



# **Palmdale Elementary School District**

## **Food Services Review**

July 9, 2010

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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July 9, 2010

Roger Gallizzi, Superintendent  
Palmdale Elementary School District  
39139 North 10th Street East  
Palmdale, CA 93550

Dear Superintendent Gallizzi:

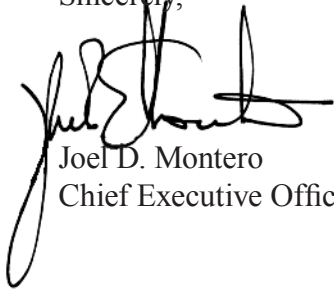
In January 2010, the Palmdale Elementary School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the district's food service program. Specifically, the agreement states that FCMAT will perform the following:

1. Conduct a review of the Palmdale Elementary School District's current child nutrition program including operations, staffing, policies and procedures, federal and state compliance, menu planning, warehousing and food storage, purchasing and facilities. The team will provide recommendations for enhancing revenues or implementing changes to reduce the potential level of unrestricted general fund contribution needed to support the program and provide a more efficient operation.

The attached report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend our thanks to all the staff of the Palmdale Elementary School District for their cooperation and assistance during fieldwork.

Sincerely,



Joel D. Montero  
Chief Executive Officer

**FCMAT**

Joel D. Montero, Chief Executive Officer

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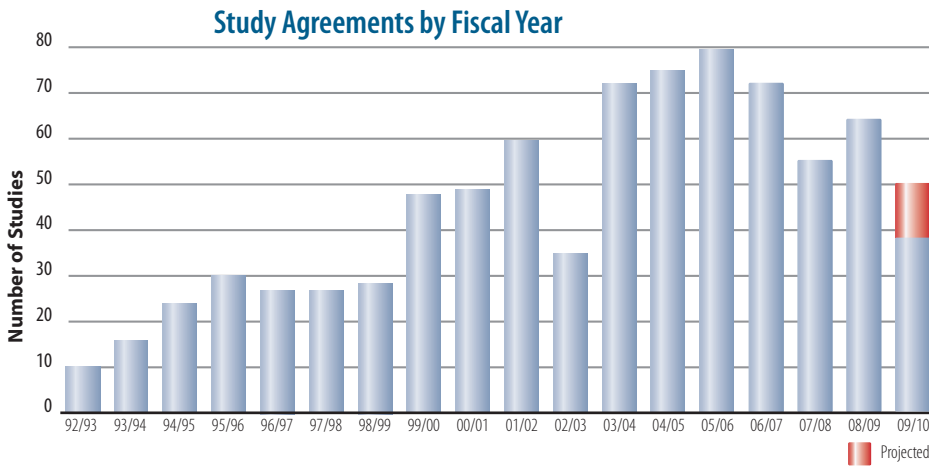
# Foreword - FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT’s services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform nearly 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



<b>Total Number of Studies.....</b>	<b>743</b>
<b>Total Number of Districts in CA.....</b>	<b>1,050</b>
Management Assistance.....	705 (94.886%)
Fiscal Crisis/Emergency .....	38 (5.114%)
Note: Some districts had multiple studies.	
Eight (8) districts have received emergency loans from the state (Rev. 12/8/09)	





# Introduction

## *Background*

Located in Los Angeles County, the Palmdale Elementary School District has a five-member elected governing board and serves approximately 20,600 students in kindergarten through eighth grade. The district has 17 elementary schools, five intermediate schools, two K-8 schools, one special needs center and one community day school. The district is also the authorizing agency for two charter schools. After several years of increased student enrollment, the district has experienced declining enrollment each year since the 2005-06 fiscal year.

The district's 2009-10 general fund revenue budget is projected at \$209 million. Approximately 31% of the district's students are English learners and 78% are eligible for free and reduced-price meals.

In January 2010, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement with the district for management assistance. The study agreement specifies that FCMAT will complete the following:

The district currently faces ongoing fiscal challenges due to budget reductions enacted in the State Budget Act ABX4 for the 2009-10 fiscal year. The district is requesting the team to conduct an in depth review of the district's Food Services Department. Conduct a review of the Palmdale Elementary School District's current child nutrition program including operations, staffing, policies and procedures, federal and state compliance, menu planning, warehousing and food storage, purchasing and facilities. The team will provide recommendations for enhancing revenues or implementing changes to reduce the potential level of unrestricted general fund contribution needed to support the program and provide a more efficient operation.

## *Study Guidelines*

FCMAT visited the district from March 10 through 12, 2010 to conduct interviews, collect data and review documentation. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Menus and Program
- Point of Sale System and Application Scanning
- Purchasing System
- Warehouse and Inventory System
- Food Service Vending Contracts
- Budget and Costs
- Staffing and Productivity
- Management Training
- Appendices

### *Study Team*

The FCMAT study team was composed of the following members:

Diane Branham  
FCMAT Fiscal Intervention Specialist  
Bakersfield, California

Rod Blackner\*  
Director, Food Services  
Paso Robles Joint Unified School District  
Paso Robles, California

Leonel Martinez  
FCMAT Public Information Specialist  
Bakersfield, California

Judy Stephens\*  
Director, Food Services  
Lucia Mar Unified School District  
Arroyo Grande, California

\*As members of this study team, these consultants were not representing their employers but were working solely as independent contractors for FCMAT.

# Executive Summary

The Palmdale School District has 20,600 students housed on 26 campuses districtwide. District estimates indicate that enrollment will decline by approximately 400 students in the 2010-11 fiscal year. The Child Nutrition Department provides breakfast and lunch at all sites and provides meals for early childhood education programs and the Guidance Charter School. The district has a high percentage of needy students with an average of 78% free and reduced-price meal eligibility. The department serves approximately 17,000 meals per day.

In addition to conducting interviews, FCMAT visited several sites during fieldwork, including Cactus and Shadow Hills intermediate schools, Ocotillo, Summerwind, Tumbleweed and Quail Valley elementary schools. The facilities were clean and in good repair with spacious work areas and appropriate equipment. Staff members at each site displayed a positive rapport with students. In addition, those interviewed indicated a positive perception of the food service program.

