

NOW SHOWING

**School Food Service
Financial 101**



COLORADO
Department of Education



Why is Financial Management important to you?

- Because your School Board or Business Official expects you to break-even or better
- USDA requires a non-profit operation
 - Separate fund (21) is the law
 - Account for revenue
 - Account for expenditures





Who are your Stakeholders

- Students
- Parents/Caretakers
- Teachers
- Principals
- District
- Administrators
- School Board
- Community
- Local Tax Payers





Next Steps.....



- What steps can you take to run an efficient program
 - Run your operation like a business
 - Set benchmarks (cost control goals)
 - What are some benchmarks your can set?
- Expectations:
 - meet customer needs
 - improve quality
 - reduce expenditures



Objectives

- Be able to identify at least three relevant performance indicators, such as percent of expenditures to total revenue, cost per meal, and meals per labor hour.
- Be able to set benchmarks for better performance using meals per labor hour (MPLH) and plate cost.





Covering the Basics

- Revenue and Expenditures
- Brief Overview of Chart of Accounts
- Using Meal Equivalency
 - Plate Cost
 - Meals Per Labor Hour (MPLH)

- Putting into practice (case study)





Revenue

- Defined as income received in exchange for goods or services provided by the school nutrition department.





\$\$ Revenue Sources \$\$

- Student paid meals
- Adult meals
- Student reduced price meals
- Alacarte
- Sales from seconds
 - entrées, sides, milk
- Special Milk Program
- Afterschool snack
- Reimbursement
 - Federal
 - State
- Catering
- Vending
- State Match
- Other –
Commodity/USDA Foods





Nonprogram Revenue

- Refers to all funds accumulated to the food service account associated from with the sale of non-program foods...
 - Alacarte
 - Adult meals
 - Seconds
 - Catering
 - Vending
- Why categorize?
 - School nutrition programs are required to ensure that the total revenue from the sale of nonprogram foods generates at least the same proportion as they contribute to total food costs. (NPR)





All other revenue....

- Reimbursement
 - Federal
 - State
- Sales from student paid and reduced-price meals
- Special Milk Program
- Afterschool Snack





Expenditures

- Defined in the school nutrition program are those allowable costs that can be identified specifically with the production and service of meals to school children.
- What are the two major categories that make up 80-90% of your budget?
 - Labor
 - Food





Expenditures are classified as:

- Labor (Salaries and wages) (100's)
- Employee Benefits (200's)
- Purchased Professional and Technical Services (300's)
- Purchased Property Services (Operation, Maintenance, and Energy) (400's)
- Food (Purchased Food and USDA Foods) (600's)
- Supplies (General and Food Production) (600's)
- Capital Assets (700's)
- Miscellaneous Expenditures
- Indirect Costs (0869)
- Fund Transfer-Out



Chart of Account

(CDE financial language)

- In common terms, revenue, expenditures, and other district data are coded specifically to a uniform language
- Please reference your hand out for Commonly used object/source codes in CO
- <http://www.cde.state.co.us/cdefinance/sfCOA.htm>





\$\$ Labor \$\$

- Salaries/Wages (full-time, part-time, subs)
- Benefits
 - PERA
 - Taxes
 - Insurance
 - Worker's Comp
 - Unemployment
 - Leave - sick/vaca/personal
 - Other





\$\$ Food \$\$

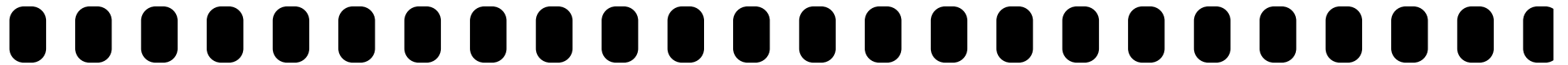
- Program
- Non-program foods
- USDA Foods





Program vs. Nonprogram Food

- Student Paid Meal
- Adult Meal
- Teacher Meal
- Afterschool Snack
- Second Entrée
- Student Reduced-Price Meal
- Cookies





Other

- General Operating Supplies
- Food Production Supplies
- Expendable Equipment
- Purchased Services
- Indirect charges (overhead)
- Misc



