Critical Food Service Budget Metrics

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Your Presenters

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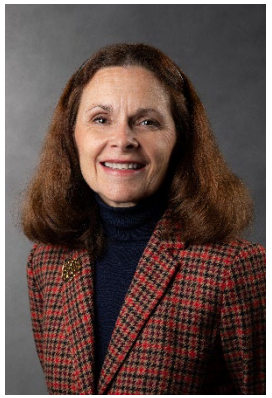

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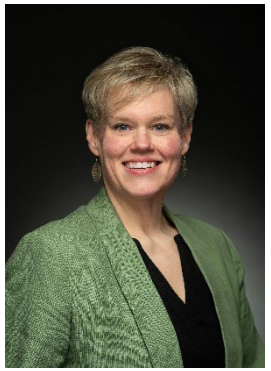

Affiliations and Financial Disclosures

Carolyn Thomas

Affiliations: Nothing to disclose

Mary Darnton

Affiliations: Nothing to disclose

Financial Management of Child Nutrition Program

Food Service Fund vs. General Fund

- Separate accounts
- Food Service is a non-profit entity/break even program
- Food Service shortfalls made up from General Fund

A quality program is financially sustainable and nutritionally sound

Critical Food Service Budget Metrics

Overview: Identify and define metrics

- Average Daily Participation (ADP)
- Food Cost – Usage and Raw Cost
- Meal Equivalents
- Labor Productivity: Meals Per Labor Hour (MPLH)
- Break Even Analysis

Building Blocks: Average Daily Participation (ADP)

Importance and Usage of ADP Data

- Prevent over and under production of food
- Refine scheduling
- Track trends
- Identify areas for growth
- Measure growth over time
- Gauge customer satisfaction
- Evaluate new items

Building Blocks: Average Daily Participation (ADP)

$$\textbf{ADP} = \frac{\text{\# of Meals served}}{\text{\# of Operating Days}}$$

$$\textbf{ADP Rate} = \frac{\text{Lunch (or Breakfast) ADP}}{\text{Average Daily Attendance}}$$

Building Blocks: Average Daily Participation (ADP)

Factors Affecting ADP

- Student age/grade level
- Percent Paid, Free, and Reduced-Price meals
- Location/Campus
- Outside competition
- Type of production (onsite vs. satellite)
- Price

Building Blocks: Average Daily Participation (ADP)

Example: ADP and ADP Rate Calculation

Building Name	Enrollment	ADA 93.80%	# of Bfast Meals Served	# of Lunch Meals Served	# of Operating Days	Bfast ADP	ADP Rate BFAST	Lunch ADP	ADP Rate LUNCH
Apple Elementary	534	501	1956	5638	18	109	21.7%	313	62.5%
Oak Middle School	1256	1178	3776	7405	18	210	17.8%	411	34.9%
Hightown High	2356	2210	4123	11332	18	229	10.4%	630	28.5%

Building Blocks: Food Cost

Why calculate the cost of food?

- To determine if costs are within budget guidelines
- To ascertain if there are sufficient funds to pay expenditures
- To establish the cost for each meal equivalent served
- To prevent waste and food theft through monitoring food usage

Raw Food Cost: the actual cost of each menu item or combination of items

Food Cost Percentage: Cost of Food Used or Purchased as a percentage of revenue

Building Blocks: Food Cost

- Vitally important to determine what your Raw Food Cost is, by costing out each individual menu item; this is ongoing
- For budgeting, calculating total cost of food as a Percentage will allow for changing participation levels
- USDA's 2019 School Nutrition and Meal Cost Study revealed a national average food cost of 44.7%
- The average raw food costs in Michigan are up 35-40% (23-24)
- Industry Standard: 42-46% Food Cost

Building Blocks: Food Cost Usage

	Beginning Food Inventory	$10,000
+	Total Food Purchases	$20,000
=	Total Food Available	$30,000
−	Ending Food Inventory	$7,000
=	Cost of Food Used	$23,000

Building Blocks: Meal Equivalents (MEQ's)

Meal Equivalents

- Statistical tool to standardize unique mix of services into one unit
- Standard unit can be used to determine meal costs, labor ratios, and revenue
- Evaluate productivity and efficiency of program
- Help establish performance benchmarks
- Current MEF: 2023-24: $4.6250

Building Blocks: Meal Equivalents (MEQ's)

By converting food sales to meal equivalents, the school nutrition director can determine

- Meal Cost
- Labor Productivity Ratios (MPLH)
- Average revenue earned per meal/meal equivalent

Building Blocks: Meal Equivalents (MEQ's)

Institute for Child Nutrition Meal Equivalent Ratios:

- **One** school lunch and/or supper equals **one** meal equivalent (1:1)
- **Three** school breakfasts count as **two** meal equivalents (3:2)
- **Three** snacks equal **one** meal equivalent (3:1)
- Non-program food sale revenue (a la carte, catering, vending, adult meals) is divided by the Meal Equivalency Factor (MEF).
- The MEF is established by MDE annually & is based on the current federal reimbursement rate plus USDA Foods value per meal.
- Current MEF: 2023-24: $4.6250

