



Presented at the Healthy Schools Summit, Washington, D.C.  
Monday, October 7, 2002

PAUL SCHMID, SFNS

Session 3, Panel 1  
"BALANCING GOOD HEALTH AND FINANCES"

**MR. SCHMID:** I am Paul Schmid, director of food services from Philadelphia, and thank you for allowing the School District of Philadelphia to share their thoughts on some of the financial concerns to overcome the barriers that we've faced. Our initiatives include a positive improvement in menu and vending selections. Our initiatives then included a larger commitment to nutrition education. Our initiatives included developing partnerships with agencies such as the Food Trust in Philadelphia for menu change. Our initiatives have been proactive versus reactive. And our initiatives have been working with USDA and PDA on grants and pilot programs to help keep us solvent. I'd like to thank Pat Berkenshaw from PDA and the team from Robinsville, USDA, for all their support over the years.

Now I've been told I've been given 10 minutes, and I don't know if you've ever seen Forever Plaid. They have a 90-second segment of Ed Sullivan in there. So I'm going to race through my material here so I beat the clock, and I apologize that we don't have a lot of time. We'll be glad to talk about this at our different receptions this evening.

Tonight, I'm going to highlight four general areas — [give] the overview of Philadelphia, explain the challenges that we and other districts face, speak on several initiatives that have had a financial impact on the district, and address the grants and pilots that have had a positive influence on the district, and which are at least cost-neutral to our district.

Philadelphia School District. We serve 114,700 lunches a day, we serve 54,800 breakfasts a day, and we serve breakfast in all sites. Our population is 80 percent free and reduced. We have a budget of \$70.8 million; \$55 million comes from state and federal reimbursements. We do have an ala carte program that equates out to about \$7.5 million a year, and, yes, we do have a vending program that has sales of about \$3 million. We feed in 327 sites, and we've become almost like a management company because we've gone into charter schools and private schools also, and we're now in 22 sites. We have 1,100 employees, and for the last six out of seven years, we have been cost-neutral or "revenues above expenses," as my boss likes to say, or we've shown a profit.

Challenges that face school districts in today's environment — the financial stability, the profit and loss, were the bottom line. We are looked at as a business by our business manager. We are looked at as a business by our board of directors or the school board. We have intense

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pressure to ensure that we have a positive bottom line. I met with a board member several months ago, and he said, your margins aren't [as] great as they were; you know, we have no qualms about taking you and making you into a management company. So we have intense pressure at all times to show a positive bottom line, and also, we are a revenue source. You've heard that today. You heard Gaye Lynn mention that. We are looked at as a business, so therefore, we have to show certain aspects of it, like the rent, the steam, and everything, and what is called an indirect cost. Last year alone, I supported our general fund with \$7.2 million into indirect costs.

Challenges that we face are funding initiatives. The federal programs have not kept up with cost. In fact, there have been several cuts to our programs in the last 20 years. In 1981, the Reagan administration cut 11 cents from funding. In the mid-90s, the Clinton administration made us round down so we could support after-school snacks. Even though we are for after-school snacks, they've taken [from] Peter to pay Paul.

We also have a commodity program that requires us to take certain products. I get \$3.1 million worth of commodities every year. It would be better if we got cash in that because our menus are dictated to the commodities that are offered to us versus planning our menus around cash in lieu of commodities. And state reimbursements, even though they're good in the state of Pennsylvania, [are] still not where they should be, and there is no state reimbursements for the after-school program. And as we enter into twilight feeding, or at-risk programs, there's no state reimbursements there.

Gaye Lynn talked to you about competition that we have facing us. The principals also have put a damper on a lot of our programs by limiting the meal periods and limiting the time to eat. We also are facing the challenge of education versus education, I call it. The television blitz, the marketing out there, where the sodas and the fast foods are overwhelming the children early on Saturday-morning cartoons. Classroom education has been cut. Where you used to have home ec programs, and where you have had programs that had a nutrition curriculum, they have been cut by the schools. And also, we talked about the recess earlier today. They've been cut, as well as the longer lunch period, which certainly impacts our programs.

But we've had some financial initiatives to try to change our format. We also try to do a pouring contract, and we looked at that three years ago, and we modeled it after the Kent

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Consortium, actually. We used a lot of statistics there, and we would have had a \$43 million contract over 10 years. Our board at the end decided to nix it for some of the similar reasons about the nutritional aspects, or the perception in the field of what would happen if we had this \$43 million contract and the nutritional aspects of such. But our board also rejected it because they didn't think there was enough money in it, to be candid with you.