Food service menus are required to be analyzed on a state-sanctioned nutritional analysis program to ensure they meet calorie, fat, protein, vitamin and mineral standards. At the Palmdale School District, this service was performed by an outside contractor in previous years; but is not being completed at present. The district should ensure that the required nutritional analysis is completed.

To increase student participation in the food service program, the district should consider ideas such as implementing self-serve salad bars at all schools, serving additional entrees at the intermediate schools, and opening more reimbursable meal lines and reducing the number of snack lines at intermediate schools. Changes made to the food service menus should be promoted throughout the district, including written communication to parents and staff members and posting to the district's website.

In November 2009, the procurement technician for the Child Nutrition Department resigned. This created a void in the ordering process since staff members were not cross-trained in purchasing duties. Numerous employees are now involved in the process. The district should consolidate the purchasing duties and assign them to one staff member, such as one of the two assistant directors. The director and the other assistant director should be cross-trained in procurement duties to alleviate any disruption in service when the assigned staff member is absent.

Communication is lacking between the Child Nutrition Department and the warehouse staff. To improve communication and service, the district should consider assigning supervision of the food service warehouse staff to the director of child nutrition and eliminating the charge to the cafeteria fund for the purchasing and warehouse supervisor. The district could also consider continuing to charge 50% of the purchasing and warehouse supervisor position to the cafeteria fund, but require at least 50% of the position's time to be spent on food service related duties.

Food inventory is controlled through the Integrated Financial and Administrative Solution (IFAS), the district's financial software system. The program is used to provide an inventory count and extend prices to provide an overall dollar figure of inventory. However, the system cannot produce pick tickets to help fill food service orders for the school sites. Software programs are available that are specific to food inventory and purchasing, and the district should consider purchasing an inventory system that provides for necessary food service functions.

The inventory system also does not provide for proper tracking of items received and disbursed, and the staff indicated that large discrepancies are identified when physical inventories are completed. This could be alleviated by assigning one warehouse staff member to enter product information into the system on the day shipments arrive and remove the items from the inventory program when the orders are filled and shipped.

A primary concern of every school food service program is to operate within its budget and not encroach on the district's general fund. The district's 2007-08 and 2008-09 financial statements indicate that the food service program deficit spent in both years. A review of the 2009-10 first interim report indicated that the program will deficit spend again this fiscal year when the budget is adjusted for the full amount of indirect costs, vehicle insurance and food costs.

A review of annual labor costs from 2007-08 through the 2009-10 first interim report indicates that costs are higher than recommended. The district should have labor costs that are within the recommended industry guidelines of 45% of revenue. However, the Child Nutrition Department's labor costs are between 53% and 56% of annual revenue.

Goals for productivity should be at least 30 meals per labor hour (MPLH). Based on the large free and reduced population, it should be possible to achieve an even higher MPLH. However, only 10 district schools have achieved a MPLH of 30 or more, and the meal and labor analysis included in the appendix section of this report indicates severe over-staffing at many sites. Because of the high annual labor costs and deficit spending trend, it is essential for this issue to be addressed immediately. Many staffing adjustments could be made through attrition and by closing vacant positions.

The district uses the offer versus serve meal plan option. The purpose of offer versus serve is to provide students with choices and an option to refuse items they do not intend to consume. The Child Nutrition Department is effective at offering a variety of foods, but students need to be informed that they are not required to take one of every item. This instruction would reduce waste by helping ensure that students take only what they will eat.

Student participation and breakfast counts are low at all sites. The district should consider serving breakfast during the first recess in elementary schools and during the break or passing periods at intermediate schools. The district should also consider serving breakfast in the classroom at the beginning of each school day.

The Child Nutrition Department management staff members should be provided with additional professional development in areas such as employee supervision and conflict

resolution, budgeting and cost analysis, and time management. Program analysis, including year-over-year trends, should be regularly completed and reviewed by the child nutrition staff. Student participation should be monitored monthly, and assistant directors should visit sites daily.



## Findings and Recommendations

### *Menus and Program*

The Palmdale School District follows the United States Department of Agriculture (USDA) standards for a Food-Based Menu Program, which requires specific amounts of protein, breads, fruits, vegetables and milk at each meal. Visual observations indicated that the district meets or exceeds the standards for portion sizes. FCMAT also observed that the food served to students was fresh and attractively presented, and that the students seemed to enjoy the meals.

Food service menus are required to be analyzed using a state-sanctioned nutritional analysis program to ensure they meet calorie, fat, protein, vitamin and mineral standards. Interviews indicated that this service was performed by an outside contractor in previous years, but is not being completed at present. If the same menu cycle is used, menus should be analyzed annually and updated if any changes occur.

Food service staff members at each site portion fruits and vegetables into individual disposable containers before each meal period. Many school districts offer salad bars with a variety of fruits and vegetables so students may serve themselves. This is an attractive way to serve the students and saves considerable staff time because the items are placed in large salad bar containers instead of individual cups. Back-up product can be kept in the refrigerator to replenish the bar. A salad bar is an effective way to promote increased consumption of fruits and vegetables. Students are more likely to eat food they serve themselves, and a salad bar is typically perceived positively by parents and the public. Salad bar equipment is available in child sizes so that even kindergarten students can participate.

Because the staff serves fruits and vegetables in individual containers, the department uses thousands of portion containers daily. This is a considerable expense and creates a huge quantity of non recyclable waste. The cost per container is approximately 1.7 cents, and the district's annual cost is estimated to be approximately \$40,000.

Salad bar menus can be simple by offering the same basic items daily; for example, salad mix, carrots, cucumbers, and rotating different fresh and canned fruits and vegetables throughout the week. Salad dressings can be served in gallon containers with pumps or in smaller squeezable containers for younger students.

