a major contributor to costs and cost increases. In many cities and towns, management has tried to control these costs in part by ensuring that part-time employees are employed for less than 20 hours per week wherever possible. Under Massachusetts law, persons employed for 20 hours or more per week are entitled to full benefits. The GDRSD's Food Services Department employs 17 part-time workers.

## **Findings**

There are fifteen part time employees eligible for health benefits in the Food Service program. Eight are currently collecting benefits. Reducing their hours to less than 20 hours per week could save up to \$90,000.

Appendix 5.2 details the food service staffing at GDRSD. Appendix 5.3 shows comparative staffing from a previous study of ours. It should be noted that while the District's labor hours per student are similar to the other districts, the other districts have many more employees at less than 20 hours per week.

## **Recommendation**

We recommend reducing many of the food service workers, through attrition, to 3.5 hours per day. The main task of the workers is server and cashier work during the lunch periods. That can be accomplished in the 3.5 hours per day. In order to maintain adequate total hours, it may be necessary to add additional 3.5 hour employees or increase the hours of those working over 20 hours per week.

## **3. Staffing Levels**

One of the key areas to analyze when reviewing a school lunch program is the staffing levels for the district and the individual schools (Appendix 5.2). There are two key statistics to look at:

- a. the ratio of students to food service workers (labor hours)
- b. the ratio of meals sold to food service workers (labor hours).

We have looked at labor hours per student for the purpose of comparing staffing levels between schools and meals per labor hour (MPLH) (Appendix 5.4) to make comparisons between schools and to compare GDRSD's production standards with recommended levels. The standard for MPLH is from a low of 10 meals per labor hour to a high of 17. It should be noted the private food service companies aim for a 20 MPLH rate.

## **Findings**

In looking at the ratio of food service staff to meals served in a school, we found that all the district schools exceed the low standard of 10 MPLH and all are within the preferred range.

The Food Service Department should be commended for the excellent production rates.

## **Recommendation**

Since all of the rates are within acceptable ranges, we recommend to the District continue to monitor the Food Service statistics.

#### **4. Participation Rate**

The participation rate is a standard that is important in two ways. First, the participation rate is a measure of the degree to which the students find the food appealing. If a high percentage of students buy the food, it is an indication that the students like the food. Secondly, the participation rate is a measure of the likelihood that a food service operation will be a financial success. If students are not buying the meals, it is almost impossible to keep per meal costs at a reasonable level.

##### **Findings**

Participation rates are below the national standards. Refer to Appendix 5.5. However, one expects the overall participation rate to be low. High income communities tend to have lower participation rates. One factor is that most lunches are full price. In communities with a high level of free and reduced price lunches, the participation rate tends to be higher. Only 8% of GDRSD students receive free or reduced meals.

##### **Recommendation**

The District should do its best to market the meals to the students, but the District is not likely to reach national standards with an 8% free and reduced rate.

#### **5. Food and Labor Costs, Revenue**

It is also typical to analyze the various aspects of the total cost, and to look at the amount of revenue generated per student. We have therefore looked at the cost of food, labor, benefits and other expenses relative to established norms. We have also calculated the amount of revenue generated per meal compared to the norm and the cost of each meal served.

##### **Findings**

All of the District's cost percentages are close to the norms. Refer to Appendix 5.6.

##### **Recommendations**

Although the various statistics indicate a well-run program, the program is still losing money. The improvement in benefit costs outlined above could improve, but not solve this problem. In the next section, we will look at lunch prices and consider their impact.

#### **6. Lunch Prices**

This section discusses lunch prices and the School Department's ability to mitigate the deficit. Lunch prices are a major component of the financial operation of any school food service operation. It is a major determinant of the ability to be self-sustaining, and as well as having a major role in the participation rate.

## **Findings**

GDRSD has one of the higher price levels. Refer to Appendix 5.7.

## **Recommendation**

GDRSD should consider raisings their prices a small amount annually. However, lunch price increases can lead to lower participation and lower meals served, thus cutting into the revenue increase. It is important that any price increases be done gradually. The District serves about 250,000 meals per year, thus a .10 raise in the lunch price would yield around \$25,000.

