

RETHINKING SCHOOL LUNCH

# LOS ANGELES UNIFIED SCHOOL DISTRICT

A New System for Purchasing Food for School Meals



CENTER FOR ECOLITERACY

California Food for California Kids™

## Los Angeles Unified School District: A New System for Purchasing Food for School Meals

What school district food service wouldn't want to improve the quality of its meals, promote healthy eating and change the attitudes of students toward food, support regional agriculture and the local economy, contain costs, simplify operations, and increase its ability to try out new ideas?

The Los Angeles Unified School District (LAUSD) believes it has found a way to address these objectives simultaneously. LAUSD, second in the U.S. only to New York City in enrollment, serves 650,000 meals a day, 109 million meals in a year. It spends \$116 million annually on food. Because of the district's size and financial clout, fundamental changes in its food service operations are going to be noticed, and have the potential to inspire and open paths for changes in other districts across the country.

"How we buy food has the biggest impact on what we're able to do," says David Binkle, interim director LAUSD's Food Services Division. So in 2008 the district began a major overhaul of its system for procuring food. It had previously used an Invitation for Bid (IFB) process. According to Binkle, that's the method that 95 to 98 percent of school districts in America use to purchase food. The district decides which items it wants to purchase and then draws up specifications, which can be very precise (for example, "beef patty, 3.75 to 5 inches, natural shape, with added vegetable protein product, frozen, charbroiled, seasoned, individually quick frozen, 3.0 ounces"). Vendors submit bids, and whoever submits the lowest "responsive, responsible bid" usually gets the contract.

This process had several drawbacks, in the view of LAUSD. Most of the time, the cheapest food that met the specifications was what got bought; quality didn't enter the equation. Suppliers were unable to modify the specifications. Options for purchase were often limited to what suppliers made available (based on their assumptions about what constitutes "school food"). "We're asking for a product," says Binkle, "and the companies go, 'You can't buy anything like that from us, because we don't have anything like that.'" The IFB process required working with a hundred or more vendors and constant tabulation and analysis of bids. It was labor-intensive and time-consuming; LAUSD employed 12 full-time buyers. Bidding normally occurred once a year, requiring menu planning far in advance, which didn't allow for easy adaptations to changing crop availability, student preferences, or experimentation with different dishes.

LAUSD's Food Services administrators asked themselves, "What is it that we have to do to get the food that we want?" They quizzed their counterparts in Facilities Services: "How do you build a school? We know that you don't put out a bid for nails and a bid for two-by-fours and a bid for duct work and another for plumbing and fixtures." Facilities replied that they use a Request for Proposal (RFP) process: the district hires a general contractor who is responsible for the whole job and who then subcontracts for particular pieces of it when necessary. Could Food Services do the same thing? Yes, by changing its procurement philosophy from contracting for *goods* to contracting for *services*.

The Food Services Division elected to try a contracting-for-services model, selecting a "categorical partner" to serve as the "general contractor" for each major food category. "Rather than us telling people what we wanted them to sell us," says Binkle, "what we said was, 'Tell us the best way to buy whatever it is you have. Give us a proposal that would be in the best interest and value for the district.'"

The district spent 2008–2009 putting the plan into place. Working with a district contract attorney, Food Services drew up legal documents specifying what it wanted to accomplish and the criteria by which proposals would be evaluated. It worked with the Board of Education and district administration, and held a number of pre-proposal meetings to explain to vendors the new directions it was taking.

Creating the new system meant a significant learning curve for both the district and its potential partners. "They'd come back to us," says Binkle, "and say, 'What do you want from us?' and we would say, 'What have you got?' and they'd say, 'Well, what do you want?' and we would say, 'We want whatever you've got,' and they would say, 'Well, how are we going to give it to you?' and we would say, 'You tell us that.'"

The first RFPs were sent out in the spring of 2009 and the first contracts awarded in July of the same year. The new system was in place for chicken, beef, turkey, and potatoes by 2010–2011. Produce, bread, dairy, and vegetarian categories were added for 2011–2012, and "miscellaneous" and paper and plastics for 2012–2013.

### **Changing the entire system**

The RFP instructions to bidders state that "Safe, wholesome food is of the highest priority.... The goal of this procurement process is to deliver the highest quality products available and drive profitability by controlling the entire system."