At the intermediate schools, only one hot entree is offered during each meal period. To increase student participation, the district should serve at least three hot entrees or two hot entrees and a sandwich of the day. The schools also serve snacks from snack bar windows and use point-of-sale computers to track the sales. At the school sites that were visited, snack bar usage was low, and the reimbursable food lines were long. Sales data also indicates that a la carte/snack bar sales are low. It would be beneficial to consider opening more reimbursable meal lines and having one snack line. The district may also consider having only reimbursable meal lines and selling limited snack items in those lines.

Because the lines used for serving snacks already use the point-of-sale system, the district could increase the number of meal lines without having to purchase additional computers.

The changes made to the food service menus should be promoted throughout the district, including communication to parents and staff members and posting to the district's website to help increase student participation.

The Child Nutrition Department uses plastic trays and metal flatware to serve meals to students (paper trays are used for breakfast). This requires the staff to spend time washing trays and flatware and increases utility costs for water and electricity/gas. Few school districts still use reusable trays and flatware. With the high cost of labor and the district's reported turnover in part-time child nutrition staff members, it would be fiscally prudent to switch to disposable products. While this change will add the cost of the disposable goods, this cost should be more than offset by savings in utilities and staff clean-up time. In addition, given the volume of disposable trays and flatware needed, the district could realize additional savings through the competitive bidding process.

### ***Recommendations***

*The district should:*

1. Ensure that the required nutritional analysis is completed for food services menus, either by an outside contractor or by a child nutrition staff member.
2. Consider implementing self-serve salad bars at all sites.
3. Modify the menus at intermediate schools to include three hot entrees or two hot entrees and a sandwich of the day.
4. Promote the menu changes with families and the school staff to encourage participation.
5. Consider the use of disposable serving trays and utensils and reassign positions that perform dishwashing duties to other tasks or reduce positions through attrition.



## ***Point of Sale System and Application Scanning***

The district uses the Horizon point-of-sale system to track student meals and a la carte items. Students enter their personal identification numbers using keypads so the staff can properly account for the meals served and snacks sold. The system tracks student participation at each site and interfaces with the central office program so meals can be logged in the proper eligibility categories to be claimed for federal and state reimbursement.

The Horizon system also has a back-office component used to determine eligibility for free and reduced-price meal applications. Once student eligibility is determined in the child nutrition central office, the information is transmitted over the network to the site food service computers so that staff members know whether the student qualifies for free, reduced-price or full-price meals.

The district uses a separate scanning system that scans meal applications and links them to the student database in the Horizon system. This is theoretically an effective concept that reduces the time necessary to manually enter the data for family applications. However, staff members have found the scanning to be cumbersome and slow. Interviews indicated that scanning applications takes at least twice as long as manual data entry. Although the purchase of the scanning equipment required one-time costs for capital outlay, the district should consider returning to the manual entry system if scanning the applications requires additional staff time on an ongoing basis. The district processes approximately 14,000 applications per year, and these should be handled in the most efficient manner possible.

Horizon system reports that were provided to FCMAT were not formatted properly and were tedious to use. For example, the reports on the number of meals served and revenue generated per site were not presented in summary form by eligibility category and did not provide information regarding the revenue received from meals served and a la carte sales. Point-of-sale systems that provide this information in a single report are available. It is important for management to have a brief overview of meals and revenue so that ongoing assessments of productivity and sales can be completed regularly. The child nutrition management staff should discuss the need for these types of reports with Horizon software representatives and determine whether these reports are available. If available, the child nutrition staff should receive additional training on the financial tools that the software provides. If the reports are unavailable, the child nutrition staff should request that Horizon develop the requested reports.

### ***Recommendations***

*The district should:*

1. Consider discontinuing meal application scanning and returning to manual processing.
2. Contact Horizon representatives and determine whether the summary reports needed for data analysis are available or need to be developed.



## ***Purchasing System***

The Child Nutrition Department has produced a thorough Ordering, Delivery and Warehouse Procedures Guide that includes the procedures for sites to order products for the food service program and provides alternative solutions if problems occur.

In November 2009, the Child Nutrition Department's procurement technician resigned, and the position has been eliminated and replaced with a warehouse worker. Existing staff members perform the technician's duties; however, insufficient cross-training was provided before the technician's departure. As a result, completing purchasing duties has been slow and cumbersome. More confusion arose when the department director went on extended leave and numerous staff members were assigned portions of the purchasing duties. This created a void in the ordering process for several months. The district should consolidate purchasing duties including, reviewing inventories, consolidating order sheets and placing orders with vendors. These duties should be assigned to one staff member such as one of the two assistant directors. The other assistant director and the director should be cross-trained in procurement duties to alleviate any disruption when the assigned staff member is absent.

The department is part of a school food service purchasing cooperative called PinCo. This cooperative is used to purchase many of the district's staple foods and USDA commodities and helps organize and track commodity use.

The Child Nutrition Department is also part of another purchasing cooperative with local districts to help obtain competitive pricing for milk, produce and bread products. Districts in the cooperative take turns soliciting requests for quotes on products for the entire group. A review of current-year invoices indicated that most of the pricing is competitive; however, there is a discrepancy on the March invoice concerning the pricing of milk. Although dairy prices change throughout the year as dictated by the California Dairy Council, comparisons indicate that the prices were higher than should be expected for this time of year. The overcharge could be as high as two cents per unit, a significant amount based on the volume of milk used by the district. The district should contact the vendor, determine whether a pricing error was made, and ensure that unit prices are reviewed on each invoice. The district should also consider contacting other large districts in central and southern California to determine whether pricing and pricing increases are competitive.

### ***Recommendations***

*The district should:*

1. Consolidate ordering duties and assign them to one staff member.
2. Ensure that all child nutrition management staff members are cross-trained in ordering.
3. Review milk pricing and contact the vendor to determine whether a pricing error was made.



