

CHAPTER 7 – NUTRITION SERVICES

BACKGROUND

School district food service operations, also known as Child Nutrition Services, must comply with a variety of federal and state regulations and local board policy. The United States Congress directed the National School Lunch Program in 1946 to “safeguard the health and well-being of the nation’s children and to encourage the domestic consumption of nutritional agricultural products.”

The United States Department of Agriculture administers the National School Lunch Program and School Breakfast Program. School districts that participate in the National School Lunch Program and School Breakfast Program must serve students meals that meet federal guidelines for nutritional value and offer free and reduced-price meals to eligible students. When districts participate in the National School Lunch Program and School Breakfast Program, they receive cash subsidies and donated commodities from the United States Department of Agriculture for each eligible meal served at schools.

Government has recognized that schools have become the primary source of obtaining healthy meals for most children and has worked to enact many regulations to ensure that meals served to school children contain a healthy variety of fruits, vegetables, and whole grains, while also balancing the amount of proteins, saturated fats, sodium, and calories. The most recent regulation enacted that has a significant impact on the way school districts operate their food service program is the Healthy, Hunger-Free Kids Act of 2010. This act requires schools to improve nutritional standards for each meal served. There are specific and rigid guidelines that must be implemented, which include dietary guidelines and pricing requirements. For example, school lunches should include daily fruit and vegetable offerings, more whole grains, only fat-free or low-fat milk, and reduced saturated fat, trans fat, and sodium.

CHAPTER HIGHLIGHTS

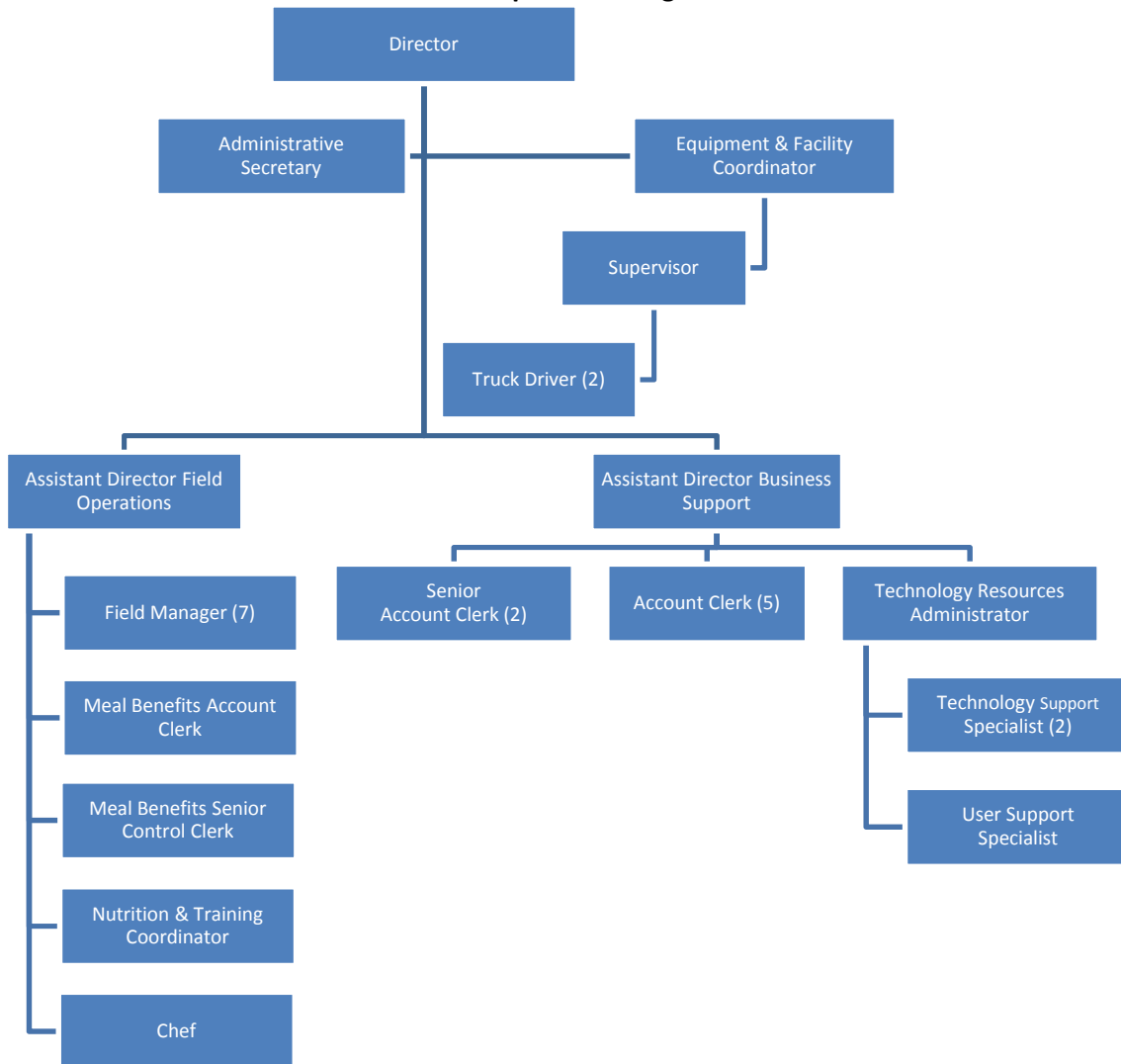
- With a fund balance of \$14,353,514, or 38 percent of annual operating expenditures, the Nutrition Services Department has sufficient fund reserves for continued self-sustained operations.
- The School System's food costs, as a percentage of total revenue, are well below peer districts.
- The director of Nutrition Services and nutrition education and training coordinator have worked in cooperation with local advocacy groups, such as the Alignment Nashville Nutrition Committee, to serve healthier and more nutritious meals in the School System.
- Nutrition Services does not have a formalized planning process to guide program direction and operational decisions and should develop and implement Nutrition Services operating and financial plans including a marketing plan.
- Nutrition Services does not have a capital replacement plan and therefore should develop and implement a long-term facilities and equipment plan.
- Nutrition Services' current payroll costs are 52 percent of revenues and therefore should reduce payroll costs by 10 percentage points of 2012-2013 departmental total payroll expenses over the next five years. By reducing labor costs, Nutrition Services has an opportunity to achieve \$389,593 per year in annual cost savings, beginning in 2015-2016.
- Estimates from a national food service outsource provider suggest that the School System could potentially save an average of \$2,141,467 annually, beginning in 2016-2017, if food service operations were outsourced.

The challenge that schools face in meeting the Healthy, Hunger-Free Kids Act of 2010 is in preparing foods that taste good and are similar to what children are accustomed to eating, while also adhering to the guidelines. Students in all school districts have noticed the differences resulting from the revised dietary guidelines and have voiced complaints that the food does not taste good and that they are still hungry due to smaller portion sizes.

Effective Child Nutrition Services operations provide students and staff with appealing and nutritious breakfasts and lunches at a reasonable cost in an environment that is safe, clean, and accessible. The goal of each Child Nutrition Services is to be self-supporting such that revenue generated from meals served cover all operational and staffing costs with no assistance needed from the School System's General Fund.

Metropolitan Nashville Public Schools (the School System) Nutrition Services Department serves breakfast and lunch meals to more than 82,000 students. In 2012-2013, the program served over 4,200,000 breakfasts and almost 8,400,000 lunches to students at these schools. Approximately 75 percent of students enrolled in the schools are eligible to receive free and reduced-priced breakfast and lunch meals through federal reimbursements from the United States Department of Agriculture Child Nutrition Program. The program operates under the leadership of the director of Nutrition Services who is supported by an assistant director of Field Support, an assistant director of Business Support, a chef, a nutrition education and training coordinator, a technology and network coordinator and seven field managers. **Exhibit 7-1** presents the Nutrition Services organization chart for central office administration and staff support positions. Most Nutrition Services employees consist of cafeteria managers and kitchen staff who work in 139 school cafeterias.

Exhibit 7-1
Nutrition Services Department Organization Chart



Source: Metropolitan Nashville Public Schools Child Nutrition Services, January 2014.

In 2012-2013, Nutrition Services generated \$39,570,676 in revenue and had a fund balance of \$14,353,514 at the end of the 2012-2013 school year. **Exhibit 7-2** presents a summary of the School System's revenue and expenditures for the past four years.

**Exhibit 7-2
Nutrition Services Department Revenues and Expenses
2010-2011 through 2012-2013**

Category	2010-2011 Actual	2010-2011 Percentage of Actual Revenue	2011-2012 Actual	2011-2012 Percentage of Actual Revenue	2012-2013 Actual	2012-2013 Percentage of Actual Revenue
Local Revenue	\$6,673,744	19%	\$6,656,911	18%	\$6,528,564	16%
State revenue	\$319,394	1%	\$341,234	1%	\$347,962	1%
Federal Revenue	\$26,048,909	75%	\$28,239,340	77%	\$30,171,279	76%
Miscellaneous Revenue	\$65,853	0%	\$108,019	0%	\$670,284	2%
USDA Commodities	\$1,744,247	5%	\$1,525,043	4%	\$1,852,587	5%
Total Revenue	\$34,852,147	100%	\$36,870,547	100%	\$39,570,676	100%
Total Expenses	\$34,052,438	98%	\$35,027,788	95%	\$37,815,803	96%
Net Profit (Loss)	\$799,709	2%	\$1,842,759	5%	\$1,754,873	4%
Fund Balance *	\$10,755,882		\$12,598,641		\$14,353,514	

Source: Nutrition Services, Financial Summary through the Years, January 2014.

*Determined from Metropolitan Nashville Public Schools 2013-2014 Budget Book Nutrition Services page 118.

BEST PRACTICES

The food service industry has many organizations that identify best practices for food service operations to help guide an organization to profitability, operational efficiencies and sound management practices. McConnell Jones Lanier & Murphy LLP (or the review team) identified eight of these best practices that were applicable to the School System’s Nutrition Services’ operations to determine if best practices were being met. The School System meets three of the best practices while the other five were not met indicating where there are opportunities for improvement. This report discusses these opportunities in the detailed observations. **Exhibit 7-3** provides the summary of food service best practices and indicates whether Nutrition Services has met them.

Exhibit 7-3
Summary of Best Practices – Comparison of Nutrition Services

Best Practice Number	Description of Best Practice	Met	Not Met	Explanation
1.	Short-term and long-term plans have been developed and implemented to guide management decision making in district food service operations.		X	There is a lack of formalized planning to guide management decision-making in the School System’s food service operations. See Observation 7-A.
2.	The program is in a financially stable position with a sufficient fund balance to handle unanticipated contingencies.	X		
3.	The facilities and equipment in district kitchens and dining areas are in good condition.		X	Kitchen equipment and dining areas in a number of schools need repairs, replacements, upgrades, and/or renovations. See Observation 7-B.
4.	Food costs, as a percentage of revenue, are at appropriate levels when compared with surveyed peer districts.	X		
5.	Labor costs, as a percentage of revenue, are at appropriate levels when compared with surveyed peer districts.		X	Labor costs are higher than all surveyed peer districts. See Observation 7-C.
6.	Healthy and nutritious meals are being served to students in accordance with Child Nutrition Program guidelines.	X		
7.	The program is achieving high student breakfast and lunch participation when compared with surveyed peer districts.		X	The program is not achieving its potential for student meal participation, given the level of free lunch eligibility among students enrolled in the School System. See Observation 7-D.

Exhibit 7-3
Summary of Best Practices – Comparison of Nutrition Services (Cont'd)

Best Practice Number	Description of Best Practice	Met	Not Met	Explanation
8.	Campus food service operations receive sufficient support, supervision, and guidance from the program's central office staff.		X	The field manager and chef positions could be more optimally used in campus food service operations. See Observation 7-E.

Source: McConnell Jones Lanier & Murphy LLP Review Team.

ACCOMPLISHMENTS

ACCOMPLISHMENT 7-A

The School System's Child Nutrition Program is in a financially sound position.