Addressing the whole system is a key to the new procedures. In the old Invitation for Bid process, bids were judged mostly on the basis of their prices for individual items. In the RFP process, vendor proposals are scored on a 100-point scale using multiple criteria. Vendors are chosen in part for their ability to work together with the district, farmers, and distributors to obtain the highest quality products, to modify the products offered to the district to reflect changes in district policy and student taste preferences, and to collaborate with the district as it imagines and develops new recipes and menu items.

The process also supports the food service's desire to purchase more from local sources and to help fulfill an LAUSD target of 25-percent participation by small business enterprises. In addition, proposers are evaluated according to their record of corporate citizenship and evidence of commitment to environmental initiatives. Recognizing that changing the offerings in the lunchroom will only matter if students choose to eat the food—and reflecting the district's broader goal of changing students' relationships with food—applicants are required to submit a plan for marketing to families and students.

Cost reduction, another primary objective, is also approached systemically. A categorical partner may be able to aggregate orders with those from other districts, conduct negotiations with several suppliers, and achieve economies of scale not possible from suppliers of single items. Prices paid for food are important, but so are the total costs of the procurement process, including communications with vendors, data collection, supply-chain management, and program administration. The district announced its desire to “eliminate every penny” of non-valued-added costs—everything from overly detailed product specifications to inefficient paperwork to unnecessary transportation and packaging.

## Results

The RFP program is still in its infancy, but many of the preliminary results are encouraging.

**Better food.** Binkle succinctly summarizes LAUSD's desired standards: “Whatever we're serving should be able to be served in a restaurant, not a fast food joint or a carnival.”

The RFP process helps the district achieve that objective by allowing for flexibility to circumvent narrow specifications. “In 2008, the available beef product we were purchasing was something called ‘textured vegetable protein soy isolate seventy-thirty combination,’ Binkle remembers. The majority of the burger was ground beef with lean finely textured parts [what has since been called ‘pink slime’] and fillers. Through the RFP, we were able to work with the company to say, ‘We want 100-percent, all-natural ground beef, fully cooked burger with no isolate, no fillers, and we need a smaller portion size that meets the requirements of the federal government.’” In the course of searching for a product that hadn't previously been offered to them, LAUSD helped create a demand: “Instead of a big three-and-a-half-ounce patty with a bunch of soy added to it, we were able to come up with an all-natural ground beef patty that the company is now selling nationwide, because people see there's a lot better, higher quality.”

In the case of produce, the district says to its categorical partner, Gold Star Foods, “This is the peak time to put oranges on the menu in California. This is the peak time to put strawberries from California on the menu. This is the peak time to put other items, celery, broccoli, potatoes, all kinds of different things.” Then the categorical partner does the

legwork of identifying suppliers and finding out what is available. Gold Star Foods might work with a subcontractor, who will say to a group of farmers, “If you pull together ten orange growers, then we’ll buy the oranges that you can provide to the school district.” The oranges may not look perfect, says Binkle. “They’re wind-blown. They’re tree-blown. They have branch marks on them. But the taste of them is a lot better than anything that we’ve seen from Florida or from Texas.”

“Instead of purchasing a perfect-looking strawberry from a large seller,” he adds, “We want to purchase from a small to mid-sized farm. The strawberries don’t look perfect, but the quality of them is much better.”

**New products and new forms.** The district is making a conscious effort to introduce items to children’s palates that they may not have had in the past. By encouraging the district and its suppliers to problem-solve, the RFP system has inspired the development of new products for which producers had not recognized a market. The new dishes have not always gone over well; students have refused to eat or haven’t known what to do with unfamiliar fare such as sushi, couscous, and hummus. “I saw one boy pour milk onto his hummus,” Binkle recalls. “He’d never seen it before and thought it was cereal.”

Still, LAUSD intends to continue broadening children’s food awareness, and to use the RFP process to keep experimenting. For instance, the district had been seeking a source for a sweet potato muffin without sugar. “Kids are never going to eat that,” was the standard response. Binkle challenged one of the district’s categorical partners, “Why don’t you put something together and hire a professional to help you with it?” They found a master baker in Fresno to develop a recipe and arranged to test it at a public event attended by hundreds of people. “The guy’s eyes got about the size of baseballs,” Binkle says, “because he didn’t realize how this was going to change his company. The people and the kids were saying, ‘Wow, this is terrific. What is it?’” Sweet potato muffins are now a regular part of the LAUSD menu.

The district’s partner for bakery goods also found a source for bao buns, an Asian rice product hand-made in South San Francisco by a company that hadn’t even known that schools served food. Now the firm is selling them to all kinds of districts, and kids are discovering a new dish that tastes good and is good for them.