## *Warehouse and Inventory System*

The food service warehouse and delivery system consists of two warehouse workers and two delivery drivers. The food service warehouse staff and drivers are supervised by the purchasing and warehouse supervisor, and 50% of this position is charged to the cafeteria fund. The purchasing and warehouse supervisor is not involved in the purchasing process for food services or coordination of work between the warehouse and Child Nutrition Department. The director of child nutrition has no supervisory authority for the warehouse. Therefore, communication and instruction is lacking between the department and the warehouse staff. To improve communication and service in the Child Nutrition Department, the district should consider assigning supervision of the food service warehouse staff to the director of child nutrition and eliminating the charge to the cafeteria fund for the purchasing and warehouse supervisor. Another option would be to continue to charge 50% of the purchasing and warehouse supervisor position to the cafeteria fund, but require at least 50% of the position's time to be spent on food service activities including working with the director of child nutrition to coordinate food service purchases, deliveries and inventory.

Food inventory is controlled through the Integrated Financial and Administrative Solution (IFAS), the district's financial software system. The program is used to provide an inventory count and extend prices to provide an overall dollar figure of inventory. However, the system cannot produce pick tickets to help fill food service orders for the school sites. Other software programs are available that are specific to food inventory and purchasing, produce computer-generated pick tickets, and are user-friendly.

The inventory system does not provide for proper tracking of items received and disbursed, and the staff indicated that large discrepancies are identified when physical inventories are completed. This issue could be alleviated by assigning one staff member to enter products into the system on the day products arrive and remove the items from the program when orders are filled and shipped. A clerical staff member in the Child Nutrition Department spends a portion of her time entering inventory information into the system as time allows, but does not complete this task daily. The district should consider reassigning this daily task to one of the warehouse staff members.

### ***Recommendations***

*The district should:*

1. Consider assigning supervision of the food service warehouse staff to the director of child nutrition and eliminate charges to the cafeteria fund for the purchasing and warehouse supervisor or require 50% of the supervisor's time to be spent on food service activities.
2. Purchase a food service inventory software program that will eliminate the use of handwritten pick tickets and better manage the inventory.

3. Consider assigning one of the warehouse staff members to maintain the inventory system.

## ***Food Service Vending Contracts***

The district has contracts with the Palmdale School District Early Childhood Program and the Guidance Charter School to obtain meals from the Child Nutrition Department. The agreement with the Early Childhood Program states that reimbursable meals will be provided for a specific price per meal. A review of the 2009-10 meal prices indicated that they are low compared to meal costs and should be reviewed and increased as necessary for 2010-11.

The agreement with Guidance Charter School includes a more complicated compensation calculation. The Child Nutrition Department provides and serves the meals, keeping count of each student by reimbursable category. The district acts as the sponsor for the charter school and includes the school on its state reimbursement claims. The agreement requires the district to keep track of all costs that exceed the state and federal reimbursements and invoice the charter school quarterly for these costs. Child Nutrition Department staff indicated that it takes a considerable amount of time to track total labor hours, food, paper products, mileage, utilities and computer costs related to the meals provided to the charter school.

Many districts with similar contracts use a simpler billing method. Instead of calculating the monthly or quarterly amount of total costs to provide meals and perform related services, costs are averaged and set prices are charged for each meal. For example, the October 31, 2009 charter school invoice was \$2,158.16 for costs that exceeded federal and state reimbursement. For that billing period, 11,506 meals were served. By dividing the costs that exceed the reimbursement by the number of meals served, the average additional cost per meal is 19 cents. The district should review all the invoices for 2009-10, determine an average cost per meal, and use this average cost to bill the charter school. A set per meal charge should also account for the revenue received from paid meals and include the approved indirect cost rate and an inflationary factor to allow for annual cost increases. For example, if the average additional cost was 19 cents per meal, the district should consider a per-meal charge of 25 cents to ensure all costs are included. Using this simplified billing method would save staff time and provide more consistency in the invoicing process.

### ***Recommendations***

*The district should:*

1. Review the agreement with Palmdale School District Early Childhood Program and increase the 2010-11 meal prices as necessary.
2. Change the billing method for Guidance Charter School to reflect a specific rate for all paid meals based on prices at other district schools, and include a flat rate for all meals served to cover additional costs.





## *Budget and Costs*

A primary concern of every school food service program is operating within the budget without encroaching on the general fund. The 2007-08 and 2008-09 unaudited actuals report for the district's cafeteria fund indicates that the food services program deficit spent each year; \$329,343 in 2007-08 and \$75,294 in 2008-09. In addition to the amount reported on the 2008-09 unaudited actuals report, the 2008-09 audit included a negative adjustment of \$182,323 for revenue that was recorded twice. Therefore, the 2008-09 deficit spending total was \$257,617.

The 2009-10 first interim financial report, which includes year-to-date transactions through October 31, 2009, showed that the program will break even this fiscal year; however, the full amount allowed for indirect costs was not included. If the full indirect cost was included in the 2009-10 first interim report, estimated deficit spending would be projected at \$143,314. The review also indicated that the insurance costs for food service vehicles have not been included in the budget.

A review of annual labor costs from 2007-08 through the 2009-10 first interim report indicates that they are higher than recommended. The Child Nutrition Department has averaged from 53% to 56% labor costs when compared to annual revenue. It is important to keep a balance of revenue to expenditures, and the district should have labor costs that are within the recommended industry guidelines of 45% of total revenue. In addition, a review of the program's hourly labor rates indicates that they are not excessive for this region.

A review of annual food costs for the Palmdale Child Nutrition Department found they are within recommended guidelines. District food costs vary depending on the type of service offered. Districts that offer only meals cooked from scratch have lower food costs than those that buy premade meals. For example, food costs for meals prepared from scratch should be approximately 35% of revenue, and premade meals are between 40% and 45% of revenue. The type of service offered by the Palmdale School District is a mixture of the two methods; some meals are made from scratch while others are purchased premade. Therefore, an average food cost for the district should be approximately 40% of revenue. A review of the 2007-08 and 2008-09 financial reports indicates that the district's food costs have been between 38% and 41% annually.

The 2009-10 first interim budget projects food costs at 34%, which is considerably less than the ratio of costs to income in prior years. In addition, a review of the actual costs to date indicates that the department will spend more than the amount budgeted. Interviews indicated that there is some concern regarding the amount of expenditures to date for specific vendors, for example, Sysco. Expenditures are higher than budgeted and in some instances, higher than prior years. Food costs should be closely monitored, and the budget adjusted as necessary to reflect accurate projected costs. Food service management staff members should also closely monitor site orders and work to correct the inventory and purchasing issues mentioned earlier in this report.