## **7. Public Relations / Marketing**

One important aspect in operating a successful Food Services operation is the degree to which the parents and students respect the program and are willing to purchase the food. As we have seen above, it is necessary to have a high participation rate if GDRSD is to have a financially successful program.

## **Findings**

The District has not recently conducted a survey of the parents and students.

## **Recommendations**

The Department needs to appeal to the students that the foods being served are good for them, while presenting those foods and other options in a way that is appealing to them. The District should do periodic surveys to ascertain parent and student preferences.

In order to have a higher participation rate, the Groton Dunstable Regional Schools need to have and promote good public relations through quality food, good marketing and responsiveness to parent and student needs.

## **8. Alternative Service Delivery**

The main emphasis of this section is to present the in-house costs of the Food Service operation in comparison to outsourcing costs. School systems typically privatize their food service when they are unhappy with the quality of the program, or it is losing money. A private company has much more experience in marketing and public relations than an in-house service. They also have some advantages in buying power. Their staffing is typically very efficient and the employees will receive less wages and/or benefits than GDRSD offers their employees.

## **Findings**

GDRSD does not seem to be unhappy with the quality of its food service operation, but benefits constitute a significant net cost for the program. Benefit costs could be reduced by as much as \$90,000 using the procedures outlined above.

A gradual increase in lunch prices could eventually increase annual sales revenue by approximately \$25,000.

We do not see a path to a fully self-sustaining program.

GDRSD may want to investigate privatizing the program if they can obtain a contract that yields an operating surplus that provides sufficient funds for capital improvements. They should realize that by doing so could they could lose local control of the program and might negatively impact the benefits and/or wages received by the employees.

Districts who switch from “self-op” to private contractors expect their bottom line to eventually, if not immediately, be a surplus that can be used for capital improvements. They often have labor problems, which GDRSD does not. This budget balancing by private firms is often accomplished as above (price increases and benefit cuts) along with staff reductions, better purchasing power, and better marketing that leads to better participation rates.

### **Recommendation**

We have offered plausible ways that GDRSD can improve their “self-op” budget, but even these measures may fail, and there may not be funds for needed capital improvements.

If GDRSD wishes to further investigate privatization, they should use this study as a basis for interviewing private contractors to see what the contractors would offer them (See Appendix 5.8). They should review several proposals to other communities to see what type of private structures are available. They should talk to peer communities who have privatized. Finally, they should decide on the level of service they want. They could simply hire a company to manage the current operation or they could bring in a whole private company to completely replace the existing operation. And there are many options in-between these two extremes.

Private companies are willing to have the employees remain District employees if that is desired. They are also willing to hire all current employees who meet minimum standards.

If after this analysis the Schools wish to proceed they should design an RFP, advertise it and review the results. They may find a company they are interested in or they may decide to stay with the in-house system.

Many private companies will guaranty a surplus in the Food Service operation that can go to capital improvements in the cafeterias as well as certain other allowable related costs.

The private vendors recommend that you look at the following:

- 1) What employment model do you wish to pursue? Do you want to retain the employees or have them work for the contractor? Do you want to do this immediately or through attrition?

- 2) Compare District benefits versus the benefits offered by the vendor?
- 3) Determine policies the vendor would need to adhere to.

The vendors will also look at MLPH, participation rates and food costs to assess whether they are currently at acceptable levels, and whether they can be improved.

2015-2016 Financial Statement

Appendix 5.1

|                                  | FY15                | FY16              |
|----------------------------------|---------------------|-------------------|
| Total Revenue                    | \$ 825,249          | \$ 816,169        |
| Food Expense                     | \$ 315,784          | \$ 327,196        |
| Labor Expense                    | \$ 422,976          | \$ 402,957        |
| Benefits                         | \$ 20,000           | \$ 11,380         |
| Capital Equipment                | \$ -                | \$ 26,741         |
| Other expenses                   | \$ 74,565           | \$ 47,214         |
| Revolving Fund Expenditures      | <u>\$ 833,325</u>   | <u>\$ 815,488</u> |
| Revolving Fund Profit            | <u>\$ (8,076)</u>   | <u>\$ 681</u>     |
| Health Benefit From General Fund | \$ 148,591          | \$ 157,211        |
| Medicaid and Retirement          | \$ 23,814           | \$ 22,686         |
| Total Expenditures               | <u>\$ 1,005,730</u> | <u>\$ 995,385</u> |
| Loss                             | \$ (180,481)        | \$ (179,216)      |