Note: Meal equivalent ratios may vary from state to state, Michigan uses 2:1 for Breakfast

Building Blocks: Meal Equivalents (MEQ's)

Meal Categories	Total Meal Units or Sales	Conversion Factor	Total Meal Equivalents	# of Serving Days
Student Lunch	1,000	1	1,000	5
Adult Lunch	100	1	100	5
Student Breakfast	3,500	0.67	2,333	5
Snacks	500	0.33	165	5
Supper	500	1	500	5
Non-Program Food Sales	$1,000.00	$4.625	216	5
Totals			**4,315**	

Building Blocks: Meals Per Labor Hour (MPLH)

The importance of knowing MPLH standards

- Meal Equivalent calculation needed to determine MPLH
- Together they give an understanding of labor and food cost
- Monitor efficiency
- Manage staffing by reducing or increasing work hours
- Manage menu to control labor
- Creates incentive to increase participation

Building Blocks: Meals Per Labor Hour (MPLH)

How to Calculate MPLH:

MPLH = Total meal equivalents ÷ Total number of labor hours

Factors Affecting Meals Per Labor Hour

- Number of serving lines/cashiers
- Service times and duration
- Employee skill/tenure
- Menu complexity
- Production and preparation time
- Equipment
- Kitchen layout

Building Blocks: Meals Per Labor Hour (MPLH)

Calculating MPLH: Calculate current total hours of labor paid daily by building

Name of Building:	Number of Staff	Daily Hours	Total Number of Labor Hours	Total Average Daily Meal	Meals Per Labor Hour (by building)
Apple Elementary School	1	5	5		
	2	3.5	7		
Labor Hours from other buildings	1	2.5	2.5		
Totals			**14.5**	**331**	**22.8**
Oak Middle School	2	8	16		
	4	5	20		
	3	3.5	10.5		
Totals			**46.5**	**877**	**18.9**

Staffing Guidelines for On-Site Production

Number of Meal Equivalents	Meals Per Labor Hour for Low and High Productivity			
	Conventional System MPLH		Convenience System MPLH	
	Low	High	Low	High
Up to 100	8	10	10	12
101 – 150	9	11	11	13
151 – 200	10-11	12	12	14
201 – 250	12	14	14	15
251 – 300	13	15	15	16
301 – 400	14	16	16	18
401 – 500	14	17	18	19
501 – 600	15	17	18	19
601 – 700	16	18	19	20
701 – 800	17	19	20	22
801 and up	18	29	21	23

Source: Pannell-Martin, D. & Boettger, J. (2014). *School food & nutrition service management for the 21st century* (6th ed.). Aiken, South Carolina: Author.

- A conventional system is the preparation of some foods from raw ingredients on premises (e.g., using some baked goods, prepared pizza, and washing the dishes).
- A convenience system is using maximum amount of processed foods (e.g., using all baked goods, precooked chicken, ready-to-serve raw fruits and vegetables, portion-packed condiments, and washing only trays and using disposable dinnerware)

Building Blocks: Break-Even Analysis

What?

Break-Even Analysis is the amount of sales needed to cover both fixed and variable costs/expenses.

Why?

Use Break-Even Analysis for decision making and/or program expansion

When?

Anytime – but particularly heading into Budget Season

How?

Building Blocks: Break-Even Analysis

Break-Even Analysis

Break-Even Point (BEP) is the amount of sales needed to cover Fixed & Variable costs.

The BEP is the point where total Revenues & Total expenses are equal.

Fixed Cost Analysis:

Driver ($20.5 x .5 hrs) Transportation of Food	$10.25
On-Site Staff Hours ($16.57/hr wage x 6.5 labor hours)	$107.70
Subtotal	$117.95
33% Fringe on Driver & Prep worker hours	$41.28
Total Fixed Costs	**$159.23**

Fixed Costs (Labor & Fringe)	$159.23	
Variable Costs (Food, Disposibles, Other)	48%	
Fixed Costs ÷ Variable Costs = Break Even Point ($159.23 ÷ 48% = $331.73)	**$331.73**	**Break Even Point**
Reimbursement Rate	$4.33	
$331.73 (BEP) / $4.33 (Reimb. Rate) = 77 meals per day 77 meals per day x $4.33= $333.41	**77**	**Required Avg Daily Participation**
	$333.41	**Required Avg Daily Revenue**

Impact of Healthy School Meals for All on Budget Process

Free Meals changed everything!

How does this impact your budget?

Metrics will help create different scenarios

- Establish metrics based on actual performance from 2023-24
- Use closest relatable budget year for comparison or budgeting

Using Data to Drive Decisions

So what now??

Using them already? Great! Refine, Drill Down

Not using them? Start now!

We are here to help!

We Remember…

20% of what we hear.

30% of what we see.

50% of what we see and hear.

70% of what we see, hear, and say.

90% of what we see, hear, say, and do.

Thank You!

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