



OFFICE OF THE SUPERINTENDENT OF SCHOOLS

KELLER INDEPENDENT SCHOOL DISTRICT

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To: Dr. James Veitenheimer
Superintendent of Schools

From: Kent Morrison
Assist. Supt. of Finance

Date: September 29, 2004

Subject: Response to Chartwells' request for Non-Budgeted Financial Considerations

The following is in response to Chartwells assertion that certain situations and/or events were unknown or out of their control that caused a negative financial impact on the food operations. The request is asking for relief from the financial impact.

Situation	Suggested Financial Impact	Response	Potential Financial Consideration
Elementary Renovation	\$3,555	This was a problem. The renovation was anticipated to have been completed prior to the beginning of school but was not.	\$3,555
Krispy Kreme	\$10,765	This item was anticipated to be a big seller for the program; however, the demands of the vendor would require the district to give a delivery driver a key and alarm code to the buildings. This was not a consideration in the planning stage. The requirement was presented to the district after the beginning of the program and was viewed as an unacceptable security situation for the district.	\$0
Jim's Pizza	\$1,440	This was a situation that was to be solved by the market place; however, until the students began to make their choice, the district required that both be served.	\$1,440
Enrollment	\$67,284	This enrollment projection was aggressive. This is an item that the district will be	\$2,354.94

		working on with Chartwells to have more timely information on student population estimates. However, with daily meal counts and product purchases being made to reflect demand, the assessment of \$2.00 per meal seems excessive. The Chartwells contract calls for a Management Fee of \$0.035 and an Administrative Fee of \$0.035 per meal served. With this over-estimate of the student population and provided that each student in the over-estimate ate a reimbursable or equivalent meal each day, the calculation would be: 189 students X \$0.035 (admin. fee) X \$0.035 (management fee) X 178 (student days) = \$2,354.94	
Contract Tech Support	\$40,000	This item was part of the contract service that was included in the budget for the RFP. The amount that was utilized in the 2003-2004 year was in excess of previous years due to additional requests for programming that was deemed necessary by Chartwells management.	\$0
Perfect Attendance Bonus	\$20,000	This bonus has been in place for many years and was included in the budget in the RFP.	\$0
Chick-Fil-A	\$86,543	This was a situation that was to be solved by the market place; however, until the students began to make their choice, the district required that Chick-Fil-A continue at the same level as it had in the past. This consideration was due to the support of the local Chick-Fil-A store in the district.	\$86,543
Competitive Food Sales	\$45,000	A common practice that has since been corrected by the TDA regulations. During the course of the year the district suggested that Chartwells find a way to “team up” with the fundraisers by offering products for the fundraisers to sell that could afford both the needed fundraising money and the Chartwells sales. However, the open access and past practices of fund raising groups coupled with a “hands off” district approach to policing fundraisers during lunchtime, made this suggestion difficult at best. Most groups saw this as a diminishment of their fund raising ability and were not receptive to the joint venture concept.	\$22,500
Ala Carte food pricing	\$129,358	An unfortunate miscommunication at the bid award Board meeting. It was repeatedly asked if the contract could be fulfilled without any price increases and it was repeatedly answered yes. It has	\$0

		subsequently been explained by Chatwells that the “no price increase” referred to the Type A lunch only and not the Ala Carte food. However, the understanding of the District was that “no price increase” meant all food items.	
Cruising Café	\$40,000	This was in place and the analysis by Chartwells has uncovered an inefficiency that is being corrected. Labor costs were not being charged to the program.	\$40,000
Total Consideration Requested	\$443,945.00	Total Items for Potential Consideration	\$156,392.94