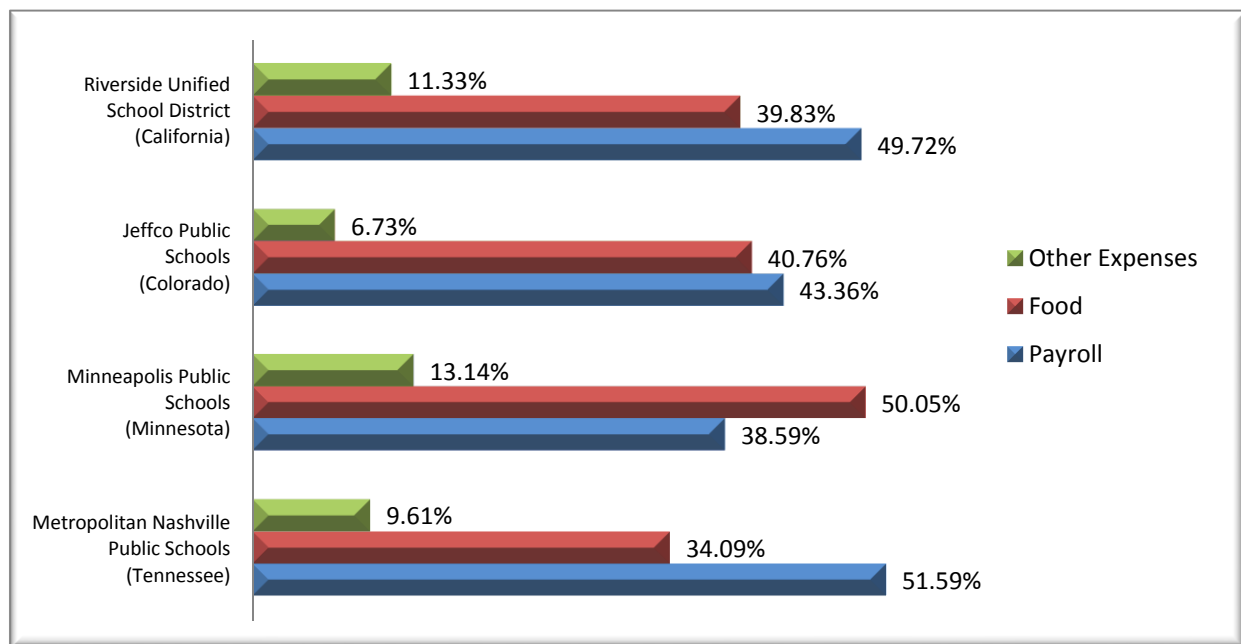
Best practices suggest that school food service programs maintain a reserve fund balance equal to 25 percent of their annual operating expenditures to handle unanticipated contingencies. As illustrated in **Exhibit 7-2**, Nutrition Services had a 2012-2013 ending fund balance of \$14,353,514, or 38 percent of annual operating expenditures. As a result, the department has sufficient fund reserves for continued self-sustained operations without relying on support from the School System's General Fund. Much of the credit for this solid financial position can be attributed to the financial diligence of the assistant director of Business Support.

ACCOMPLISHMENT 7-B

The School System's food costs, as a percentage of total revenue, are well below peer districts.

Exhibit 7-4 presents a 2012-2013 comparison of the three primary school food service costs (payroll, food, and other) between the School System's Nutrition Services Department and three peer districts. As illustrated, the School System's 34 percent food cost was much lower than surveyed peer districts. This indicates that effective food cost control systems have been implemented into campus food service operations.

Exhibit 7-4
Primary Cost Categories as a Percentage of Revenue
Nutrition Services Department and Peer Districts 2012-2013



Source: Nutrition Services, Financial Summary through the Years Report, April 2014.

ACCOMPLISHMENT 7-C

Nutrition Services has successfully introduced the breakfast in the classroom program to some elementary schools and has received federal grants to participate in additional programs to increase student participation and departmental revenue.

Tusculum Elementary, one of the elementary schools that participates in the breakfast in the classroom program, received a \$3,000 award from Purity Dairies and the Southeast Dairy Association in the “Titans of Taste” milk contest for increased breakfast participation during the month of October 2013. The increase in participation from approximately 250 to 600 breakfasts per day occurred following the introduction of the breakfast in the classroom program at that school. Nutrition Services also received grants to participate in the Fresh Fruit and Vegetable Program and initiated the After School Enrichment, Snack, and Summer Camp programs at a number of schools. These programs have enabled the School System to provide additional food offerings to students while also increasing revenue.

ACCOMPLISHMENT 7-D

Nutrition Services created a chef position to work with the nutrition education and training coordinator in developing healthy and nutritious recipes and menus that meet federal nutrition requirements.

As a result, the program has received a number of best practices awards in the past three years, including second place in the Produce Culinary Competition from the Tennessee State Department of Nutrition, the USDA best practices award for “Translating the Menu to Achieve Healthier Food Choices,” and two Silver awards for the “Know Your Nutrient” curriculum and the “Nutrition Awareness” newsletter for creating a healthier school environment. In the summer 2011, the Nutrition Walk that was developed by the nutrition education and training coordinator was recognized as one of the 13 best practices in the country by the National School Nutrition Association. In 2011-2012, two of the School System’s campuses received the Healthier Challenge Gold Award, five campuses received a Silver Award, and 38 campuses received a Bronze Award for their nutritional and physical activities and creating a culture of wellness.

ACCOMPLISHMENT 7-E

The director of Nutrition Services and nutrition education and training coordinator have worked in cooperation with local advocacy groups, such as the Alignment Nashville Nutrition Committee, to serve healthier and more nutritious meals in the School System.

Some of the resulting initiatives include a discontinuation of fried foods on school menus and the replacement of deep frying equipment with convection ovens in School System kitchens. There has also been a conversion to healthier a la carte snack items and collaboration with a local milk producer to modify their chocolate milk formula to decrease sugar content.

DETAILED OBSERVATIONS

PERFORMANCE PLANNING

OBSERVATION 7-A

Nutrition Services does not have a formalized planning process to guide program direction and operational decisions.

The absence of a formalized planning process results in a lack of strategic direction and limits opportunities for program improvement and innovation. More specifically, the review team observed the following, which would be considered in a comprehensive, formal planning effort:

- Documented operating or financial plans have not been developed to ensure uniform direction. This situation results in a lack of clear program goals, objectives, and performance expectations.
- Although the School System provides data to the Council of Great City Schools and receives their key performance indicator reports and uses the metrics to benchmark their operations, a sufficient comparative analysis has not been regularly performed and documented of peer districts and the hospitality industry for use in program benchmarking, best practices, or innovative activities to improve program operational efficiencies and effectiveness.
- Clear performance expectations and standards have not been fully implemented into campus foodservice operations. Although Nutrition Services generates detailed monthly financial recap reports by campus, the content, format, and length of these reports could be summarized, simplified, and limited to several key performance indicators (i.e., food costs, labor costs, productivity, participation) for more effective implementation into campus food service operations. It is important that field managers and cafeteria managers understand the content of these reports and how to use this information for decision-making on an ongoing and timely basis to improve the efficiency and effectiveness of food service operations.
- No marketing plan exists to guide improvements in cafeteria food quality, staff service, or the dining area environment. There also are opportunities to expand existing menu options and services to School System students (i.e., breakfast in the classroom, the School System's charter schools, a la carte item options, etc.), along with other new and innovative programs used in peer districts surveyed (grab and go breakfasts, Summer Food Service Program, Farm to School, salad bars, etc.). There also may be opportunities to expand the Nutritional Services program revenues from other non-traditional sources. For example, the school system in Riverside, California services the local Meals on Wheels program and 20 other for-profits, nonprofits, and small private schools.
- There is no initiative in the department to document and promote positive accomplishments, innovative practices, or successful initiatives, similar to those noted and discussed in the accomplishments section of this chapter. This positive information could enhance the image and reputation of the Nutrition Services Department among all of its stakeholders.

The aforementioned observations were consistent with findings from the 2010 Council of Great City Schools program review that noted that the department “lacks an organizational vision and direction.” The report also noted a “pervasive lack of planning,” as evidenced by no “strategic plan, business plan, or marketing plan.” Similar to the review team’s observations, the 2010 Council of Great City Schools review also noted that there were “no performance standards for school-site operations relating to profitability, participation, or food quality,” and that “the department does not appear to be proactive in promoting its positive accomplishments.”

RECOMMENDATION 7-A.1

Develop and implement Nutrition Services Department operating and financial plans.

The Nutrition Services Department should create an operating plan that specifies the program’s approach to providing healthy and nutritious meals to students in an efficient and cost effective manner. The plan should be aligned with the School System’s strategic plan, where applicable, to ensure that the department supports the School Board’s broader systemwide goals and objectives. The plan should serve as a framework to guide short- and long-term decision-making and ensure that School System food service operations are managed efficiently and effectively. Key elements of the operating plan should include, but not be limited to:

- identification of key program stakeholders and their desires, needs, and preferences;
- mission statement;
- goals and objectives that are quantifiable so efficiency and effectiveness can be measured, monitored and reported;
- strategies with detailed action plans to implement program goals and objectives that can be monitored and reported; and
- reporting of plan results and tactics to resolve any unfavorable deviations from plan or to make appropriate adjustments to the plan.

The financial plan should project revenue and expenses for the next three to five years. It should include assumptions regarding changes such as shifts in the demographics of the student population or needed major equipment purchases and facility renovations. This approach also helps to ensure an adequate program fund balance. Since federal regulations prohibit school districts from accumulating a fund balance in excess of three months average operating expenses without a planned use of the surplus, a documented financial plan would clarify the planned use of a program surplus.

The following positions should be involved in the development and implementation of the Nutrition Services operating and financial plans.

- director of Nutrition Services;
- assistant director, Field Support;
- assistant director, Business Support;
- chef;

- nutrition education and training coordinator;
- equipment and facilities coordinator; and
- field managers.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-A.2

Integrate performance standards into campus food service operations.

An effective performance measurement system will measure Nutrition Services program results and compare them with benchmarked standards. The director of Nutrition Services could present periodic program reports to the director of schools and school board to identify the need for corrective action to address such concerns as high labor costs, low employee productivity, high food costs, and/or low student participation and satisfaction.

The director of Nutrition Services, assistant director of Field Support, and assistant director of Business Support should document performance and efficiency standards and implement them into all School System food service operations. A simplified variance analysis could then be implemented by campus that compares several key performance targets with actual results to improve operating efficiencies in food service operations. Examples of commonly used food service program performance and efficiency measures on both a campus and systemwide basis, most of which are currently being tracked and reported by Nutrition Services, include:

- food costs;
- payroll costs;
- employee productivity (Meals Per Labor Hour);
- student meal participation (breakfast, lunch, and free, reduced, and paid); and
- net income/loss.

It is important that these reports be provided to field managers and cafeteria managers on a timely basis, as concerns were expressed in comments from cafeteria managers that they do not receive their profit and loss statements until two months after they submit the information. As a result, field managers and cafeteria managers are not able to respond in a timely manner to correct unfavorable variances from performance targets.

For effective implementation into campus food service operations, the director of Nutrition Services, assistant director of Field Support, and assistant director of Business Support should conduct training sessions with all field managers and cafeteria managers so they better understand how to interpret and use the information provided in campus-based operations and financial reports. The field managers should continue this hands-on training with the cafeteria managers in their assigned schools to make

sure they understand the monthly variance analysis and what steps to take to correct unfavorable variances in their respective locations in a timely manner.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-A.3

Develop and implement a Nutrition Services marketing plan.

The marketing plan should identify initiatives for improvements in cafeteria food quality, menu offerings, staff service, serving lines, facilities/equipment, and dining environment. This idea includes the expansion of existing successful programs (i.e., breakfast-in-the-classroom, fruit/vegetable and snack programs, and supper programs) and new, innovative initiatives such as a la carte menu options and branding for salad bars.

Sources of additional program external revenues also should be identified and plans should be established to pursue these opportunities (i.e., charter schools, summer feeding, and community outreach programs). The implementation of this plan should result in improved student satisfaction ratings and increased breakfast and lunch meal participation.

The following positions should be involved in the development and implementation of the marketing plan.

- director of Nutrition Services;
- assistant director, Field Support;
- chef;
- nutrition education and training coordinator;
- field managers (7);
- kitchen managers and staff; and
- students.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-A.4

Generate annual reports that document the Nutrition Services accomplishments, innovative practices, and successful initiatives.

Annual reports could document Nutrition Services accomplishments, innovative practices, or successful initiatives. Examples of these accomplishments are included in the accomplishments section of this

chapter. The positive information provided in an annual report could enhance the image and reputation of Nutrition Services among all stakeholders.