During site visits, FCMAT observed that the elementary schools did not consistently serve the same meal to students at each school. At one school, students were offered a standard meal of white or chocolate milk, cheese, bread sticks with marinara sauce, yogurt, apple slices and green beans. At another site, they were offered the same menu and applesauce, juice, a cup of tossed salad and cookies. In addition, some students were allowed to take both entrees, and some took one of every item offered. FCMAT observed that more than half the food was thrown in the trash.

The district uses the offer versus serve meal plan option, which is the method preferred by the USDA and the California Nutrition Services Division of the Department of Education. This means that while five components must be offered to qualify for a reimbursable meal, students only need to take three. The five components are meat/meat alternate, fruit, vegetable, bread and milk. The purpose of offer versus serve is to provide students with choices and an option to refuse items they do not intend to consume, thus reducing waste. Studies indicate that children tend to eat better when they have choices.

The Child Nutrition Department is effective at offering a variety of foods, but students should be informed that they do not need to take one of every item offered. For example, a hamburger (meat and bread) and milk counts as the three required components. Providing instruction to the students while they wait in line to get their food would help ensure they take only what they will eat and reduce waste.

Students at each elementary site were offered an entire sliced apple or orange. Almost all the students threw away at least half the fruit. The USDA requires elementary students to be offered three-eighths cup of fruit. Based on the size of apples served, half an apple would meet the USDA requirement. Another option would be to serve a smaller apple. For example, the department serves a 125-count apple but a 165-count apple would meet the requirement.

A review of the position control report for the cafeteria fund indicates that 20% of the chief business officer (CBO) position is being charged to food service. As outlined in procedures 905 and 915 of the California School Accounting Manual (CSAM), the standard method used to recover districtwide administrative costs from federal and state programs is through the indirect cost rate process. The CSAM defines indirect cost as follows:

Indirect costs are those costs of general management that are agencywide. General management costs consist of expenditures for administrative activities necessary for the general operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, centralized data processing).

Unless the CBO provides services to the food service program above and beyond that of general administration, the district should review the practice of directly charging a portion of that position's salary to the food service program in addition to indirect costs. If the district determines that a portion of the CBO's salary may be charged to food services, it should review CSAM Procedure 905 to ensure that the proper time accounting requirements are followed.

**Recommendations**

*The district should:*

1. Charge the full indirect cost rate to the cafeteria fund to correctly account for all program costs.
2. Charge the cafeteria fund for insurance related to the food service vehicles.
3. Monitor labor cost and reduce where possible to stay within recommended guidelines.
4. Continue to monitor food costs and review the 2009-10 budget to ensure that costs are projected accurately.
5. Operate a true offer versus serve program by teaching students they are not required to take every item served, but need to take at least three components they will eat.
6. Ensure that portion sizes are appropriate for students to help decrease waste.
7. Review the salaries charged to the cafeteria fund and ensure they comply with the CSAM.



## *Staffing and Productivity*

FCMAT visited six school sites to observe breakfast and lunch meal service. Most sites were overstaffed. In some cases three employees were behind the serving line although the food was preportioned in individual containers and thus self-serve. The site child nutrition managers at some sites did not participate in the meal service or cashiering. During meal service, some staff members washed dishes or prepared food for another meal. At meal times, all the staff should participate in the actual meal service.

FCMAT analyzed staffing data and prepared a spreadsheet reflecting the meals per labor hour (MPLH), which is attached to the appendix section of this report. MPLH is a valuable tool for evaluating productivity and staffing needs. The October 2009 reimbursement claim data was used in the analysis. October was chosen because it is after the fall grace period for free and reduced-price meal applications, and it is a full school month.

The MPLH formula includes daily breakfast and lunch meal totals for elementary school sites. At intermediate schools, an a la carte factor (meal equivalent) was used to account for snack items sold. Several methods are used for calculating this factor. The one used in this analysis averages breakfast and lunch prices ( $(\$1.25 + 2.25)/2 = 1.75$ ). This factor is divided into daily a la carte sales to arrive at a meal equivalent. The meal equivalent is added to daily breakfast and lunch totals to arrive at the total meal equivalents per day. The daily total meals/meal equivalents are then divided by the daily site staff hours. This provides the MPLH for each school site. These numbers can be used to determine productivity and staffing needs at each site.

Goals for productivity should be at least 30 MPLH. Based on the district's large free and reduced-priced meal population, it should be possible to achieve MPLH in the mid- to upper 30s. However, only 10 schools achieved a MPLH of 30 or more. Four of those had a MPLH of 35 or greater as shown below:

Palm Tree – 40

Mesquite – 39

Desert Rose – 36

Tumbleweed – 35

These four schools should be used as models for staffing at the other school sites. However, the meal and labor analysis indicates severe overstaffing at many sites. Because of the department's high annual labor costs (53% to 56%) and the deficit spending trend, this issue should be addressed immediately. Sites with low student participation and low MPLH should be monitored closely and be considered for staffing changes. Staffing should be reduced to meet industry standards for labor costs, and the district should consider accomplishing the reduction through attrition and closing vacant positions.

The MPLH at the intermediate schools is especially low and ranges from 20 to 27. The MPLH at some of the elementary sites is also low, with four sites at 25 or less. In addition, Oak Tree Community Day School has a large amount of staff time, 20.5 hours per

day, and serves only 66 meals a day for community day students and another 218 for the preschool. This provides for an exceptionally low MPLH of 14, and overstaffing at this site should be addressed immediately. Interviews indicated that there are plans to reduce labor hours at this school. However, the district should consider sharing the staff members of another site, preparing food at that site and delivering it to Oak Tree instead of assigning staff members only to Oak Tree.

It is also useful to review the percentage of student participation during each meal period. This is performed by dividing the number of daily meals for breakfast and lunch by the enrollment. This information is included on the meal and labor spreadsheet and includes total breakfasts and lunches served (excluding preschool and head start meals) regardless of eligibility status. The calculation provides a quick analysis of the number of students eating during each meal period. Total participation in all eligibility categories should be 75% to 80% in a district with a large free and reduced population, and at least 90% of students eligible for free and reduced-price meals should participate.