**Staffing**

**Appendix 5.2**

| <b>Position</b>       | <b>Current</b> | <b>Hours / week</b> | <b>Total Hours</b> | <b>Students</b> | <b>Labor Hours / Student</b> |
|-----------------------|----------------|---------------------|--------------------|-----------------|------------------------------|
| <b>GDRHS</b>          |                |                     |                    |                 |                              |
| Manager               | 1.0            | 35.0                | 35.0               |                 |                              |
| Staff                 | 5.0            | 27.5                | 137.5              |                 |                              |
| <b>Total Hours</b>    | <b>6.0</b>     |                     | <b>172.5</b>       | <b>812</b>      | <b>0.21</b>                  |
| <b>GDRMS</b>          |                |                     |                    |                 |                              |
| Manager               | 2.0            | 35.0                | 70.0               |                 |                              |
| Staff                 | 1.0            | 30.0                | 30.0               |                 |                              |
| Staff                 | 1.0            | 25.0                | 25.0               |                 |                              |
| Staff                 | 2.0            | 22.5                | 45.0               |                 |                              |
| Staff                 | 1.0            | 21.3                | 21.3               |                 |                              |
| Staff                 | 2.0            | 17.5                | 35.0               |                 |                              |
| <b>Total Hours</b>    | <b>9.0</b>     |                     | <b>226.3</b>       | <b>791</b>      | <b>0.29</b>                  |
| <b>Swallow Union</b>  |                |                     |                    |                 |                              |
| Manager               | 1.0            | 30.0                | 30.0               |                 |                              |
| Staff                 | 1.0            | 27.5                | 27.5               |                 |                              |
| <b>Total Hours</b>    | <b>2.0</b>     |                     | <b>57.5</b>        | <b>280</b>      | <b>0.21</b>                  |
| <b>Florence Roche</b> |                |                     |                    |                 |                              |
| Manager               | 1.0            | 35                  | 35                 |                 |                              |
| Staff                 | 1.0            | 27.5                | 27.5               |                 |                              |
| Staff                 | 1.0            | 25                  | 25                 |                 |                              |
| Staff                 | 1.0            | 17.5                | 17.5               |                 |                              |
|                       | <b>4.0</b>     |                     | <b>105</b>         | <b>478</b>      | <b>0.22</b>                  |
| <b>TOTALS</b>         | <b>21</b>      |                     | <b>561.25</b>      | <b>2361</b>     | <b>0.24</b>                  |



**Staffing Comparison**

**Appendix 5.3**

| Position                       | EASTON    |             | MARSHFIELD |             | WALPOLE   |             | WILMINGTON |             |
|--------------------------------|-----------|-------------|------------|-------------|-----------|-------------|------------|-------------|
|                                | Employees | Hours       | Employees  | Hours       | Employees | Hours       | Employees  | Hours       |
| Director                       | 0         | 0           | 1          | 40          | 1         | 40          | 1          | 40          |
| Managers                       | 5         | 30          | 5          | 35          |           |             | 6          | 32.5        |
| Asst. Managers/Cook            | 2         | 22.5        | 2          | 40          | 4         | 18.75       | 2          | 17.5        |
| Food Service Workers           | 11        | 17          | 11         | 15          | 26        | 14.75       | 23         | 15          |
| Food Service Workers           |           |             | 7          | 30          |           |             | 11         | 30          |
| Truck Driver                   | 0         | 0           |            |             | 2         | 23.75       |            |             |
| Whitsons Manager               | 1         |             |            |             |           |             |            |             |
| Whitsons workers               | 13        | 20          |            |             |           |             |            |             |
| <b>Total labor hours</b>       |           | <b>642</b>  |            | <b>630</b>  |           | <b>506</b>  |            | <b>905</b>  |
| <b>Exclusive of Manager</b>    |           |             |            |             |           |             |            |             |
| <b>Labor Hours per student</b> |           | <b>0.17</b> |            | <b>0.21</b> |           | <b>0.13</b> |            | <b>0.26</b> |