The following positions should be involved in the development of the Nutrition Services annual reports.

- director of Nutrition Services;
- assistant director, Field Support;
- assistant director, Business Support;
- chef; and
- nutrition and education and training coordinator.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

EQUIPMENT AND FACILITIES

OBSERVATION 7-B

Nutrition Services does not have a capital replacement plan.

This situation is consistent with findings from the 2010 Council of Great City Schools review that noted that there was “no cafeteria equipment replacement plan to ensure that employees have the tools to perform their jobs efficiently,” and there was “no capital improvement plan to ensure that school cafeterias are updated and renewed on a periodic basis. “Following visits to school sites and a review of kitchen staff survey comments, the review team noted the following concerns related to kitchen equipment and dining area facilities at district schools:

- **Inoperable kitchen equipment.** There is inoperable equipment needing repair or replacement in some kitchens. These conditions were supported by the review team’s surveys of cafeteria managers and kitchen staff. The lowest rated items on these surveys were related to the condition of the facilities and equipment at the schools. Only 58 percent of managers indicated that their kitchen facilities were in good condition, while only 56 percent reported that their kitchen equipment was in good working condition. At one school, an employee reported that their kitchen “equipment breaks down every other week.” This included the oven vent hood that was not working at the time. One employee stated that their school was in “dire need of an updated kitchen,” while another stated, “our equipment needs to be updated.”
- **Shortage of supplies.** Some kitchen employees reported that they were short on kitchen supplies, such as utensils, tongs, pizza cutters, and spatulas. These comments were consistent with the finding from the 2010 Council of Great City Schools review that “appropriate small equipment and utensils were not always available to prepare proper sized portions.”

- **Poor facility conditions.** Some dining and kitchen physical facilities are in poor condition and have significant dining area capacity constraints, based on student enrollment. These locations included Tusculum Elementary, Haywood Elementary, McMurray Middle School, and Martin Luther King High School. For example, at Haywood Elementary, the lunch period begins at 9:30 am with continuous service for four hours to adequately serve the students enrolled at that location, due to a significantly undersized dining area and kitchen. At Haywood Elementary, students were unable to eat in the frigid dining area because of problems with the school heating system. Employees at some schools reported poor working conditions in some locations that included an inoperable hot water heater, ceiling leaks, broken bathroom tiles, a heating system that did not work in the dining area, paint peeling off the walls, and mold in the air. It was indicated that some of these conditions had not been addressed in the entire school year. The 2010 Council of Great City Schools review reported similar observations at school kitchens, such as “ceilings above serving lines needing repair, rusty floor drains, and cracked concrete floors.”
- **Inadequate space.** Some employees commented that “space is tight,” “we need more space,” and there is “not enough space for us to perform our jobs sufficiently.” Several employees stated that they also needed more storage space. Some of the issue is excessive inventory of frozen food commodity items that we observed in some kitchens, with some of these cases of food often stored on the floors of walk-in freezers, due to lack of sufficient shelving. These observations also were noted in the 2010 Council of Great City Schools review.
- **Unused kitchen equipment.** There is unused kitchen equipment and supplies being stored in school kitchen or dining areas although the School System has a central salvage facility. This same concern was raised in the 2010 Council of Great City Schools review and by cafeteria staff during this review.
- **Conversion to disposables.** Dish machines at many locations are no longer operated, as disposable trays and plastic utensils have replaced plastic trays and silverware. However, dish machines remain in all kitchens and some schools continue to use dish machines and plastic trays, although plastic utensils are used at all locations. An employee in one location suggested that their dish machine should be removed and replaced with an office that had employee lockers, because there was no place for staff to put their personal items (i.e., jackets, purses, etc.). We also understand that the recent conversion to green compostable trays has resulted in an additional \$76,000 per year in supply costs. However, these trays are not sturdy and since there is no district composting program, they are being thrown in the garbage. Further, the results of a 2011 study conducted by the School Nutrition Association revealed that “reusable compartment trays had a lower environmental impact and were less expensive when compared to disposable options.” The study also reported that since the newer model dish machines use less water and energy and can reduce rinse water use and energy consumption by nearly 50 percent, schools can save approximately \$1,300 per 100,000 meals served.
- **Lack of equipment uniformity.** There is a lack of uniformity of kitchen equipment (tilt skillets, combination ovens, etc.) across school sites. This condition presents challenges and inefficiencies to the nutrition services chef and nutrition education and training coordinator in menu planning, recipe development, food preparation procedures, and employee training.

- **Underutilized kitchens.** Nutrition Services is not effectively using their kitchen facilities and equipment at some locations. For example, some kitchens are so large that space and equipment is not used and some serving lines are closed. This situation is in contrast to other schools where dining and kitchen facilities and serving lines are undersized and there is insufficient equipment to serve student meal demand.
- **No fixed assets inventory.** A fixed assets inventory is not conducted for of all district kitchen equipment. This is consisted with a finding of the 2010 Council of Great City Schools review, which reported that “schools do not conduct an annual physical inventory of fund assets.” It is important that an inventory of all district fixed assets be conducted on an annual basis. This situation was also noted in the Financial Management chapter of this report.

RECOMMENDATION 7-B.1

Develop and approve a Nutrition Services long-term facilities and equipment plan.

The department’s equipment and facilities coordinator should work with the School System’s facilities staff to develop a long-term plan for the facilities and equipment in all kitchen and dining areas for all existing and planned schools. The plan should establish priorities for facility and equipment upgrades, repairs, and replacements for a five-year projected timeframe. Although Nutrition Services may be able to implement planned kitchen equipment replacement, the implementation of the plan to repair and upgrade building facilities will be contingent on the School System’s capital improvement fund budget. Thus, the plan should be aligned with this budget. Key elements of the plan should include, but not be limited to:

- a current fixed asset inventory of kitchen and dining area equipment at all district schools. This task should include an assessment of the operating condition of all equipment along with the projected life before anticipated replacement;
- a prioritized approach to repair or replace inoperable kitchen or dining area equipment at all district schools;
- a plan to increase the uniformity of kitchen equipment across school sites as equipment is replaced or new equipment is added;
- an inventory of all equipment in kitchen or dining room areas that is no longer used or needed and a plan for removal sale through the Metropolitan Nashville Government’s E-bid system for surplus equipment;
- a prioritized approach with the School System’s Facilities staff to ensure the timely renovation and refurbishment of all school kitchen and dining facilities. This approach includes budgeting for improvements to kitchen facilities and the environmental atmosphere of school dining areas;
- a plan to more effectively use kitchen facilities and equipment at locations that are being underutilized. This plan could include the conversion of these locations into central food production and testing/training sites, as presented in **Recommendation 7-E.1**;
- a planned preventative maintenance program for kitchen equipment at all schools; and

- an inventory of the condition and utilization of dish machines at all schools and a plan to repair or replace inoperable dish machines. Since funds have already been used to purchase these machines, they should be used to reduce the need for more costly disposables, such as compostable trays, now being used at school kitchens. At some schools, the use of dish machines will likely require the purchase of more plastic trays and flat ware. There also will be an added cost for dish machine chemicals, water, and payroll. However, these additional costs should be offset by the decrease in the high cost of the disposables being used currently.

The following positions should be involved in the development of the long-term facilities and equipment plan.

- director of Nutrition Services;
- equipment and facilities coordinator;
- school system facilities and maintenance staff;
- assistant director, Field Support;
- chef; and
- field managers.

FISCAL IMPACT

The exact amount needed for kitchen equipment and supply replacement should be determined when the plan is developed. Kitchen equipment and supply replacement can be planned with existing resources from the department's equipment budget and current fund balance of \$14,353,514 as of 2012-2013. Fund balance reserves cannot be used for any other purpose.

Facility repairs and renovations must be aligned with the School System's capital improvement budget due to the level of effort involved in renovating kitchens and regulatory compliance with allowable expenditures. The implementation of these recommendations should be phased in, as additional funds become available. The National School Lunch Program expenditures is governed by many regulations. The following regulation clarifies allowable expenditures for maintenance, operations and repairs, including renovations:

- 2 Code of Federal Regulation Part 225, Appendix B, section 25, Maintenance, operations and repairs, identifies costs of normal repairs and alterations as allowable so long as they: (1) keep property in an efficient operating condition; (2) do not add to the permanent value of the property or appreciably prolong its intended life; and (3) are not otherwise included in rental costs or other charges for space. Based on these principles, Food & Nutrition Service has allowed limited renovations within the inside perimeter of a kitchen/cafeteria space with the required prior School Authority [State of Tennessee] approval; and
- For example, renovating a kitchen by cutting away a portion of the wall to allow room for a walk-in refrigerator and related electrical wiring would be an allowable expense if the renovation is necessary to accommodate increased participation of students in the School Management Program's. However, it would be an unallowable expense if renovation of the kitchen was purely an aesthetic matter.

LABOR COST

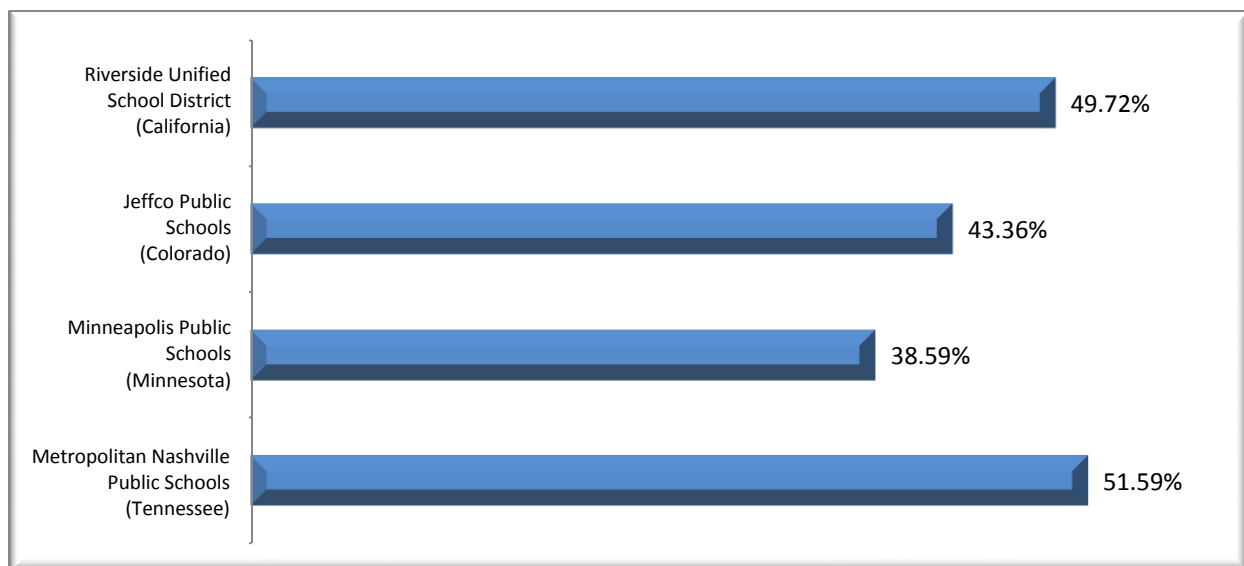
OBSERVATION 7-C

Nutrition Services payroll costs are higher than those in surveyed peer districts.

Exhibit 7-5 presents a comparison of 2012-2013 payroll costs, as a percentage of revenue, for the School System’s Nutrition Services and peer districts that responded to the peer survey. As illustrated, the percentage of the Nutrition Service Department’s 2012-2013 payroll costs to revenue of 51.59 percent was higher than the three peer districts. A more detailed analysis of a recent departmental recap report by campus revealed wide payroll cost percentage variations across schools with 29 schools reporting payroll costs that exceeded 60 percent of their respective cafeteria revenue. Ten of these schools reported payroll costs that exceeded 70 percent of revenue.