Calculating the participation percentages at each site by eligibility category would also be useful. Such an in-depth analysis can help to determine where the emphasis needs to be placed to attract more students to the program. The district should consider promotions such as offering a discount or bonus meal for paid students who prepay for their meals. One of the district's ongoing efforts should be communicating with families about the nutritional qualities of the meals and how nutrition relates to learning.

Breakfast counts are low at all district sites, perhaps because of early start times. The district should consider serving breakfast at the first recess in elementary schools and at the break or passing periods at intermediate schools. Another approach that has been successful in many districts with large free and reduced populations is to serve breakfast in the classroom at the beginning of the school day. This has helped districts increase food service income and ensure that students are well nourished and prepared to learn.

FCMAT also reviewed data from October 2008, October 2009 and January 2010 for trend analysis. The review indicated that free and reduced meal eligibility has increased as would be expected in the current economy.

October 2008 – 71%

October 2009 – 78%

January 2010 – 79%

Typically, student participation should increase as free and reduced meal eligibility rises; however, this has not been the case in the district. A review of the July through January edit check reports for 2008-09 and 2009-10 indicates that 5% fewer meals have been served in 2009-10 than in the prior year. Some of this decrease may be due to the 4% reduction in student enrollment between 2008-09 and 2009-10. However, given the increased free and reduced population, participation in meal service should have slightly increased.

The child nutrition management should analyze and review programs regularly, including year-over-year trends, to help determine staffing needs and equalize site staffing. Student participation should be monitored monthly, and assistant directors should visit sites daily at varying times to observe breakfast, lunch, meal preparation and clean-up. Interviews indicated that the assistant directors do not visit sites daily. Management site visits are essential to determine whether any adjustments need to be made and provide the appropriate training. This will also help involve the site staff in generating ideas for improvement.

A review of a la carte sales at intermediate schools indicates that minimal revenue is produced given the amount of staff time necessary to prepare food and serve students. Based on the current economy and increased student eligibility for free and reduced-price meals, the district should consider reducing the points of sale for snack items and implementing more points of sale for reimbursable meals. Computers are available at snack windows and could be used to track meals. The district should consider providing only one snack window or serving limited snacks on the lunch lines and eliminating snack lines completely.

Interviews indicated that the Child Nutrition Department has experienced a high turnover of part-time employees. Only the eight-hour manager, six-hour child nutrition assistant II and the lunch cashiers have set daily schedules. The remaining staff members have rotating three-hour shifts and are expected to be available anytime between 6:30 a.m. and 2 p.m. Rotations are reportedly used to help reduce staff injuries because of repetitive tasks and cross-train employees in various duties. However, this is a demanding commitment for a three-hour position and makes it difficult for employees to plan for personal tasks or have a second job. Cross-training could be completed by assigning staff members regular work hours and rotating some of the tasks between shifts.

The district plans to close two elementary schools in the 2010-11 fiscal year, Tamarisk and Wildflower, and assign only eighth-grade students to attend Mesa Intermediate School. Students at these two elementary schools and seventh-grade students from Mesa will be assigned to other district schools. The Child Nutrition Department should review staffing needs based on these changes and make necessary adjustments. Open positions and vacancies created from resignations or retirements should not be filled. Caution should be exercised before increasing labor hours at any site until student enrollment and meal participation is known to ensure that the MPLH is at least 30.

### *Clerical Staffing*

The department has four clerical staff members, an administrative secretary, an accounting data technician, an accounting clerk II and an accounting clerk I. Two employees are bilingual and can assist Spanish-speaking families and translate necessary documents. All clerical staff members have been trained in processing free and reduced-price meal applications. Major accounting duties are divided among the three accounting staff members as follows:

Accounting Data Technician

Budget  
Journal entries  
Meal reimbursement claims  
Invoicing

Accounting Clerk II

Accounts payable  
Reconciliation of daily deposits  
Nonsufficient funds checks

Accounting Clerk I

Inventory  
Delivery pull slips

Interviews indicated that school site personnel do not complete a duplicate count of the daily deposits before delivering funds to the bank. Proper internal control procedures require all funds to be counted by two employees before deposit to help ensure a system of checks and balances. In addition, counting machines have been purchased but have not been delivered to the sites, and site personnel have not been trained in their use.

The account clerk II processes accounts payable batches for vendor payments weekly. After accounts payable warrants are printed and released by the county office, they are returned to the district and prepared for mailing by the account clerk II who processes the payments. Proper internal control procedures should prevent the same person from initiating, processing and mailing transactions. Accounts payable functions should be separated to ensure their effectiveness. The proper separation of duties is a key factor in creating strong internal controls. The department's system includes an internal control weakness that allows the clerk custody of the warrants once they have been issued by the county office. Material weaknesses in the district's internal controls can increase the probability that fraud and/or abuse can occur. The department should review this step and make adjustments as necessary by assigning one of the other clerical staff members to mail and/or distribute the warrants to vendors.

The accounting clerk I was moved to the warehouse and is responsible for entering inventory information into IFAS. If the control of inventory was assigned to the warehouse staff, the district could consider reducing one clerical position.

To obtain a clearer understanding of the amount of time required for the tasks assigned to each position and ensure tasks are equitably distributed, the district should assign each clerical staff member to complete a time analysis of the duties he or she performs each day for one month.



Some employees indicated there is a lack of communication between management and clerical staff members. The child nutrition director should conduct monthly staff meetings with all office staff members to help encourage open communication and resolve questions regarding work-related matters.