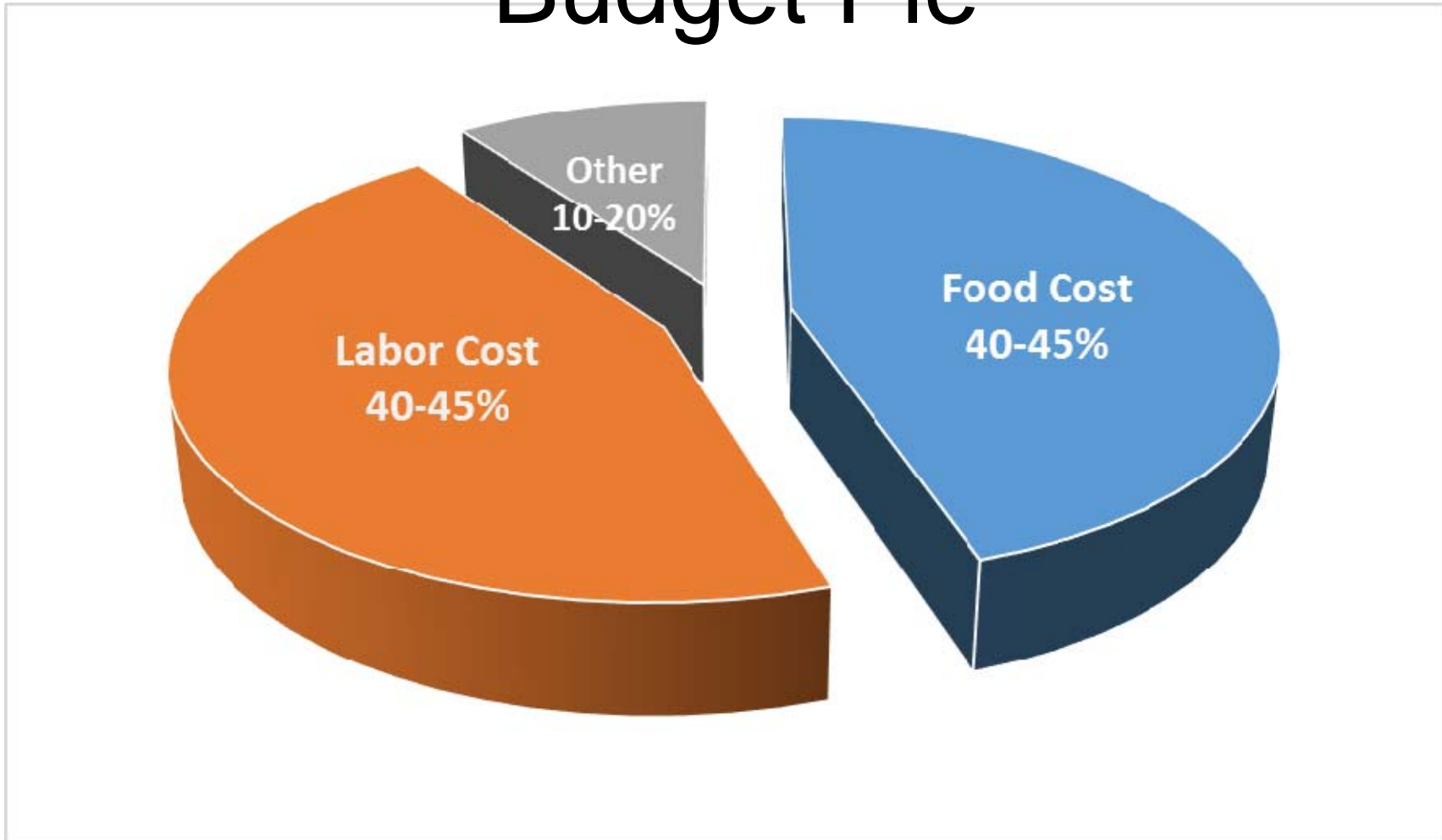


Balancing Act

- Food Cost 40-45%
- Labor 40-45%
- Other 10-15%



Budget Pie



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Food Cost %

- Cost of purchased food used = (beginning inventory + purchased food) - ending inventory
- How to get your food cost percentage %