Exhibit 7-5

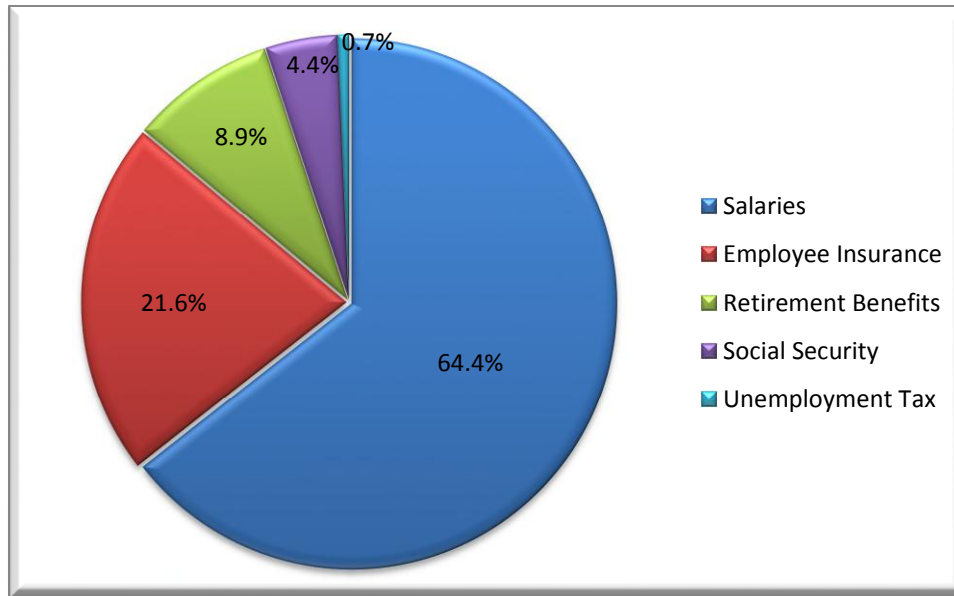
Payroll Costs as Percentage of Total Revenue for the Nutrition Services Department and Peer Districts



Source: Nutrition Services, Financial Summary through the Years Report, April 2014 and Completed Peer District Surveys.

Exhibit 7-6 reveals that in 2012-2013, salary costs were 64.4 percent of total payroll costs. Employee insurance plus retirement benefits (including social security) were 34.9 percent of payroll costs. In total, salaries and benefits equate to 51.59 percent of the department’s cash revenue of \$37,718,089 for 2012-2103, as shown in **Exhibit 7-7**. These relatively high payroll cost percentages are partially the result of the employee benefits policies established by the Metropolitan Nashville Employee Benefits Board that requires any Nutrition Services employee who works 20 hours or more per week to receive a full benefits package. Thus, Nutrition Services administration has no control over these benefit costs that contribute to higher labor cost percentages compared to peer districts.

**Exhibit 7-6
Nutrition Services Payroll Cost Composition 2012-2013**



Source: Nutrition Services, Financial Summary through the Years Report, April 2014.

Exhibit 7-7 presents changes in the composition of the Nutrition Services Department's payroll costs for the past three years. As illustrated, the largest cost increases were in employee insurance and retirement benefits which are established by policies of the Metropolitan Nashville Employee Benefits Board and reflect benefit rates and employee eligibility requirements (i.e., average weekly hours scheduled) to receive these benefits. Between 2010-2011 and 2011-2012, the combination of employee insurance and retirement benefits increased almost 15 percent, compared to a revenue increase of 6.7 percent.

**Exhibit 7-7
Percent Changes in Nutrition Services Payroll Costs from 2010-2011 to 2012-2013**

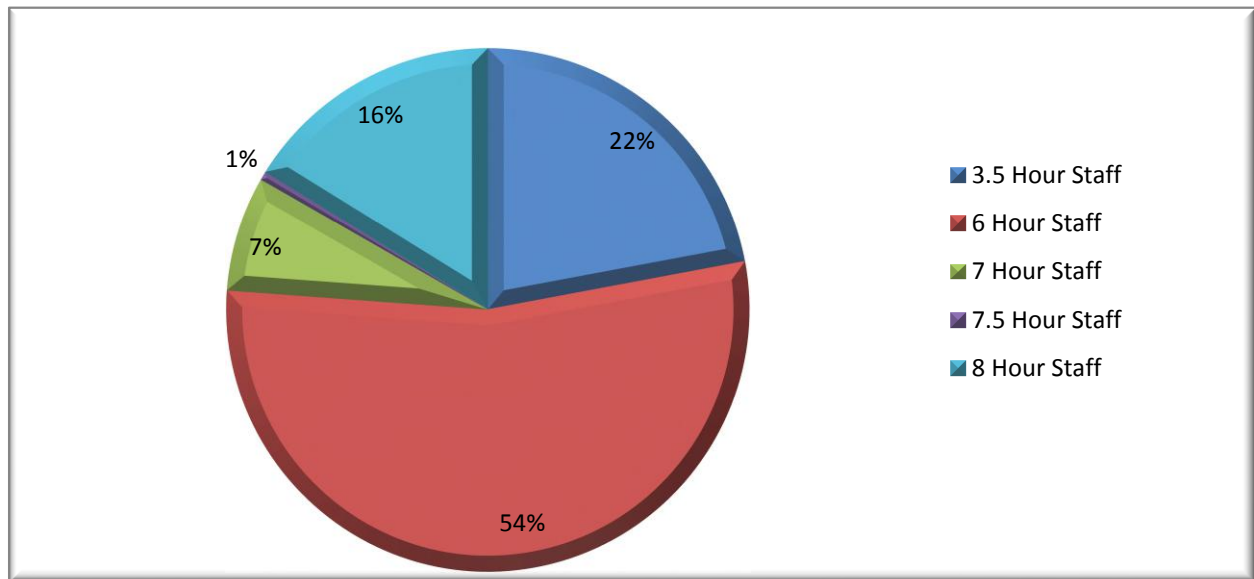
Category	2010-2011	2011-2012	2012-2013	Percent Change 2010-2011 to 2011-2012	Percent Change 2011-2012 to 2012-2013
Cash Revenue	\$33,107,900	\$35,345,504	\$37,718,089	6.76%	6.71%
Salaries	\$11,937,815	\$11,753,491	\$12,538,277	(1.54%)	6.68%
Employee Insurance	\$3,648,580	\$3,983,391	\$4,209,736	9.18%	5.68%
Retirement Benefits	\$1,614,803	\$1,579,821	\$1,723,772	(2.17%)	9.11%
Social Security	\$958,190	\$796,600	\$852,523	(16.86%)	7.02%
Unemployment Tax	\$127,673	\$132,111	\$135,324	3.48%	2.43%
Total Payroll Costs	\$18,287,061	\$18,245,414	\$19,459,632	(0.23%)	6.65%

Source: Nutrition Services, Financial Summary through the Years Report, April 2014.

Increases in employee insurance and retirement costs are pervasive throughout food services and other American industries. Higher benefit costs have strained financial resources and triggered changes in benefit eligibility policies in both private and public sector organizations. Recent practice has been to provide insurance and retirement benefits only to employees who work between 30 to 40 hours a week, or who are classified as full-time.

Exhibit 7-8 presents the composition of 730 school-based Nutrition Service’s kitchen staff as of January 2014. In addition to cafeteria managers and kitchen staff assigned to only one school, this total includes three interns, four substitutes, 23 roving assistants, 11 roving managers, one roving cluster cashier, and 25 roving cashiers who rotate between assigned schools. As illustrated, 78 percent of school-based staff are scheduled to work between 30 and 40 hours per week (6 to 8 hours per day). These positions are eligible to receive School System’s insurance and retirement benefits. The remaining 22 percent are scheduled to work 17.5 hours per week (3.5 hours per day) and are ineligible for these benefits. One of the findings in the 2010 Council of Great City Schools review was that “the use of 3.5 hour non-benefited employees does not appear to be optimized.” However, our team also noted that no employees are scheduled to work between 20 and 30 hours per week (4, 4.5, 5, or 5.5 hours per day) even though they would still be eligible to receive insurance and retirement benefits. Thus, variable hourly schedules are not being optimized in school cafeterias.

Exhibit 7-8
Nutrition Services Department School-Based Staffing Composition
January 2014



Source: Nutrition Services, January 2014.

A commonly accepted measure of productivity in food service operations is meals per labor hour. The School System’s meals per labor hour have ranged between 16 and 17 meals per labor hour for the past three years. This is similar to productivity level averages reported in recent Key Performance Indicator reports of the Council of Great City Schools. However, a more detailed campus analysis in a recent Nutrition Services Department recap report revealed that 33 schools had productivity levels of only 7 to 14 meals per labor hour. Typically, some schools will have relatively low meals per labor hour due to inefficiencies inherent on their campuses, such as low enrollment, school policies, facility constraints, etc. Although the systemwide average productivity of 16 to 17 meals per labor hour may be similar to other districts included in recent Council of Great City Schools Key Performance Indicator reports, these averages appear low when compared with productivity levels of 29.6, 30.1, and 28.5 meals per labor hour achieved in the Riverside Unified School District, California, (one of the surveyed peer districts) over the past three years. Our findings were consistent with those of the 2010 Council of Great City Schools review, which noted that the “prevalent use of convenience foods, self-service lines, and disposables meant that the standard 18 meals per labor hour standard was probably too low for the type of meals being served.”

Some food service programs establish meals per labor hour standards based on student enrollment and school level (elementary, middle, and high school). An example of a staffing guide that includes school enrollment and meals per labor hour targets that is used by Food and Nutrition Services in Jeffco Public Schools, Colorado, is presented in **Exhibit 7-9**.

**Exhibit 7-9
Meals Per Labor Hour Factors Based on School Student Enrollment**

ELEMENTARY	ENROLLMENT	MPLH FACTOR
	BELOW 200	15-17
	201-300	19-21
	301-400	22-23
	ABOVE 400	24-25
MIDDLE/K-8	MPLH FACTOR	
	16-20	
HIGH SCHOOL	MPLH FACTOR	
	18-24	

Source: Jeffco Public Schools (Colorado), Food and Nutrition Services, April 2014.

Based on results of the review team’s cafeteria manager survey, less than 45 percent of respondents indicated that they understood their meals per labor hour productivity results and almost 90 percent of these respondents reported that they do not regularly adjust staffing schedules based on meals per labor hour results. This is not surprising, given the findings from the 2010 Council of Great City Schools review, which noted that “some school-site managers do not know how to read or use point of sale reports and meals-per-labor-hour reports.”

Meals per labor hour results also will be influenced by a number of other factors, which include, but are not limited to:

- use of disposables versus ware-washing;
- satellite versus self-operation;
- use of convenience foods;
- number of menu items served;
- menu item preparation requirements;
- number of self-serve items;
- number of serving lines;
- number of lunch periods; and
- staggering of labor hours.

Most of the peer districts surveyed use varying degrees of centralized food production and delivery of meals, meal ingredients, products, and supplies to their schools. This strategy often increases employee productivity at satellite kitchens that require less labor hours than self-contained kitchens. For example, of the 53 serving sites in the Riverside, California's school system, 28 are satellite operations serviced by other school production kitchens. This arrangement likely contributes to the relatively high systemwide meals per labor hour. Similarly, of the 59 kitchens in the Minneapolis Public Schools' (Minnesota) system, 15 are satellite operations. In contrast, only three of the School System's 138 kitchens are classified as satellite schools. This is despite the presence of kitchens with excess capacity, such as Cane Ridge High, as previously noted, where much of the equipment and facilities are underutilized.

One way to provide more scheduling flexibility and reduce the dependence on certain employees may be to introduce cross-training into kitchen operations. In the review team's survey, one employee noted that "jobs should be rotated." For example, they indicated that "the same person prepares only meats and breads every day."

Some labor inefficiencies may also be eliminated with more accurate meal counts from teachers at schools serving breakfast in the classroom. The manager at one school with the breakfast in the classroom program stated that "most teachers mark their students as eating even when they aren't. I know this because I am having too much food sent back." The waste of preparing unnecessary meals represents both food and labor cost inefficiencies. With regards to menus at elementary schools, one manager reported the following:

"The system needs to simplify lunch (at elementary schools)...too many items are time consuming and costly to prepare and students throw them in the trash. Healthy choices are one thing, but when it is being thrown away, the students are not benefiting. A la carte items in elementary schools should be banned. Time is very short and if students buy these items, this is what gets eaten and their lunch goes in the trash. We do not serve enough light meals (i.e., soup, sandwich, fruit, child friendly meals)."

Based on survey comments from kitchen staff survey respondents, similar suggestions were made with regards to simplifying menus to reduce labor demands at schools. The following are some of the open-ended comments received from these respondents of changes in menus that could reduce staffing demands.