We also have had some initiatives with programs where we've looked [at the] product itself to save money. One of our biggest initiatives was milk. How can we help our bottom line through milk? Well, we looked at whole milk back in the early '90s, and we knew that if we went to a low-fat milk, that would help our fat content to the students and their total menu mix. But there was a side effect by going to low-fat milk, and that was a 1.6 cent savings per half-pint. In a district of my size, where we serve 21 million half-pints of milk a year, that equates out to \$340,000 worth of savings by just changing the model from whole milk to low-fat milk.

We also took some of the turkey commodities that we were getting from the commodity programs, and we said, let's take that and get rid of the beef-based luncheon meats and change it over to turkey-based luncheon meats. That also helped lower fat, but it also saved us \$70,000 last year by going that route, and we're expecting a \$150,000 savings this year in that simple change. We also enhanced our products with soy. However, that has a negative effect on cost. It cost me about 2 cents a meal to put soy in that. And why does it cost us 2 cents? Because we have an abundance of beef commodity right now. If I want 100 percent beef, I won't have to add soy product to that product.

Now, vending and ala carte sales. I see I'm on the gun here. We have vending in our middle schools and our high schools at this point. We do have some vending machines in elementary schools, but they only dispense 100 percent juice and they only dispense water. We also [have] in our elementary schools off ala carte an eight-ounce ade, and we're working with our vendor right now to ensure that that has 50 percent juice in those ades. Now currently, we require 10 percent, so we're looking at changing that model. In Midland High School, however, we do do the whole gamut of ala carte from wings to chips to non-carbs, and that equates out to \$7.5 million in sales to my budget. However, we have worked with Coca-Cola, who has the majority of our vending machines, in readdressing what is in the vending machine. Two years ago, our vending machines served 4 percent juice and water. We went with glass-front vending

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machines, we changed the model to offer more 100 percent juice, and more water in those machines, and I would say last year we went up to 17, almost 18 percent juice and water from the vending machines. That's working with the partner that has already been stated. We also added milk machines to our schools. Now, we put 12 in, even though we serve 21 million cartons of milk. You would think, why do you need a milk machine? Well, we did add milk, and six of those have been very successful for sales for us.

We have had several grants and pilots that have been very successful. The one that I want to speak about is the universal feeding pilot. Now you heard a little bit about Maryland's breakfast pilots. Since 1991, we have been part of a pilot program with USDA offering universal feeding to about two-thirds of our schools where all children eat at no cost in those schools. That's about 230 of our sites [that] actually have that program. What does that do for us? It increased participation. Prior to the beginning of that program, we were serving 70,000 lunches; now we're almost at a 115,000. Prior to the program, we were serving 14,000 breakfasts; now we're serving almost 55,000 breakfasts. It eliminates paperwork, it eliminates eligibility rosters, it gives the principal and the teachers more time in the classroom to do what they're supposed to do. Instead of putting out new applications and rosters and tickets, they don't have to do that. There's a great savings on equipment also by being in this program. It's been a very successful program. It's similar to provision two, if you might hear it, except we do a social economic study. We have also partnered with USDA doing an NEP grant, Nutrition Education Plan. This year, that grant is worth a little over \$1.5 million. It gives us the opportunity — and Joe Nakmani (ph), who authored that grant, is sitting in the audience — it gives us the opportunity to put nutrition educators back into the classroom.

Every one of our schools will be having a nutrition educator in there this year. It allows us to do assemblies. It allows us to teach good, healthy choices, and ingrain into those students the Food Guide Pyramid dietary guidelines in Five-a-Day. We also are partnering with the Comprehensive School Nutrition Policy Task Force, and that's hosted by the Food Trust. We have taken four schools where we're actually piloting and changing our whole menu mix to what is construed as healthy eating. It's snack items, as well as the beverages dispenser and the vending machines. The initial results are vending sales actually have gone up by this

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partnership for a 100 percent juices and water versus what the other mix was, so we're very positive right now with that project.

On April 18, I spoke at the customs building on a child nutrition program reauthorization, and I just want to read my last two paragraphs of what I said at that testimony, because I think it's true today. If we are really serious about the children of this generation — the ones we help educate each and every day, the ones that we feed each and every day, the ones who face higher health risks than ever before, such as childhood obesity and diabetes — then we will and must find the resources necessary to do the right job. Do this by continuing to expand the universal feeding program for all districts, allowing the use of the social economics model. Earmark more revenues for reimbursements. If you gave me 10 cents more in reimbursements, then I could get out of ala carte and vending altogether. Earmark more revenues for nutrition education, and that's been hammered home a lot today. And earmark more revenues for the commodity programs. Thank you very much.