### **Recommendations**

*The district should:*

1. Ensure that all site child nutrition staff members participate in meal service during meal times.
2. Analyze meal per labor hour information regularly and use it as a planning tool for staff assignments.
3. Reduce staff through attrition and closing vacant positions to ensure productivity goals of at least 30 MPLH at each site are met.
4. Immediately address overstaffing at Oak Tree Community Day School and consider making it a satellite site that has meals served from another school.
5. Analyze student meal participation data regularly to determine where efforts need to be focused to increase meal counts.
6. Consider serving breakfast in the classroom or during recess in the elementary schools and during break or passing periods at intermediate schools.
7. Ensure that program data is analyzed monthly and site observations are conducted regularly by Child Nutrition Department management staff members.
8. Consider reducing the points of sale for snack items and implementing more points of sale for reimbursable meals at the intermediate schools.
9. Eliminate the practice of rotating three-hour shifts for staff members and provide employees with regular daily schedules.
10. Review staffing needs and plan ahead for school closures.
11. Deliver counting machines to the school sites and train staff in their use.
12. Require that two employees count daily deposits before delivering funds to the bank.
13. Review its warrant processing procedures to ensure that custody of warrants does not return to the accounting clerk II once they are issued.
14. Assign each clerical staff member to complete a time analysis of the duties they perform each day for one month.
15. Consider assigning inventory duties to the warehouse staff and reduce one clerical position.

16. Ensure that the child nutrition director conducts monthly staff meetings with all office personnel.

## ***Management Training***

Management team staff members have a thorough understanding of the school nutrition program's daily operations in menu planning, food production, and service. However, they need a better understanding of employee supervision and conflict resolution, budgeting and cost analysis, and time management. Interviews indicated that critical personnel issues need to be addressed, and communication should be improved. As discussed earlier in this report, the department budget also should be monitored more closely.

The department includes three management staff members that spend much of their time attending district meetings. The district should consider assigning either the director or one of the assistant directors to attend each required district meeting. The attending management team member would then be responsible for ensuring that necessary information is reported to the other team members.

The assistant directors should schedule time each day for site visits, and these times should vary so that different parts of meal production and meal service can be observed. This will provide the management team with a better ability to help sites in areas such as portion control and efficient use of staff. Some sites will also need help in reorganizing staff members so that they can accommodate the increase in enrollment projected when sites close.

The management team should also schedule time for one or two members to visit other school district food service departments. Networking is important in helping to provide new ideas as well as information about efficiencies and cost-saving measures.

## ***Recommendations***

*The district should:*

1. Ensure that the Child Nutrition Department management team is provided with training in areas such as employee supervision and conflict resolution.
2. Ensure that the director is provided with training in budget and cost analysis and cross-trains the assistant directors in these functions.
3. Consider assigning only one management team member to attend district meetings rather than all three.
4. Ensure that assistant directors visit school sites daily.
5. Schedule time for management team members to visit other school district food service departments.



# Appendices

*Appendix A - Meal and Labor Analysis*

*Appendix B - Study Agreement*



## Appendix A

### Palmdale School District, October 2009, Meal and Labor Analysis

	Cactus	Shadow Hills	Juniper	Mesa	Desert Willow	
Breakfasts (October)	2551	2317	2403	1716	2955	
Breakfasts per Day	116	105	109	78	134	
Lunches (October)	7512	9311	6218	8388	7024	
Lunches per Day	341	423	283	381	319	
Preschool/Head Start Meals per Day	116	0	0	79	0	
Total Meals per Day	574	529	392	539	454	
A la Carte Sales (October)	\$5,001	\$10,186	\$6,956	\$4,119	\$5,462	
A la Carte Sales (\$ per Day)	\$227	\$463	\$316	\$187	\$248	
A la Carte Meal Equivalents per Day	130	265	181	107	142	
Total Meal Equivalents	703	793	573	646	595	
Site Labor Hours	29.0	29.5	23.0	32.5	26.5	
MPLH	24	27	25	20	22	
% Free/Reduced Meals	81%	69%	71%	79%	72%	
Enrollment October 2009	939	1123	781	774	783	
% Breakfast Participation	12%	9%	14%	10%	17%	
% Lunch Participation	36%	38%	36%	49%	41%	
Enrollment Projected 2010-2011	1106	1007	832	358	1044	
	Tumbleweed	Ocotillo	Summerwind	Quail Valley	Oak Tree	Yucca
Breakfasts (October)	4290	3629	2926	2378	562	4657
Breakfasts per Day	195	165	133	108	26	212
Lunches (October)	18654	13307	10802	10642	887	13226
Lunches per Day	848	605	491	484	40	601
Preschool/Head Start Meals per Day	83	114	0	0	218	199
Total Meals per Day	1125	884	624	592	284	1012
Site Labor Hours	32.5	26.0	26.5	23.5	20.5	32.0
MPLH	35	34	24	25	14	32
% Free/Reduced Meals	91%	61%	69%	76%	80%	98%
Enrollment October 2009	1079	1174	707	779	56	680
% Breakfast Participation	18%	14%	19%	14%	46%	31%
% Lunch Participation	79%	52%	69%	62%	72%	88%
Enrollment Projected 2010-11	1230	1109	1048	768	30	883

	Manzanita	Tamarisk	Joshua Hills	Chapparral	Palm Tree	Desert Rose
Breakfasts (October)	2942	3876	3691	3469	5366	4155
Breakfasts per Day	134	176	168	158	244	189
Lunches (October)	10131	14807	12474	16310	15049	16155
Lunches per Day	461	673	567	741	684	734
Preschool/Head Start Meals per Day	74	79	0	155	116	0
Total Meals per Day	668	928	735	1054	1044	923
Site Labor Hours	26.5	32.0	23.5	38.0	26.0	26.0
MPLH	25	29	31	28	40	36
% Free/Reduced Meals	87%	96%	82%	83%	90%	83%
Enrollment October 2009	656	797	777	979	855	1008
% Breakfast Participation	20%	22%	22%	16%	29%	19%
% Lunch Participation	70%	84%	73%	76%	80%	73%
Enrollment Projected 2010-11	772	Closing	1051	933	856	1108
	Barrel Springs	Golden Poppy	Cimmarron	Mesquite	Los Amigos	Wildflower
Breakfasts (October)	2922	3299	3963	3549	3168	3133
Breakfasts per Day	133	150	180	161	144	142
Lunches (October)	11572	13063	12252	14916	13426	13229
Lunches per Day	526	594	557	678	610	601
Preschool/Head Start Meals per Day	0	0	0	79	0	0
Total Meals per Day	659	744	737	919	754	744
Site Labor Hours	20.5	23.5	23.5	23.5	26.5	26.5
MPLH	32	32	31	39	28	28
% Free/Reduced Meals	75%	74%	78%	82%	74%	82%
Enrollment October 2009	785	837	810	925	876	813
% Breakfast Participation	17%	18%	22%	17%	16%	18%
% Lunch Participation	67%	71%	69%	73%	70%	74%
Enrollment Projected 2010-11	834	823	895	1054	853	Closing