## Meals per Labor Hour (MPLH)

Appendix 5.4

| School         | MPLH  | Meals/week | Staff hours/week |
|----------------|-------|------------|------------------|
| GDRHS          | 15.32 | 2,344      | 153.0            |
| GDRMS          | 12.98 | 2,895      | 223.0            |
| Swallow Union  | 12.00 | 630        | 52.5             |
| Florence Roche | 13.03 | 1,190      | 91.3             |
| System Total   | 13.58 | 7,059      | 519.8            |

|             |       |
|-------------|-------|
| Lower Range | 10.00 |
| Upper Range | 17.00 |

*Ranges per School Food Service Management for the 21st Century, Dorothy Pannell-Martin*

**Participation Rate**

**Appendix 5.5**

| <b>School</b>       | <b>Participation Rate</b> | <b>Enrollment</b> | <b>Meals</b>  |
|---------------------|---------------------------|-------------------|---------------|
| GDRHS               | 40.7%                     | 809               | 6,253         |
| GDRMS               | 48.1%                     | 791               | 7,233         |
| Swallow Union       | 41.4%                     | 281               | 2,092         |
| Florence Roche      | 35.9%                     | 486               | 3,144         |
| <b>System Total</b> | <b>42.8%</b>              | <b>2367</b>       | <b>18,722</b> |
|                     |                           |                   |               |
| Low Norm            | 55.0%                     |                   |               |
| High Norm           | 65.0%                     |                   |               |