- “We need more “child-friendly” recipes at elementary schools, rather than adult meals.” The conversion to smaller meal portions of simpler menu items that are easier to prepare and more appropriate for children could reduce labor costs at elementary schools.
- Similar to the prior comment, another employee suggested that they should serve “two entrees per day rather than four or five.” This would be “simpler the easier and kids would like it.”
- “Some days the menu has too many items (i.e., casseroles, meat loaf and mashed potatoes).”
- Another comment related to the reduction of labor demands from certain menu items that require more preparation time. For example, one employee stated that “we sometimes serve two casseroles a day, which is hard to do.”

The concerns with respect to too many menu items was consistent with findings in the 2010 Council of Great City Schools review, which noted that “overproduction and an excessive number of menu choices result in large amounts of leftovers, additional labor costs, and unnecessary inventory.” The conversion to a four week menu cycle with half of the menu items served each day would reduce labor demands through reduced meal production requirements. This also would reduce the storage requirements for frozen commodity products, which we observed being a problem at some schools with less freezer space.

RECOMMENDATION 7-C.1

Reduce payroll costs by 10 percentage points of 2012-2013 departmental total payroll expenses over the next five years.

We recommend that Nutrition Services establish a target to reduce payroll costs by 10 percentage points of 2012-2013 total payroll costs over the next five years. To achieve these targeted reductions, we recommend the following.

- **Improve systemwide meals per labor hour results.** To optimize productivity, a combination of scheduled employees must be used, based on school level (elementary, middle, high school), average daily student meal participation, and specific school site factors (i.e., kitchen facilities and equipment, dining room capacity, school policies, etc.). There also could be more training of cafeteria managers and increased involvement on their part in terms of staffing schedules at their locations, along with cross-training of all kitchen staff to perform all jobs in the operation. As reduction in the number of items on the daily menus along with securing accurate meal counts for breakfast in the classroom also should result in increased employee productivity. The effective implementation of appropriate staffing schedules, based on campus enrollment and other campus features, should result in reduced departmental payroll costs and corresponding increases in employee productivity. This includes a transition to new schedules with more employees working between 20 and 30 hours per week.

- **Expand the number of satellite kitchen operations at the campuses.** A strategy to reduce total kitchen labor hours and increase meals per labor hour would be to select appropriate schools with relatively low enrollment and convert them from self-contained to satellite operations. In this system, food service staff at one school with an underutilized kitchen (previously discussed) will prepare meals for its students and for students at one or more additional schools in the same geographic area. The meals would be placed in insulated containers, transported, and delivered to the other school kitchens. The receiving schools' kitchen ovens and serving line steam tables would then be used to keep the food at appropriate temperatures until served. Any increases in staffing at the central kitchen required by additional meal production volume and the transporting and delivery of meals should be more than offset by reduction of labor hours at satellite kitchen locations. Thus, there should be an overall reduction in systemwide food service staff payroll costs. In addition, the cost of kitchen equipment repair and replacement should decrease, as fewer kitchens would need appliances to refrigerate or heat food items. The major capital costs will be the purchase of a sufficient number of vehicles to transport meals to the satellite operations. There also will be added supply costs of insulated containers for transporting the meals from the central kitchen to satellite locations.
- **Implement a policy change with regard to eligibility requirements for School System-paid employee insurance and retirement benefits. The Metropolitan Nashville Employee Benefits Board mandates the employee benefits requirements and should revise the eligibility requirements for employee insurance and retirement benefits to be more consistent with policies in the private sector.** The combined costs of employee insurance and retirement benefits comprise 47 percent of food service staff payroll costs. Due to the relatively high benefit costs associated with part-time positions, more school boards are examining the appropriateness of their current benefits policies. This review often results in revising policies to require employees to work a minimum of 30 hours per week to qualify for full benefits. A proposed new policy may require changes to the School System collective bargaining agreement, but could be grandfathered in to protect current 20 to 30 hour per week employees from losing their benefits. This policy change would result in long-term payroll costs savings and would better align the School System's policies with those in the private sector.

The following positions should be involved in the development and implementation of approaches to reduce departmental payroll costs.

- director of Nutrition Services;
- labor relations and administration for Human Capital Department;
- school board;
- assistant director, Field Support;
- assistant director, Business Support;
- chef;
- nutrition education and training coordinator; and
- field managers.

FISCAL IMPACT

Based on 2012-2013 payroll costs of approximately \$19,479,632, a 10 percentage point reduction in payroll costs phased in over five years (2 percent reduction per year) would translate into a total payroll cost savings of \$1,947,965 over the next five years, or approximately \$389,593 per year ($\$19,479,632 \times 2 \text{ percent reduction per year} = \$389,593 \text{ per year} \times 5 \text{ years} = \$1,947,965$). There will be added costs of vehicles, supplies, and equipment to expand satellite operations, but this should be offset by a reduction of kitchen equipment (i.e., refrigeration, ovens, etc.) and supply needs of satellite schools.

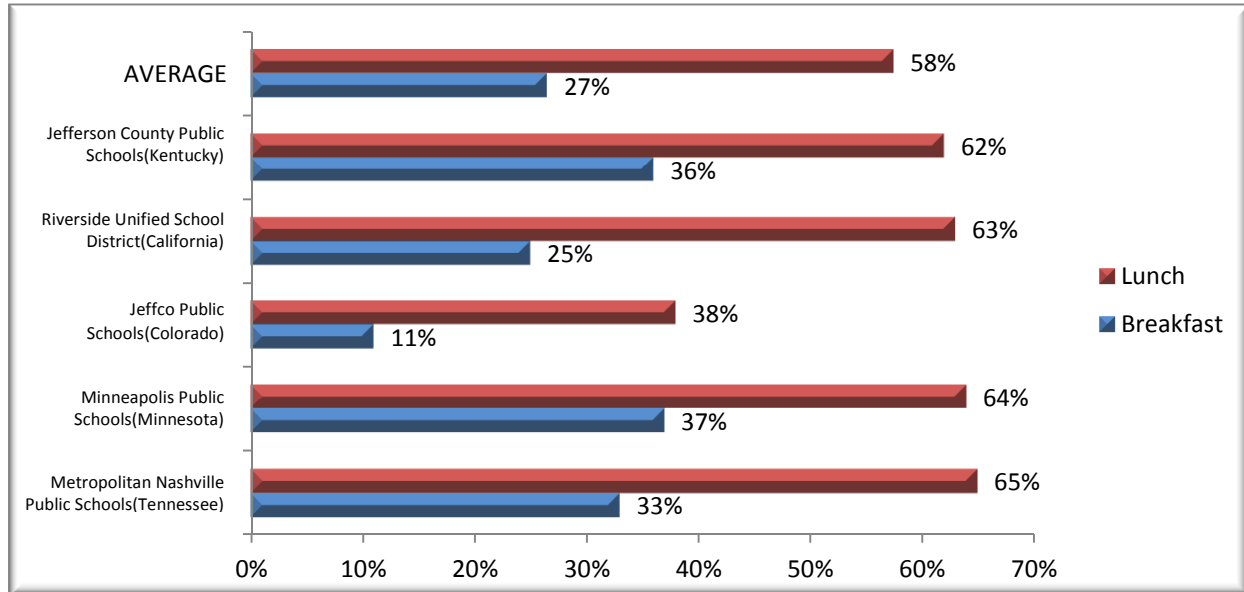
MEAL PARTICIPATION

OBSERVATION 7-D

Student meal participation is low relative to peer districts when considering the percentage of the School System's students eligible to receive free and reduced-priced breakfast and lunch meals.

Analysis of daily participation in the student and lunch and breakfast programs is determined by calculating the number of students acquiring a meal compared to the average number of students in attendance for the day. **Exhibit 7-10** compares 2012-2013 school year student breakfast and lunch participation with four peer districts. As illustrated, three of the peer districts had similar levels of lunch participation, ranging from 62 to 64 percent. The School System's lunch participation of 65 percent was slightly higher than these three peer districts. The School System's 33 percent breakfast participation represented the median of all five districts, as Jefferson County, Kentucky and Minneapolis public schools had breakfast participation of 36 and 37 percent, respectively.

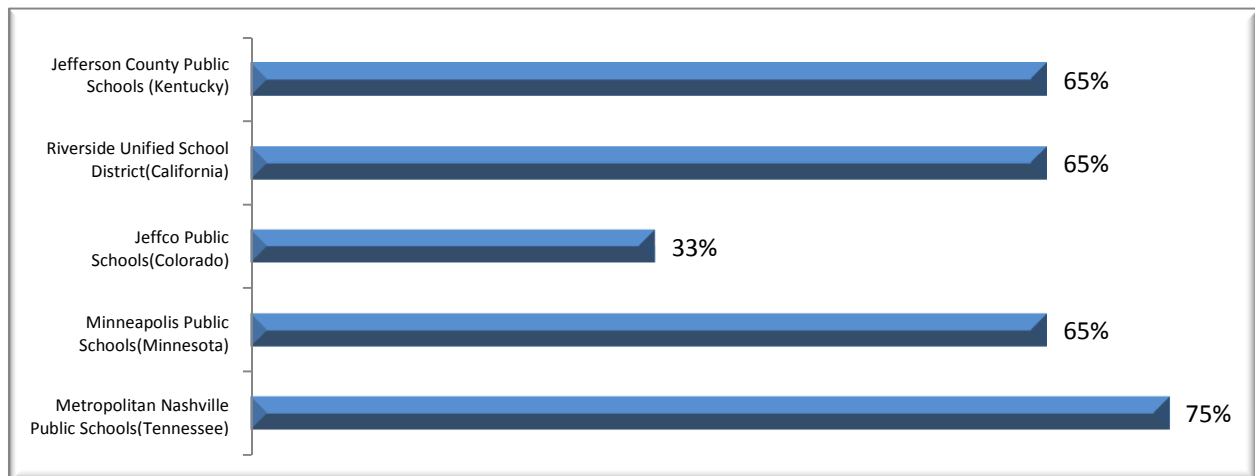
**Exhibit 7-10
Lunch and Breakfast Participation Nutrition Services Department and Peer Districts
2012-2013**



Source: McConnell Jones Lanier Murphy LLP Peer District Surveys, May 2014.

The level of free and reduced-priced meal eligibility must be factored into student meal participation. **Exhibit 7-11** compares the School System's student free and reduced-priced meal eligibility with peer districts. As illustrated, a key factor to the Jeffco Public Schools' low student meal participation (breakfast and lunch) was the low percentage of students eligible to receive free and reduced-priced meals (33 percent), in comparison to the peer group.

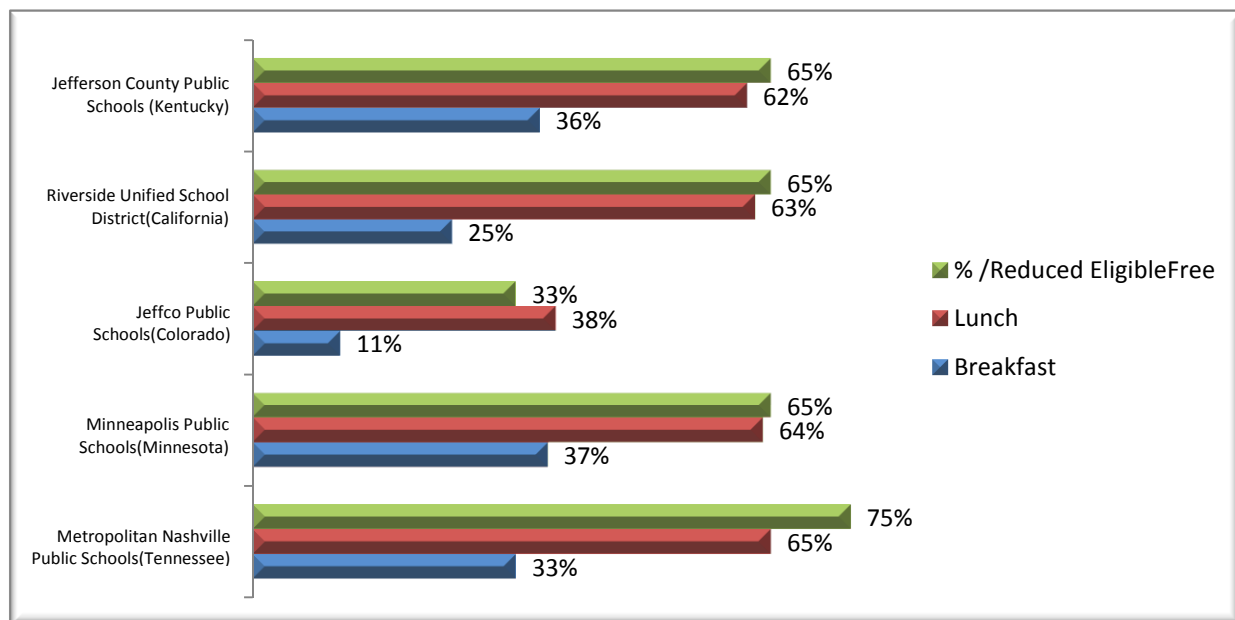
**Exhibit 7-11
Free and Reduced-priced Meal Eligibility Nutrition Services Department and Peer Districts
2012-2013**



Source: McConnell Jones Lanier Murphy LLP Peer District Surveys, May 2014.