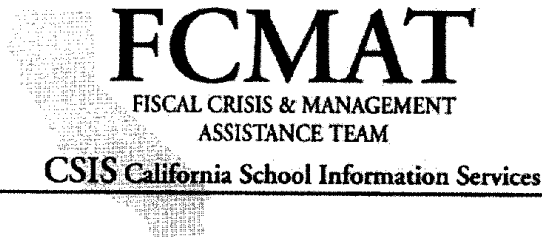


	Buena Vista	Yellen	BV/Yellen Total	Learning Plaza	Guidance Charter	Plaza/ Charter Total
Breakfasts (October)	3485	1342	4827	2682	988	3670
Breakfasts per Day	158	61	219	122	45	167
Lunches (October)	10649	1410	12059	10065	3630	13695
Lunches per Day	484	64	548	458	165	623
Preschool/Head Start Meals per Day	0	0	0	0	0	0
Total Meals per Day	642	125	768	579	210	789
Site Labor Hours	32.0			29.5		
MPLH	24			27		
% Free/Reduced Meals	79%	81%		57%	79%	
Enrollment October 2009	697	86		840	247	
% Breakfast Participation	23%	71%		15%	18%	
% Lunch Participation	69%	75%		54%	67%	
Enrollment Projected 2010-11	678	92		816	Unknown	



*Appendix B*  
*Study Agreement*





Contract # C1001097

**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM  
STUDY AGREEMENT  
December 14, 2009**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Palmdale Elementary School District, hereinafter referred to as the District, mutually agree as follows:

**1. BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Palmdale Elementary School District's food service operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

**2. SCOPE OF THE WORK**

**A. Scope and Objectives of the Study**

The District currently faces ongoing fiscal challenges due to budget reductions enacted in the State Budget Act ABX4 for the 2009-10 fiscal year. The District is requesting the Team to conduct an in depth review of the District's Food Services Department. Conduct a review of the Palmdale Elementary School District's current child nutrition program including operations, staffing, policies and procedures, federal and state compliance, menu planning; warehousing and food storage, purchasing and facilities. The team will provide recommendations for enhancing revenues or implementing changes to reduce the potential level of unrestricted general fund contribution needed to support the program and provide a more efficient operation.

**B. Services and Products to be Provided**

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.

- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.
- 7) Follow-Up Support – Six months after the completion of the study, FCMAT will return to the District, if requested, to confirm the District’s progress in implementing the recommendations included in the report, at no costs. Status of the recommendations will be documented to the District in a FCMAT Management Letter.

### 3. **PROJECT PERSONNEL**

The study team will be supervised by Anthony L. Bridges, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Diane Branham, FCMAT Intervention Specialist
- B. Marisa Ploog, FCMAT Intervention Specialist
- C. Susan Murai, FCMAT Child Nutrition Consultant
- D. Rod Blackner, FCMAT Child Nutrition Consultant
- E. Judy Stevens, FCMAT Child Nutrition Consultant

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

### 4. **PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The District will be billed for the daily rate and expenses of the independent consultant, only. Based on the elements noted in section 2 A, the total cost of the study is estimated at \$11,000. The District will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the District.

- C. Any change to the scope will affect the estimate of total cost referenced in item 4B and shall be mutually agreed upon. The terms and conditions proposed by FCMAT may be accepted by the District within a thirty day period from the receipt of this agreement. All terms and conditions contained herein will become null and void should the District fail to execute this agreement within the specified time period.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

5. **RESPONSIBILITIES OF THE DISTRICT**

- A. The District will provide office and conference room space while on-site reviews are in progress. The Team anticipates interviews with the following personnel:
- 1) Board Members
  - 2) Superintendent
  - 3) Chief Business Officer
  - 4) Director of Food Service
  - 5) Food Service and Warehouse Personnel
  - 6) Personnel Department staff
  - 7) Site Principals
- B. The District will provide the following (if requested):
- 1) A map of the local area
  - 2) Existing policies, regulations and prior reports addressing the study request
  - 3) Current organizational charts by District and Department
  - 4) Current and four (2) prior years' audit reports
  - 5) Documents requested on a supplemental listing upon contract approval
- C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with District pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

Scheduling of the review will be confirmed following notice by the District to FCMAT of Governing Board approval.

The following schedule outlines the estimated completion dates for key study milestones if confirmation of board approval is received by the end of December, 2009:


Orientation:	Estimated February 2010
Staff Interviews:	to be determined
Exit Interviews:	to be determined
Preliminary Report Submitted:	to be determined
Final Report Submitted:	Estimated mid to late March 2010
Board Presentation:	to be determined, if required
Six Month Follow-Up Review:	Recommended: Estimated September 2010

7. **CONTACT PERSON**

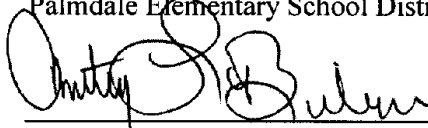
Name of contact person: Cathy Shepard, Chief Business Officer

Telephone (661) 266-7244 FAX (661) 537-6152

Email: cashepard@palmdalesd.org

  
 \_\_\_\_\_  
 Roger Gallizzi, Superintendent  
 Palmdale Elementary School District

1/21/10  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Anthony L. Bridges, Deputy Executive Officer  
 Fiscal Crisis and Management Assistance Team

December 14, 2009  
 \_\_\_\_\_  
 Date

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.