The district has used the RFP process to move away from chicken nuggets and chicken patties. “Real chicken” had been thought to be too expensive. By reducing the number of suppliers it works with and focusing staff resources, LAUSD is now able to sit down with its partners and think through what they all want to accomplish. The district asked its categorical partner for chicken, “What can we do together that you don’t do today so that we can cut the cost of a piece of chicken?” The solution: cutting the chicken in ten rather than eight pieces, reducing the amount of waste and the cost per portion. “If we had put out a spec requesting a ten-piece cut of chicken under the old system,” says Binkle, “Nobody would have made it. We wouldn’t have gotten anybody to bid on it.”

## **Keeping food dollars at home**

The RFP process has helped LAUSD extend its commitment to California agriculture. In 2008, the district began shifting away from milk from Arizona and Nevada, and now buys exclusively from California dairies. Beginning in 2009, the district started to eliminate items such as canned and frozen fruits and vegetables, in order to purchase more California foods. Its purchase of produce from within a 200-mile radius went from 9 percent in 2009 to 21 percent in 2010, 62 percent in 2011 and 73 percent in 2012. It was able to do so through a combination of making California produce a priority, changing menus to support that goal, and creating partnerships with farmers. The RFP process, employed with produce since 2011–2012, creates more flexibility, directs money to better food, and allows the district to work with its categorical partners to identify new sources, as it did with oranges.

## **Cost savings**

In the short time that the RFP process has been in effect, LAUSD has realized savings in several ways, including streamlining administration, getting categorical partners do work previously done by the district (which now employs one part-time staff aide instead of 12 full-time buyers), taking advantage of flexibility in purchasing, and benefitting from economies of scale and the ability to negotiate better prices for products or better quality for the same price. The savings have enabled Food Services to weather some of the budget cuts the district is imposing on all of its divisions. And it sees the potential for substantially greater savings emerging as the new systems evolve.

After the district went to a single source and began purchasing only California milk, says Binkle, the milk cost to the district dropped by \$2 million. In the first year the RFP system was used for produce, the district spent \$3 million less. Some savings are hard to calculate precisely, because of general year-to-year variations in food prices. By comparing prices being paid by other districts, LAUSD estimates that it's spending between six and 12 percent less for various items than it would be under the old IFB system.

In some cases, the most important result of the new system is the ability to improve food quality without increasing costs. For instance, the UCLA Anderson School of Management conducted a study comparing LAUSD beef purchasing in 2010, the last year of the IFB process, and 2011, the first year of the district's RFP process. The study found that labor costs for contracting and fulfillment for beef were reduced by nearly 40 percent (from \$295,000 to \$179,000). Moreover, the study predicted that further economies will be realized as the system remains in place, and the district and its partner work together.

While the decreases in labor cost are noteworthy in percentage terms, they represent only about two percent of the district's expenditures for beef. The greatest difference

revealed by the UCLA study is the quality of the beef and beef products that the district can now purchase: “Although our study could not assign a monetary value to the increase in food quality, it was evident throughout our primary research (including taste testing at local schools and touring food production facilities) that the food LAUSD is currently able to serve, especially as it pertains to beef, follows closely with the guidelines of presenting ‘restaurant quality food.’... Our findings show that overall costs have remained relatively constant while the quality of food and process efficiency has dramatically improved.”<sup>1</sup> The study suggests that one longer-term result of the changes may be increased student participation (and, hence, higher revenues) resulting from introducing better food into the menu.

### **Policy changes**

Shifting to the RFP process required only minor changes in board of education policies. The new contracts for services are for five years. In contrast, California law limits goods contracts to three years. The board previously had to approve a separate contract with each provider. Now it approves one “not-to-exceed” contract for each category once every five years (with the understanding that Food Services has to return for approval if the amount to be spent exceeds the specified total). As a result, says Binkle, the new system is less work for the board, which loves it.

In 2010 the board of education needed to modify one policy in order to permit joint branding by the district and corporate sponsors, such as allowing a supplier to advertise itself as LAUSD’s preferred vendor. The district considers marketing to be a key strategy in changing the image of school food. The RFP process now requires prospective vendors to submit plans for marketing their products, along with the overall meal program, to students and parents.

For instance, the Milk Advisory Board granted the district more than half a million dollars to support educational programs. In return they can put a “California milk” label on the cartons in the cafeteria, and offer families discount coupons to buy milk. Other companies such as the manufacturer of Malt-O-Meal<sup>®</sup> will do in-store promotions about health and wellness, while announcing, “This product is available in your child’s school cafeteria.” Binkle insists that these payments are not kickbacks: “It’s a program that helps support the community. The money goes directly to the schools. We utilize the milk in the program. The farmers get supported in order to give back to the community, which people want to do.”