Since the School System’s 75 percent student eligibility rate for free and reduced price meals is 10 percentage points above three of the peer districts, one would expect that the School System’s meal participation rate would be relatively higher than that of the three peer districts. However, this is not the case. **Exhibit 7-12** provides a comparison of the School System with its peer districts when combining breakfast and lunch participation with student free and reduced-price meal eligibility. As illustrated, the spread between lunch participation rates and free and reduced-priced meal rates ranges from 1 to 5 percentage points for the peer districts, whereas for the School System the spread is 10 percentage points. Similarly, the spread between breakfast participation rates and free and reduced-priced meal rates ranges from 22 to 29 for percent for three of the peer districts, and 40 percent for the fourth district. This compares with the School System spread of 42 percentage points. These differences indicate that although more of the School System’s students are eligible to receive free and reduced-priced breakfasts and lunches, they are not participating in the school meal program. Therefore, the School System is not maximizing student meal participation.

Exhibit 7-12
Free and Reduced-priced Meal Eligibility and Student Meal Participation Metropolitan Nashville Public Schools and Peer Districts
2012-2013



Source: McConnell Jones Lanier Murphy LLP’s Peer District Surveys, May 2014.

Observations made during school visits revealed the following barriers to increased student lunch and breakfast participation:

- Bank cards are not accepted for meal pre-payment because the point of sale system used at the schools is not compatible with Metropolitan Nashville Government’s enterprise resource planning system. The 2010 Council of Great City Schools review noted that that there was “no on-line or telephonic means of collecting pre-paid meal fees using bank cards.” This limitation reduces meal participation from paid students at all school locations but especially at the high

schools, where only 8 percent of students who participate in the school lunch program pay full price.

- There is inadequate dining area seating and serving line capacity at some schools. This constraint discourages students from participating in the lunch program due to overcrowding and inadequate seating. For example, many students were sitting in classroom hallways during the lunch period at Martin Luther King High School due to the small cafeteria dining and serving area. In elementary schools, this situation results in expanded lunch periods to accommodate student enrollment. For example, the lunch period starts at 9:30 am at Haywood Elementary to accommodate students in a small dining area with only one serving line.
- Block scheduling that includes only one lunch period at some high schools limits the potential for increased student meal participation. The longer serving lines and one lunch period discourages high school student lunch participation.
- There are limited a la carte options at high schools. For example, there are no food courts with branded menu offerings or salad bars. The 2010 Council of Great City Schools review noted that “salad bars are not offered due to alleged lack of equipment, although existing equipment could be adapted for that purpose.” The review further noted that “the department had not explored “farm-to-school options that would incorporate fresh produce into school menus.” Some of the surveyed peer districts indicated that they had implemented farm-to-school options in their school menus. Further, a la carte menu items offered are not combined to qualify as reimbursable meals to encourage additional student participation for those students eligible for free and reduced-priced meals.
- Breakfast-in-the classroom has been successfully implemented at a number of elementary schools. Following the introduction of this program at these schools, breakfast participation increased significantly. However, this program has been slow to expand due to resistance from some elementary campus administration and faculty staff.
- Surveys and focus groups are not conducted to solicit student feedback. This issue is consistent with findings from the 2010 Council of Great City Schools review, which stated that there was “no evidence that the department uses surveys or focus groups of students to gather information about meal preferences and suggestions for improvements.” It is important to better understand student tastes, preferences, wants, and needs relative to the breakfast and lunch meal programs offered at their respective schools. This includes the use of periodic surveys and focus groups to allow students to express their satisfaction with the quality, selection, and variety of meal choices, along with the dining room environment. If the menu offerings and recipes are aligned with student tastes and preferences, there is a greater likelihood that they will participate in the student breakfast and lunch program.

The following are more specific suggestions offered by kitchen staff related to specific menu items now offered at system cafeterias.

- “We need different menus. I have worked here for 20 years and still have the same menu choices on the same days (i.e., Pizza Mondays, Hamburger Fridays).”
- “There are too many carbohydrates on some menus (i.e., ravioli, tetrazzini, corn, and rolls all served in one day).”

- “A la carte items that were top sellers (brownies, chocolate chip cookies, etc.) were replaced with healthier options (i.e. oatmeal raisin grain cookies) that students do not buy.”
- “Meals are not very appealing on a lot of days...we should serve more food the children want to eat.”
- “We should serve food that children like...too much food is going in the trash.”
- “Menus need to be changed to what students want.”

The following are more specific suggestions offered by kitchen staff related to the food taste or lack of taste resulting from recipes used in meals now being served at system cafeterias.

- “Healthy foods are wonderful...they just need more home style flavor.”
- “We are not allowed to season food.”
- “Food is too bland and lacks taste.”
- “Food has a lack of seasoning.”

The following are concerns raised by kitchen staff related to procedures or practices at their specific school kitchens. Some of these are rather concerning.

- “The manager and kitchen staff should follow the recipes.”
- “At my school, we run out of food.”
- “We do not follow menus because we rarely have the items to serve the scheduled menus.”

RECOMMENDATION 7-D.1

Increase student breakfast and lunch participation at system schools.

Barriers to student lunch participation at the schools should be identified and documented in the previously recommended Nutrition Services marketing plan and strategies should be designed to reduce and/or eliminate these barriers. These strategies include, but are not limited to:

- Install compatible systems to accept online bank card payments at all schools.
- Expand and upgrade dining areas at certain schools to provide adequate seating capacity that is aligned with student enrollment.
- Increase the number of scheduled lunch periods at all high schools to better align with student enrollment and provide ample time for students to eat and enjoy their lunch.
- Expand a la carte options at high schools. This could include food courts with branded menu offerings or salad bars with farm-to-school options, and a la carte menu items combined to qualify as reimbursable meals.
- Expand breakfast in the classroom to more elementary schools. The successful implementation of this strategy will require effective collaboration between Nutrition Services management and campus administrators and school faculty/staff.

- Conduct periodic surveys and focus groups to solicit student feedback implement improvements to increase student meal satisfaction, where feasible. This includes enhancing the selection, appearance, taste, freshness, aroma, and variety of meals served.

The following positions should be involved in the development and implementation of approaches to increase student breakfast and lunch participation.

- director of Nutrition Services;
- school principals, faculty, and staff;
- the School System's Technology Staff;
- assistant director, Field Support;
- chef;
- nutrition education and training coordinator;
- field managers;
- cafeteria managers and staff; and
- students.

FISCAL IMPACT

Although some elements of this recommendation may have a fiscal impact, an estimated amount cannot be determined at this time. For example, increased meal participation would lead to increased department revenue, but this would be offset to additional costs for facility or equipment upgrades and renovations.

STAFF OPTIMIZATION

OBSERVATION 7-E

Nutrition Services is not optimally using the field manager or chef positions to enhance the effectiveness and efficiencies in food service operations.

Although the newly created chef position is a positive and needed addition to the Nutrition Services Department, this position could be used more effectively and efficiently. The chef position is involved with the nutrition education and training coordinator in menu and recipe development. Most of these activities involve training cafeteria managers and kitchen staff on recipes, food preparation procedures, equipment use, and the merchandising of menu items on serving lines. To accomplish this hands-on training, the chef must physically go to each school for two to three days to work with managers and kitchen staff. Since there are 138 kitchen preparation and service school sites, hands-on training can only be provided to a limited number of managers and kitchen staff each year.

Field managers are not assigned to schools based on geographical areas, but rather according to school level (i.e., elementary, middle, high school). For example, one field manager is responsible for the oversight of all 16 high schools. These arrangements have apparently been in existence for a number of years, since the 2010 Council of Great City Schools review noted that “Field Managers are not assigned to schools based on geographic areas, resulting in excessive time lost in commuting between sites.” The oversight of schools sites spread across a wide geographic area results in inefficiencies due to distances between schools, fewer sites that can be visited each day, and higher car mileage expenses.

Based on the McConnell Jones Lanier & Murphy LLP’s cafeteria manager surveys, only 58 percent of respondents indicated that the field managers assigned to their schools visit their locations at least once a month. This situation indicates a lack of regular presence, oversight, and support by some field managers of their assigned kitchen operations.

In addition to a lack of documented performance standards, as previously discussed, there also are no standardized procedures or timeframes for the field managers in conducting school site visits. Although there is a short form to be completed upon the completion of school site visits, the content of the form is limited in scope and there are no specific guidelines as to how often these forms are to be completed or what actions should be taken upon submission of the forms to the assistant director of Field Operations.

Since principals are now responsible for the performance evaluations of cafeteria managers at their respective schools, field managers do not have adequate authority to supervise the kitchen operations of their assigned school sites. Instead, field managers serve more in an advisory or support role than in a supervisor capacity. School principals and food service administrators typically have a dual-supervisory relationship in most school districts. This role includes hiring, terminations, and evaluations of school-based food service managers and employees. In 80 percent of the peer districts surveyed, the food service area supervisors or operations managers are responsible for conducting annual performance evaluations for the cafeteria managers. It also was noted that not all the School System’s cafeteria managers receive performance evaluations each year. One manager commented that “I have not had a performance review by my Field manager or Principal in over three years” and “the only feedback I ever get is when something is wrong.”

RECOMMENDATION 7-E.1

Establish centralized training and testing kitchens at select school locations.

Schools that have underutilized kitchen space, equipment, and serving lines, as previously discussed, should be identified and selected as training sites for cafeteria managers and kitchen staff. For example, more food service site personnel could be trained if Nutrition Services designated the underutilized Cane Ridge High School kitchen as a testing and training kitchen. Cafeteria managers and kitchen staff from Cane Ridge High and other schools in that geographic area could receive hands-on training during scheduled timeframes in the school year, especially when schools are not in session. These centers could also be used for the orientation and training of all new food service employees. The chef and nutrition education and training coordinator could use these as test sites for new recipes and menu offerings and also could develop online training modules for cafeteria managers.

Although the 2010 Council of Great City Schools review noted that “the department does not use the employee portal on the system’s web-site to provide on-line training,” there is still no online training for kitchen staff working at system schools. Central menu/recipe testing sites and orientation/training kitchens, along with the introduction of online training, would significantly improve efficiencies in system food service operations. Based on the McConnell Jones Lanier & Murphy LLP’s manager survey, over 64 percent of the respondents were receptive to the idea of going to another cafeteria to be trained by the chef on new recipes, food preparation procedures, food presentation, and serving methods.

The effective implementation of this strategy will require collaboration between the director of Nutrition Services and Principals of select schools. The chef, nutrition education and training coordinator, field managers, and cafeteria managers will be responsible for the implementation of these testing and training kitchens at selected school kitchens.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-E.2

Reassign field managers to select schools based on geographic locations.

Field managers should be assigned to schools located in the same geographical areas. Further, they should be relocated from the central campus temporary building to one of the larger kitchens in their assigned area. It would be most desirable if the field managers were located in test and training kitchens (see prior recommendations) in their areas, where feasible. These reassignments and relocations should provide greater efficiencies to field managers in their oversight of their assigned schools. It should allow them to have more frequent visits, more involvement, and an increased presence at their assigned schools. Thus, more sites can be visited each day and there will be reduced car mileage expenses.

Another approach suggested by one of the cafeteria managers would be to rotate field managers to different areas. For example, field managers may serve several years over one group of schools and then rotate to another set of schools in a similar geographic area. This would allow different field managers to work with different cafeteria managers and could benefit both positions through new and innovative approaches to operations.