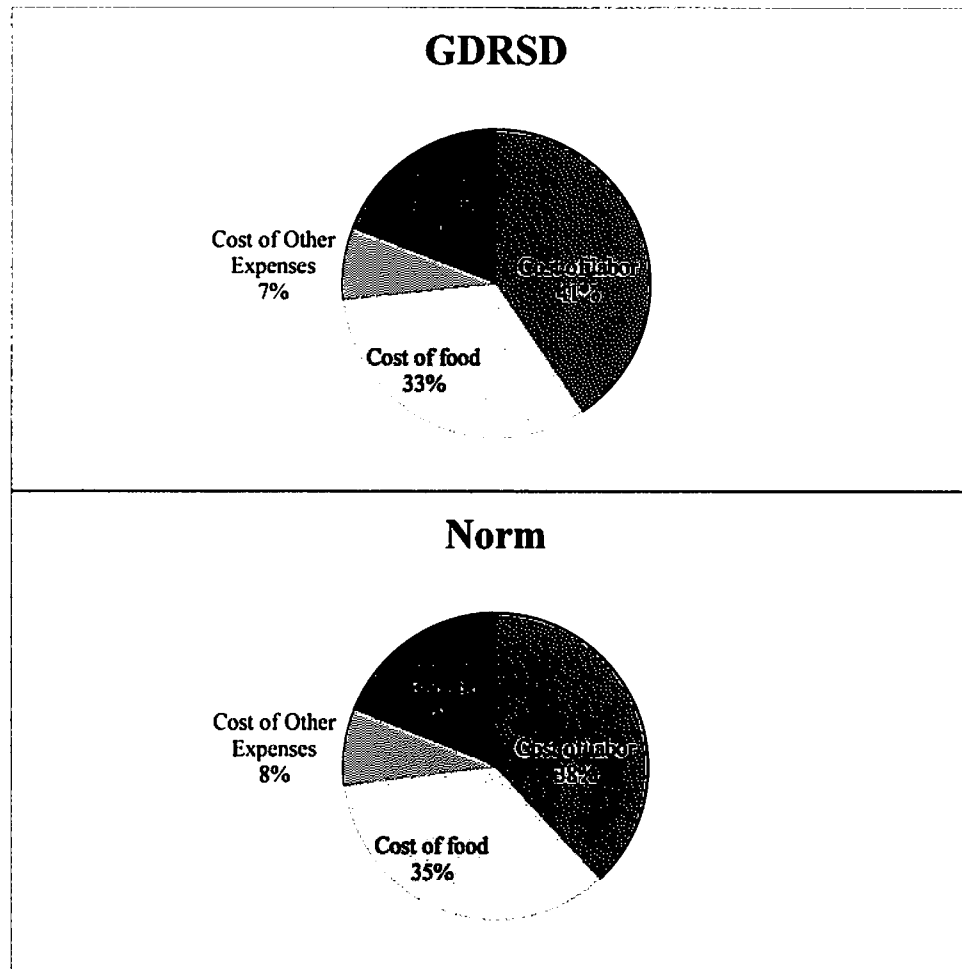
*Norms per Sodexo School Services*

*Norms per Sodexo School Services*

**Breakdown of Production Costs**

**Appendix 5.6**

| <b>Description</b>     | <b>GDRSD</b> | <b>Norm</b> |
|------------------------|--------------|-------------|
| Cost of labor          | 40%          | 38%         |
| Cost of food           | 33%          | 35%         |
| Cost of Other Expenses | 7%           | 8%          |
| Cost of Benefits       | 19%          | 19%         |
|                        | 100%         | 100%        |



*Norms per Sodexo School Services*

**Lunch Price Survey**

**Appendix S.7**

| District                                   | High   |
|--|--------|
| Arlington Public Schools                   | \$3.00 |
| Berkshire Hills Regional School District   | \$2.50 |
| Boxford, Middleton and Topsfield           | \$3.00 |
| Bristol-Plymouth RTSD                      | \$2.75 |
| Central Berkshire Regional School District | \$2.25 |
| Easton Public Schools                      | \$3.10 |
| Frontier Regional School District          | \$3.00 |
| Gardener Public Schools                    | \$2.75 |
| Gateway Regional School District           | \$3.00 |
| Groton-Dunstable Regional School District  | \$3.25 |
| Holbrook Public Schools                    | \$2.85 |
| Lenox Public Schools                       | \$2.50 |
| Leominster Public Schools                  | \$3.00 |
| Lexington Public Schools                   | \$3.50 |
| Melrose Public Schools                     | \$3.00 |
| Mendon-Upton Regional School District      | \$2.85 |
| Monomoy Regional School District           | \$3.00 |
| Newburyport Public Schools                 | \$3.00 |
| North Andover Public Schools               | \$3.00 |
| North Attleborough Public Schools          | \$3.00 |
| Norton Public Schools                      | \$3.00 |
| Pathfinder Regional School District        | \$2.95 |
| Peabody Public Schools                     | \$3.25 |
| Southeastern Regional Voc Tech High School | \$2.75 |
| Stoneham Public Schools                    | \$3.00 |
| Swampscott Public Schools                  | \$3.25 |
| Tyngsborough Public Schools                | \$3.00 |
| Uxbridge Public Schools                    | \$3.25 |
| Wakefield Public Schools                   | \$3.00 |
| Wayland Public Schools                     | \$4.00 |
| Wellesley Public Schools                   | \$3.50 |
| West Bridgewater Public Schools            | \$3.00 |
| Westport Community Schools                 | \$3.00 |
| Hampden - Wilbraham Regional School Dist   | \$3.00 |
| North Middlesex RSD                        | \$3.00 |
| Beverly Public Schools                     | \$3.00 |
| Blackstone-Millville Regional School Dist  | \$3.00 |

## References

## Appendix 5.8

| <b>Name</b>    | <b>Organization</b>               | <b>Phone</b> | <b>E Mail</b>  |
|----------------|-----------------------------------|--------------|--|
| Kim Gunn       | Chartwells School Dining Services | 203-731-9297 | <a href="mailto:kim.gunn@compass-usa.">kim.gunn@compass-usa.</a>         |
| Ozzie Orsillo  | Whitson's School Nutrition        | 978-521-6574 | <a href="mailto:orsilloo@whitsons.com">orsilloo@whitsons.com</a>         |
| Phil Bornstein | Sodexo School Services            | 860-217-1521 | <a href="mailto:phil.bornstein@sodexo.com">phil.bornstein@sodexo.com</a> |
| Jay Gustaitis  | Aramark Education                 | 207-595-1207 | <a href="mailto:gustaitis-jay@aramark.com">gustaitis-jay@aramark.com</a> |
| Susan Sacks    | School Nutrition Assoc. of Mass.  | 617-738-8124 | <a href="mailto:susan@bmssite.com">susan@bmssite.com</a>                 |
| Peter Mikedis  | Sidekim Foods                     | 781-595-3663 | <a href="mailto:pmikedis@sidekimfoods.com">pmikedis@sidekimfoods.com</a> |