The district’s categorical partners support “I’m In,” a LAUSD campaign partially funded by the U.S. Department of Health and Human Services, Los Angeles County, and the Centers for Disease Control and Prevention. The campaign has included media promotions, a website with nutrition information, events with sports and entertainment celebrities, a student chef challenge, and tastings of new cafeteria offerings for parents. It was so well received that it has been expanded to embrace exercise, proper rest, school

attendance, and staying in school and graduating. In addition to providing funding, some of the categorical partners have contributed the services of their own marketing departments for the campaign.

### **Moving beyond Los Angeles**

LAUSD hopes that its initiatives can help effect change in national and state school meal programs and other school districts.

The district persuaded the USDA to permit it to use a “net of discount approach” to categories of products that are offered to schools through the USDA’s commodity program. Rather than receiving USDA commodity products, LAUSD is permitted to purchase commercially through its RFP partners and to receive a discount by applying its commodities credits to the difference between the price it negotiates and the price set by the USDA. Binkle and others would like to see these modifications made available to all districts nationwide. (Eventually, they would prefer to eliminate the role of the USDA as a purchaser and simply receive payment or credits to apply to their own purchases. In the meantime, the USDA has begun experimenting on a pilot basis in Michigan and Florida with using an RFP process for its own purchasing of fruits and vegetables.)

LAUSD would also like to substantially change the role that the California Department of Education plays in school food procurement. Because of the district’s size and influence, it was able to obtain a 20 percent reduction in the administrative fees charged by CDE and to make that reduction applicable to districts throughout the state.

Interest in applying the RFP Process elsewhere is growing. Clark County, Nevada (Las Vegas) is piggybacking onto LAUSD produce contracts. In July 2012, Los Angeles officials met with some of the larger other school districts, including New York, Dallas, Chicago, and Orlando, to talk about pooling efforts and collaborating to continue improving school food.

“When we started,” says Binkle, “people said we were nuts. Now we’re hearing from districts across the country. Is it the total answer? No, it’s not. But it’s the next step in changing mindsets about how schools buy the food they’re feeding our children.”

<sup>1</sup> UCLA Anderson School of Management, “Procurement Analysis and Improvement Project for the Los Angeles Unified School District,” unpublished report, March 14, 2012, pp. 24–28.



## Center for Ecoliteracy

### **About the Center for Ecoliteracy**

The Center for Ecoliteracy provides expertise, inspiration, and resources to the sustainability movement in K–12 education. Since 1995, the Center has engaged with thousands of educators from across the United States and six continents. The Center offers publications, seminars, academic program audits, coaching for teaching and learning, in-depth curriculum development, keynote presentations, and technical assistance. Books authored or coauthored by the Center for Ecoliteracy include *Ecoliterate: How Educators Are Cultivating Emotional, Social, and Ecological Intelligence* (Jossey-Bass, 2012); *Smart by Nature: Schooling for Sustainability* (Watershed Media, 2009); and *Ecological Literacy Educating Our Children for a Sustainable World* (Sierra Club Books, 2005).

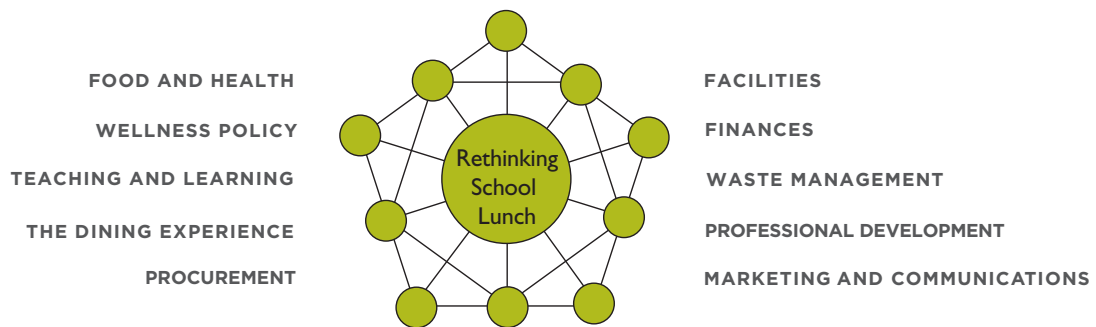
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