The effective implementation of this strategy will require collaboration between the director of Nutrition Services, affected school principals, the assistant director of Field Support, and field managers.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-E.3**Develop and implement more comprehensive field manager site visitation procedures.**

As previously recommended, the director of Nutrition Services, assistant director of Field Support, and assistant director of Business Support should document performance and efficiency standards and implement them into all system food service operations. The field managers would then be responsible for evaluating the variance analysis that compares several key performance targets with actual results at their assigned campus food service operations. To be most effective, site visitation reports should include, but not be limited to, targets and results by campus for the following performance measures:

- food costs (as a percentage of revenue);
- payroll costs (includes both wages and benefits as a percentage of revenue);
- employee productivity (Meals Per Labor Hour);
- student meal participation (breakfast, lunch, and breakdown by free, reduced, and paid);
- net income/loss; and
- results of the School System's student meal satisfaction surveys.

Field managers should work closely with the cafeteria managers at their schools to correct any unfavorable variances from campus-level performance targets in a timely manner. This process should result in more formalized and standardized procedures for conducting site visitations. It is recommended that these site visitations be completed and submitted on a monthly basis following the reporting of monthly results by school. However, with the reassignment of field managers, it should be expected that they visit each of their assigned schools on an informal basis at least on a bi-weekly basis to maintain a presence at these locations and show support and assistance for cafeteria managers and kitchen staff. The effective implementation of this strategy will require collaboration between the director of Nutrition Services, school principals, the assistant director of Field Operations, and field managers.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

RECOMMENDATION 7-E.4**Increase the role of field managers in completing cafeteria manager performance evaluations.**

Currently, cafeteria manager performance evaluations are completed by their school's principal with some input from field managers. This shift of performance evaluation responsibility will involve a re-evaluation by the Human Capital Services Department, which has decision-making authority at campus food service operations in areas such as performance expectations, staffing levels, quality assurance, and operating efficiencies. To avoid this confusion, the School System should clarify and balance authority and responsibilities for food service administration, field managers, and school Principals.

This should include a functional organizational chart and job descriptions to help managers and staff understand their organizational relationships, assign responsibilities, and avoid conflicts.

Although field managers may be given the primary responsibility for the performance evaluations of cafeteria managers at their assigned schools, they should consult with school principals and collaborate with them on an ongoing basis to get their input into these performance evaluations. This will provide field managers with increased authority to be adequately perform their supervisory responsibilities at their assigned school locations. Field managers also could involve the cafeteria managers in the hiring process. According to one manager, they “should be more involved with the hiring of new staff at their schools.”

The effective implementation of this strategy will require collaboration between the director of Nutrition Services, school principals, the assistant director of Field Operations, field managers, and cafeteria managers.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

OBSERVATION 7-F

There are no safes or armored car pickups of cash at schools.

Cafeteria managers are responsible for securing daily cash receipts and eventually transporting the funds from their school to local banks for deposit. Since safes are not located on campuses, cash is often locked in kitchen storage areas, such as freezers, until it can be transported to banks. This represents an internal control weakness and presents a security threat to cafeteria managers and the safeguarding of cash. This finding also was noted in the 2010 Council of Great City Schools review, which noted that “cafeteria managers are required to take cash deposits home or to the bank because safes or armored car pick-ups are not available at schools. “Conversely, all surveyed peer districts use armored car services to pick up cash from schools and transport the funds to local banks on either a daily, bi-weekly, or weekly basis. Campus bookkeepers also transport cash to the bank in their personal vehicles. During interviews, some bookkeepers were not comfortable with this task, but felt they were required to accept the risk because it is a part of their job responsibility.

ARMORED CAR SERVICES

RECOMMENDATION 7-F.1

Initiate a contract with an armored car service or certified law officers to transport cash from schools to banks for deposit.

Bids should be solicited and an armored car service contracted for the daily pick up and transport of cash from the schools. A more effective consideration may be to use certified and armed law officers to transport district funds to banks in secure district vehicles. In addition, safes should be installed in the

central office of all schools to hold cash prior to it being transported to the banks. The safe should be accessible to bookkeepers as well as cafeteria personnel. Safe transport of cash to the bank will improve internal controls and reduce the security threat to campus personnel and school funds. The effective implementation of this strategy will require collaboration between Purchasing, Accounting, Nutrition Services, and campus administration.

FISCAL IMPACT

The fiscal impact of this recommendation cannot be determined until bids have been received and evaluated.

ALTERNATIVE SOURCING AND LEVERAGING OPPORTUNITIES

Shared services agreements exist between two or more entities whereby one of the entities will provide a service to the other entities and all of the entities participating in the agreement share the costs associated with providing the respective service(s). These agreements generally result in cost savings to all of the participants. Large school districts do not have any incentive to enter into shared service arrangements and generally do not do so because they already have economies of scale. However, the School System's Nutrition Services should consider working with charter schools and surrounding school systems to provide some of the common food service management activities such as financial reporting, menu planning, purchasing, employee training, through shared service agreements. This would allow Nutrition Services to offset some of the central staffing labor costs.

PRIVATIZATION/OURSOURCING POSSIBILITIES

The School System frequently turns to private companies to manage some support system functions such as food services in order to save costs or help them turn around deficit operations. Outsource providers generally focus on increasing productivity, lowering labor costs, and lowering food costs to save money.

Two national food service management providers, which are described herein as Vendor A and Vendor B, analyzed the School System's Nutrition Services financial statements and staffing composition to determine a preliminary cost per meal if they were to become the outsourced management company. Vendor A calculated that the School System's average cost per meal is \$3.18 and that they may be able to provide a fixed price per meal in the range of \$2.95 to \$3.05, or a savings of \$.13 to \$.23 per meal equivalent served for a potential total annual cost savings range between \$1,546,615 to \$2,736,319. Vendor B calculated average cost per meal of \$3.25 to \$3.53 per meal, or an increase of \$.07 to \$.36 per meal, which includes rebates to the School System for purchasing food and supplies through the national food service provider's purchasing contracts and is anticipated to be offset through increased meal participation.

It is important that the readers of this report understand that the preliminary cost and savings estimates provided by the two national food service providers are based on current financial statements and meal participation rates. In order for the School System to obtain an accurate estimate of any potential cost savings, a formal request for proposal process must be undertaken and the potential food service providers must perform in-depth analysis of the operations and conduct site visits of the School System's cafeterias and kitchens.

Exhibit 7-13 shows the potential annual costs savings if the School System were to outsource their food service program. Vendor A also noted that the current labor force and structure for attrition of employees would have a material bearing on the fixed price given the current staffing structure.

**Exhibit 7-13
National Food Service Provider “Vendor A” Potential Annual Cost Savings**

	Vendor A Low Range Cost Savings Estimate	Vendor A High Range Cost Savings Estimate	Vendor A Average Cost Savings Estimate
Metropolitan Nashville Public Schools Cost Per Meal	\$ 3.18	\$ 3.18	\$ 3.18
Quoted Cost Per Meal	\$ 3.05	\$ 2.95	\$ 3.00
Potential Per Meal Savings	\$ 0.13	\$ 0.23	\$ 0.18
Total Meal Equivalents	11,897,040	11,897,040	11,897,040
Potential Annual Savings	\$ 1,546,615	\$2,736,319	\$ 2,141,467

Source: Review Team Calculations based on National Food Service Provider Feasibility Study, July 2014.

Vendor A’s cost per meal is dependent upon increasing meal participation and lowering labor costs. Vendor A’s findings and analysis is very similar to those noted by the review team as reflected in the body of this report. **Exhibit 7-14** provides a summary of Vendor A’s findings and parameters for which their anticipated fixed cost per meal is based.

**Exhibit 7-14
National Food Service Provider “Vendor A” Feasibility Study Summary**

Revenue/Cost Category	National Food Service Provider Assumption	National Food Service Provider Estimated Savings or Increased Revenue	Review Team Comments
Breakfast Participation	Increase breakfast participation from 33 percent to 70 percent.	\$2,500,000 increased revenue per year.	The increased revenue would need to be offset by additional food and labor costs required to prepare and serve the additional meals.
Lunch Participation	Increase lunch participation from 65 percent to 85 percent.	\$3,500,000 increased revenue per year.	The increased revenue would need to be offset by additional food and labor costs required to prepare and serve the additional meals.
Labor Costs	Low productivity and high labor costs. These are potentially going to be managed through increasing meal participation and managing hours through employee attrition.	No financial estimate provided.	Noted high labor costs in finding 7-D of this report and recommended 10 percent cost reduction over next five years.

Source: National Food Service Provider Feasibility Study, July 2014.

Analysis of the preliminary proposal submitted by Vendor B shows that the School System’s food service program average cost per meal would increase, but that they could potentially increase net profit by \$1,198,501 to \$4,813,035 each year by reducing labor and food costs, increasing lunch and breakfast participation and adding supper and summer food programs. An additional \$2,000,000 could be saved if the School System fully outsourced their food service program, including the transfer of all staff to the contractor. It is important to note that approximately \$2,100,000 to \$2,500,000 of the expense savings comes from estimated rebates provided through the contractor using their national purchasing opportunities to reduce food and supply costs. **Exhibit 7-15** provides an analysis of potential revenue increase.

**Exhibit 7-15
National Food Service Provider “Vendor B” Potential Annual Revenue Increase**

Category	Metropolitan Nashville Public Schools	Vendor B Scenario 1 *	Vendor B Scenario 2 **
Total Expenses	\$ 37,815,803	\$ 38,684,863	\$ 42,049,889
Cost Per Meal	\$ 3.18	\$ 3.25	\$ 3.53
Potential Net Revenue Increase**		\$ 1,198,501	\$ 4,813,035
All Labor Transferred to Contractor		\$ 2,000,000	Included in Estimated Expenses
Total Potential Net Revenue Increase	N/A	\$ 3,198,501	\$ 4,813,035

Source: Review Team Calculations based on National Food Service Provider Feasibility Study, August 2014

* Scenario 1 - Includes potential rebates passed to Metropolitan Nashville Public Schools for national purchasing of food and supplies by the contractor.

** Scenario 2 - Additional potential net profit is based on increasing lunch and breakfast participation, adding a supper and summer school programs program.

A national food service provider may be able to implement these recommendations and lower costs and increase the School System’s food service program profitability. However, it is our opinion that the current Nutrition Services management and staff are competent and capable of successful implementation of our recommendations made in this report and summarized as follows.

- **Develop and implement a more formalized planning process.** This includes the documentation of operating, financial, and facilities plans, along with annual reports to communicate program accomplishments. The implementation of these plans should result allow management to be more proactive in leading the department, while enhancing the effectiveness and efficiency of campus food service operations.
- **Strengthen implementation of performance accountability systems.** This includes the simplification of current performance indicators provided to cafeteria managers and field managers and the training of these positions to better utilize the information in enhancing their respective school food service operations.
- **Reduce departmental labor costs.** A number of approaches, as presented in this chapter, can be used for incremental decreases to program labor costs to meet recommended target reductions over the next five years. These reductions are achievable through ongoing

adjustments to kitchen staffing and productivity levels and other corresponding increased labor efficiencies discussed in this chapter.

- Increase student breakfast and lunch participation.** The program is achieving similar student participation results as surveyed peer districts, but the gap could be widened from these peer districts to correspond with the system's higher percentage of students eligible to receive free and reduced-priced meals. Recommendations provided in this chapter were related to approaches to increase the student breakfast and lunch participation gap with these peer districts.
- Optimize the use of the chef and field manager positions.** The implementation of training and test kitchens, relocation of chef and field manager positions, and increased involvement of field managers should result in both quality and efficiency improvements in campus food service operations.

Based on the review team's evaluation, the School System's Nutrition Services Department has performed well relative to a number of school food service key success factors. As presented in this chapter and in **Exhibit 7-16**, Nutrition Services management has effectively or efficiently managed the department's human and financial assets.