Total Food Cost

Total Revenue

Total Food Cost = \$150,000

Total Revenue = \$295,000

Food Cost Percentage = 50.8%





USDA Foods/Commodities %

- Maximize the use of your USDA Foods/Commodities
- At a minimum, USDA Foods should be 10 -15% of your food cost
- USDA Food %

USDA Food Usage \$

Total Food Cost

USDA Food Usage = \$18,000

Total Food Cost = \$150,000

USDA Foods % = 12%





Food Cost

Controlled Measures

- Inventory control
- Purchasing (bids)
- Set benchmarks/targets
- USDA Foods usage
- Cycle Menus
- Others.....(portion control)
- Standardized Recipes
- Smart Production





What's on your tray?

- Do you cost out your menus or items served?
- Do you have a "targeted tray cost"?





\$1.25 - Example Target Tray Cost

24
28

?

\$0.15 - \$0.25
Fruit/Veg

\$0.20 - \$0.30
Milk

\$0.50 - \$0.60
Entree
(meat & bread)

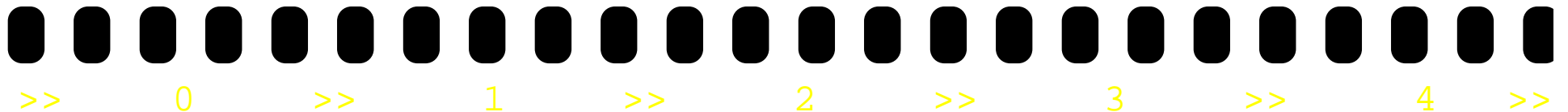
\$0.15 - .25
Fruit/Veg





Meal Equivalents

- The production of meals is the unit of measurement used to gauge the effectiveness and efficiency of school nutrition program.
- A reimbursable lunch is the standard unit of measurement most often used.





Lunch = 1:1

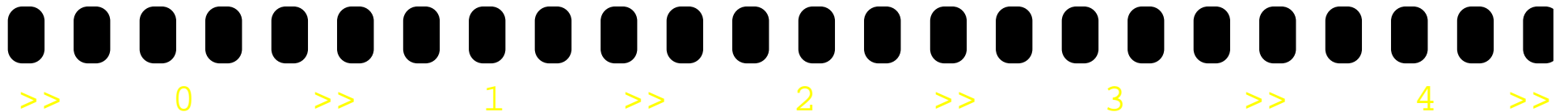
- Breakfast = 3:2
- Snack = 3:1
- Nonprogram = \$3.3825
 - (Federal free reimbursement rate + USDA Foods value)
 - \$3.07 + \$.3125 = \$3.3825
 - for every \$3.3825 non-program revenue made = 1 meal equivalent lunch meal





Breakfast 3:2

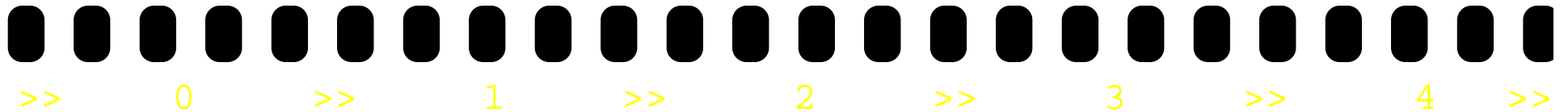
- For every 3 breakfast served = 2 lunches
- ___ x .67 =
- 2,500 breakfast
 - 1675 meal equiv
- 65,000 breakfast
 - 43,550 meal equiv





Snack 3:1

- For every 3 snacks served = 1 lunch
- ___ x .33
- 500 snacks
 - 165 meal equiv



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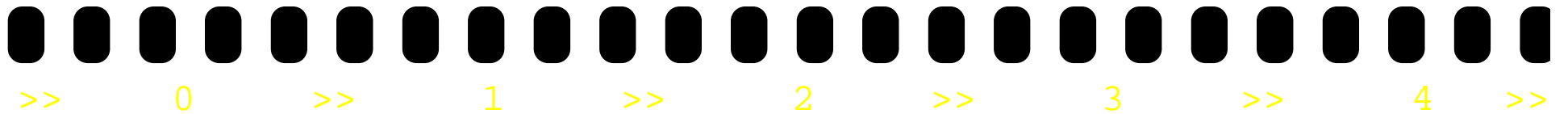
Nonprogram Revenue \$3.3825