**Exhibit 7-16
Nutrition Services Performance Compared to Key Success Factors**

Success Factor	Description
Financial Position	Nutrition Services is in a sound financial position with a \$14,353,514 program fund balance at end of 2012-2013.
Financial Management	Budgeting and financial reporting has been implemented at the campus level by the director of Business Support.
Food Costs	The School System's food cost was much lower than surveyed peer districts. This indicates that effective food cost control systems have been implemented into campus food service operations.
Innovative programs and activities	Nutrition Services has successfully introduced the breakfast in the classroom program to some elementary schools and has received federal grants to participate in additional programs (Fresh Fruit and Vegetable, After School Enrichment, Snack, and Summer Camp programs).
Initiatives to enhance the quality and nutrition of meals served to students	The new Chef position was created to work with program's nutrition and education coordinator to develop healthy and nutritious menus and to improve the quality and merchandising of meals served at system cafeterias.
Best practices awards for serving healthy and nutritious meals	Through the leadership of the nutrition education and training coordinator, the program has received numerous awards in the past several years.
Proactive leadership in working with community advocacy groups.	The director of Nutrition Services and nutrition training and education coordinator have worked in cooperation with local advocacy groups, such as the Alignment Nashville nutrition committee, to serve healthier and more nutritious meals in system schools.
Employee job satisfaction	Over 80 percent of the 400 kitchen staff and 50 managers responding to the McConnell Jones Lanier & Murphy LLP's survey were satisfied with their jobs, supervisors, and work environment.
Program compliance	The program is in compliance with United States Department of Agriculture Child Nutrition Program and local health department regulations.

Source: Interviews with Child Nutrition staff and documentation provided.

Vendor A has presented an average lower cost per meal, which is premised upon lowering labor and food costs and Vendor B provided estimates of increased revenues based on increasing meal participation and adding additional meal programs, based on the success achieved by Nutrition Services relative to the key success factors presented in **Exhibit 7-16** and discussed in this chapter.

The current departmental management should make significant efforts to implement the recommendations presented in this chapter. This will allow for continued improvement to further strengthen the department's financial, human, and capital assets. However, if labor cost reductions are not achieved by the end of 2016-2017, the School System should proceed with an outsource request for proposal process. It should be noted that The School System will not be able to redirect any of these potential cost savings for education delivery. Rather, these savings will more directly benefit the United States Department of Agriculture's Child Nutrition Program.

FISCAL IMPACT

Based on Vendor A's average cost estimate, the School System has the opportunity to save \$2,141,467 annually beginning in school year 2016-2017. Only cost savings estimates from Vendor A are considered as Vendor B's cost savings estimate is contingent on rebates.

FISCAL IMPACT SUMMARY

RECOMMENDATION		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONE TIME (COSTS) OR SAVINGS
CHAPTER 7: NUTRITION SERVICES								
7-A.1	Develop and implement Nutrition Services operating and financial plans.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-A.2	Integrate performance standards into campus food service operations.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-A.3	Develop and implement a Nutrition Services marketing plan.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-A.4	Generate annual reports that document the Nutrition Services accomplishments, innovative practices, and successful initiatives.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-B.1	Develop and approve a Nutrition Services long-term facilities and equipment plan.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-C.1	Reduce payroll costs by 10 percentage points of 2012-2013 departmental total payroll over the next five years.	\$389,593	\$389,593	\$389,593	\$389,593	\$389,593	\$1,947,965	\$0
7-D.1	Increase student breakfast and lunch participation at system schools.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
7-E.1	Establish centralized training and testing kitchens at select school locations.	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FISCAL IMPACT SUMMARY (Cont'd)

RECOMMENDATION	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONE TIME (COSTS) OR SAVINGS
CHAPTER 7: NUTRITION SERVICES							
7-E.2	Reassign field managers to select School System schools based on geographic locations.	\$0	\$0	\$0	\$0	\$0	\$0
7-E.3	Develop and implement more comprehensive field manager site visitation procedures.	\$0	\$0	\$0	\$0	\$0	\$0
7-E.4	Increase the role of field managers in completing cafeteria manager performance evaluations.	\$0	\$0	\$0	\$0	\$0	\$0
7-F.1	Initiate a contract with an armored car service or hire certified law officers to transport cash from schools to banks for deposit.	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS—CHAPTER 7 WITH IMPLEMENTATION OF REVIEW TEAM RECOMMENDATIONS		\$389,593	\$389,593	\$389,593	\$389,593	\$389,593	\$1,947,965
TOTALS—CHAPTER 7 WITH OUTSOURCING IN YEAR TWO** , if labor cost reductions are not achieved by the end of 2016-2017, the School System should proceed with an outsource request for proposal process.		\$389,593	\$2,141,467	\$2,141,467	\$2,141,467	\$2,141,467	\$8,955,461

* Based on national food service provider A preliminary average cost per meal analysis. Provider B was not used in the cost savings calculation as they provided revenue increases based on increased meal participation and cost savings based on rebates.

Management Response

NUTRITION SERVICES

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
Management of Metropolitan Nashville Public Schools should:			
7-A.1	Develop and implement Nutrition Services operating and financial plans.	<p>Accept</p> <p>MNPS Nutrition Services has established operational goals which are a combination of ongoing and annual goals. These goals are in line with Key Performance Indicators (KPIs) the Council of Great City Schools uses to evaluate nutrition service in its member districts. Periodic meetings with members of supervisory staff provide input and constructive criticism regarding operations that are used to advise the Nutrition Services director toward final decisions.</p> <p>The Nutrition Services director will work to formally create the department vision utilizing input, collaboration and feedback from department members, students, parents, and the community. This input will be part of planning annual budgets and making appropriate operating decisions.</p>	August 2015
7-A.2	Integrate performance standards into the School System's campus food service operations.	<p>Reject</p> <p>MNPS Nutrition Services historically and currently utilizes the Council of Great City Schools (CGCS) KPIs (Key Performance Indicators) as the comparative data for the operation of the department. MNPS has identified the CGCS KPIs as the most comparable data to use for performance standards for a large school system operation. In addition to these Key Performance Indicators, data from other Tennessee departments is used for comparison to benchmark local performance. Nutrition Services will continue to utilize the CGCS performance standards to guide and evaluate its operation.</p>	N/A
7-A.3	Develop and implement a Nutrition Services marketing plan.	<p>Accept</p> <p>Nutrition Services is constantly working on methods to improve food quality, staff service and the dining area environment. Currently, staff tests all new products with student panels before</p>	July 2015

Management Response

NUTRITION SERVICES

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		adding to the menu. This provides valuable feedback regarding student taste preferences as employees work to provide healthy and tasty meals. Nutrition Services has hired a chef whose primary function is to help improve food quality in terms of taste, presentation and consistency within budgetary guidelines. Presently, the chef is helping improve one school at a time; the department realizes it will need to explore electronic/video methods to reach more café staff. A formal plan will be created and introduced.	
7-A.4	Generate annual reports that document the Nutrition Services accomplishments, innovative practices, and successful initiatives.	Accept This recommendation will be incorporated into the planning and development of the district's strategic communications plan. Nutrition Services does document and promote its positive accomplishments through presentations to the Board of Education and through district, local, state and national mediums. Additionally, Nutrition Services won the 2014 TN Department of Education and the USDA Best Practice Awards for "Creating a Healthier School Environment" for its committee work with Alignment Nashville.	June 2015
7-B.1	Develop and approve a Nutrition Services long-term facilities and equipment plan.	Partially Accept Nutrition Services does not have a formal capital replacement plan. However, the department does evaluate capital equipment needs annually and documents capital equipment issues throughout the year. The department works diligently to keep all capital equipment in good working order and uses both in-house and contractors for equipment repair. After a thorough evaluation is complete, the request for equipment is included in the annual budget. It is not financially feasible for Nutrition Services to rely heavily on the age of equipment as the primary factor for replacement.	February 2015

Management Response

NUTRITION SERVICES

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		Nutrition Services does have a kitchen equipment inventory standard regarding production equipment housed in cafés. Prior to the audit, Nutrition Services was actively working toward development of a fixed asset inventory, which was completed in the summer of 2014.	Inventory completed Summer 2014
7-C.1	Reduce payroll costs by 10 percentage points of 2012-13 departmental total payroll over the next five years.	<p>Reject</p> <p>MNPS Nutrition Services is limited in its ability to reduce payroll costs as suggested in this recommendation. Employees receive the same salary increases and benefits as all other MNPS employees. Support employee benefits are the responsibility of the Metro Benefit Board operated by Metro General Government, which also defines a full time employee eligible to receive benefits as anyone working 20 hours or more per week.</p> <p>Nutrition Services competes for employees from a pool that has many hospitality employment opportunities from around the city. The department has successfully navigated higher labor costs by utilizing part-time employees, using six- and seven- hour workers instead of eight-hour workers, and choosing to cluster some schools for manager supervision. Work hours are considered against the backdrop of the city's available employee pool and the cost of employee turnover and training.</p>	N/A
7-D.1	Increase student breakfast and lunch participation at system schools.	<p>Accept</p> <p>In August 2014, MNPS Nutrition Services implemented the Community Eligibility Program. This is a USDA program for high needs school systems to allow the entire school or district's students to eat breakfast and lunch at no cost to the student. A comparative analysis shows an average increase of 20,000 meals per day over the same period last year.</p>	August 2014

Management Response

NUTRITION SERVICES

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		Participation has been boosted to about 46% of ADA at breakfast, which is above the CGCS median of 29%, and about 78% of ADA at lunch, which is above the CGCS median of 58%. Nutrition Services has expanded the breakfast in the classroom program with the addition of sites in 2014-2015 and continues to promote expansion through communication with site principals and staff.	
7-E.1	Establish centralized training and testing kitchens at select school locations.	Partially Accept While this recommendation is for several test kitchens, MNPS Nutrition Services is collaborating with the Facilities Planning and Construction Department to relocate its central operations and training facilities, as well as create a test kitchen and satellite production model. Several sites have been considered and needs assessments have been created. At this point, a workable, acceptable site has not been located. As this plan is created, it will also include capital funding necessary to remodel the facility for Nutrition Services and other joint MNPS uses.	Dependent upon site availability and capital funding
7-E.2	Reassign field managers to select School System schools based on geographic locations.	Accept MNPS agrees with this recommendation and notes that assigning field managers based on geographic locations is the existing practice for Nutrition Services. MNPS has historically assigned all but one field to schools based on geographic area. The field manager not assigned per geographic area is the person who oversees all high school cafés.	Already in place
7-E.3	Develop and implement more comprehensive field manager site visitation procedures.	Accept Standardized site visit forms will be developed and included in manager evaluation documentation.	August 2015
7-E.4	Increase the role of field managers in completing cafeteria manager performance evaluations.	Accept MNPS Nutrition Services is implementing a more comprehensive management evaluation tool that will include input from the school principal, but will be the responsibility of the field manager to complete. This is a change from previous evaluations	August 2015

Management Response

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		which were completed by the school principal.	
7-F.1	Initiate a contract with an armored car service or certified law officers to transport cash from schools to banks for deposit.	<p>Partially Accept MNPS has implemented the Community Eligibility Provision program and is providing meals at no cost to all students. (see 7-D.1) As expected, daily cash collections have dropped significantly. Armored car pick up and the placement of safes in facilities have been discussed over the years. Risk management and costs continue to be weighed and assessed. The report's recommendation will be given consideration and discussed in collaboration with other applicable departments.</p>	January 2015
Chapter 7 - Alternative Sourcing Recommendation (page 7-39).			
	If labor cost reductions are not achieved by the end of 2016-2017, the School System should proceed with an outsource request for proposal process.	<p>Partially Accept Labor cost comparisons show that while salary scales for Nutrition Services are comparable to other school systems, Metro General Government benefits have better employee options at slightly more cost than comparable school nutrition operations.</p> <p>Various configurations can be used to achieve successful operation of school nutrition programs in a school district. Shared services and outsourcing are among them. MNPS Nutrition Services has had a solid history of being regulatory compliant and fiscally responsible while serving a large population of students. Varying philosophies abound surrounding what a successful program looks like, the role of school nutrition programs in education, as well as the role of MNPS being an employer in the city. These, along with revenues and operating costs, are considered in determining desired program strategies and outcomes when making business and operating decisions. Currently, MNPS Nutrition Services chooses to maintain business operations in-house while always seeking revenue opportunities</p>	Ongoing

Management Response

NUTRITION SERVICES

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
		<p>and cost efficiencies. The performance report's summary of recommendations will further aid the department in planning and building on its strong child nutrition programs. Implementation of the Community Eligibility Provision in the 2014-15 school year has increased meal participation by an average of 20,000 meals per day. At this point, consideration for outsourcing is not relevant to the current operation.</p>	