- Free Reimbursement + USDA Food Value
 - $\$3.07 + .3125 = \$ 3.3825$
- Not a constant value, changes annually
- For every \$3.3825 of nonprogram revenue = 1 lunch
- \$65,000 nonprogram revenue
 - 19,217 meal equiv
- \$175,000 nonprogram revenue
 - 51,737 meal equiv



Putting MEs into practice...

- Now that we have an equal playing field
- We can use this measure to build benchmarks





Average Food Cost per Meal/ME

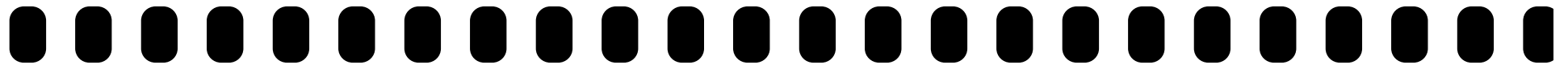
Total Food Cost

Total meals/meal equivalency

Total Food Cost = \$150,000

Total Meal/ME = 120,000

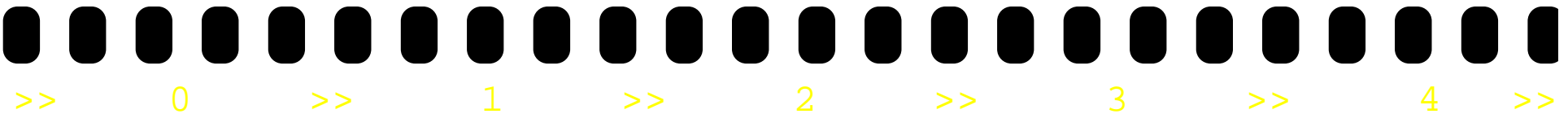
Avg Tray Cost = \$1.25





MPLH

- Why would we need to measure how many meals are being served per labor hour?
 - Determine appropriate staffing
 - Efficiency
 - $\text{Total hours worked} / \text{Total served meal+meal equivalents}$
- * Please see chart on handout





MPLH - Factors

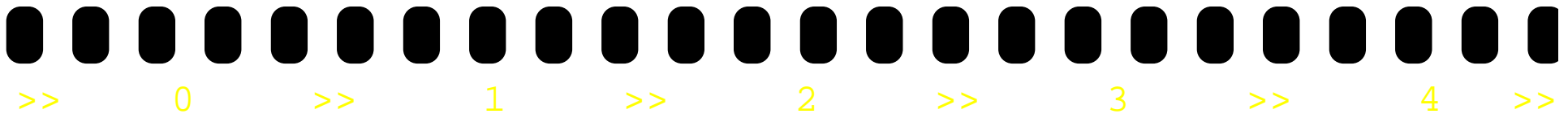
- size of operation
- number of serving lines
- type of service provided
- scheduling of lunch periods
- production system
- amount of convenience foods used
- skill level of staff
- complexity of the menu
- any others to add....





Big Picture Overview:

- Budgeted expenditures = \$500,000
 - Labor - 45% = \$225,000
 - Food Cost - 45% = \$225,000
 - Other - 10% = \$50,000
- Total expected Meal + Meal Equivalents served = 180,000
- How can we get an average tray cost.....
- Food Cost / Total meals = avg tray cost
 $\$225,000 / 180,000 \text{ meal+meal equiv} = \1.25





Now we are going to put this all
into practice!

District X - Case Study



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Resources

- Institute of Child Nutrition (ICN- Financial Management Information System 2nd Edition (formally NFSMI)

<http://www.nfsmi.org/>

- School Food & Nutrition Service Management for the 21st Century

- <http://www.csifoodpro.com/>



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