Financial Implications for School Nutrition Managers

By the end of this session, you will be able to:

- Know where to find resources to assist you with financial matters;
- Identify financial management terms used in school nutrition programs;
- Describe sources of revenue and expenditures;
- Discuss ways to control food and labor costs;
- Know why it is important to control inventory.

Resources to Help With Financial Management

Institute of Child Nutrition
www.theicn.org
- Financial Management Webinars
- Financial Management Online Course
- Inventory Management and Tracking Online Course
- Other training resources

Iowa Webinars
Summer Short Course
Your regional consultant

Goal: Self-Supported School Nutrition Programs

That means:

\[
\text{TOTAL REVENUE (Income)} \quad \text{greater than} \quad \text{TOTAL EXPENDITURES (Costs)}
\]

Revenue = Program Income

- Federal
- State
- Local
- Fund transfer

Federal

- Meal reimbursement
- USDA food entitlement
- Fresh Fruit and Vegetable Program
- Other grants
Federal Revenue per Reimbursable Lunch 15-16

- Free meals
  - $3.07 from USDA
- Reduced price
  - $2.67 from USDA +$.40 from family = $3.07
- Paid meals
  - $.29 from USDA + Your School Price = ????
- All eligibility levels – additional $.06 per lunch when certified

Current rates can be found on IowaCNP

State and Local

- State: meal reimbursement (2-3¢ per meal)
- Local: full and reduced price meal payments, a la carte sales, adult sales, catering, contract sales
- Fund transfer

Fund Transfer

- School meals programs are expected to be self-maintaining
- Districts may absorb some costs through the general fund
- Fund transfer usually used to cover shortfalls or special needs

Required Adult Price 2016-17

- 15-16 Free Meal Reimbursement 3.07
- 15-16 Performance Based Reimbursement 0.06
- USDA Foods Estimate 0.3125
  - 3.4425
  - Rounded Up = $3.45

USDA Foods Value

- USDA Foods (Commodity) value: Last year it was $0.3125 per lunch served the previous year—Not exactly cash in bank, but an amount to spend
- Financial Benefits of Using USDA Foods: BBQ Pulled Pork Example Handout

USDA Foods

<table>
<thead>
<tr>
<th>Vendor</th>
<th>USDA Foods</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 cases Pork Roast = $800.00</td>
<td>6 cases Pork Roast = $19.50</td>
</tr>
<tr>
<td>*1 case BBQ Sauce = $ 15.00</td>
<td>*1 case BBQ Sauce = $ 15.00</td>
</tr>
<tr>
<td>$815.00</td>
<td>$34.50</td>
</tr>
<tr>
<td>$815.00/2000 = $.41 per svg.</td>
<td>$34.50/2000 = $.02 per svg.</td>
</tr>
</tbody>
</table>

*BBQ sauce is not available through the USDA Foods program. All costs are for example only and may not reflect current costs.
Average Daily Participation

Average Daily Participation (ADP)

Total meals for time period
Number of serving days

Example: 5000 meals/20 serving days = 250 ADP

Average Daily Participation Answers

<table>
<thead>
<tr>
<th>Meal</th>
<th># Student Meals Served</th>
<th># Serving Days</th>
<th>ADP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>14,500</td>
<td>150</td>
<td>97</td>
</tr>
<tr>
<td>Lunch</td>
<td>35,000</td>
<td>180</td>
<td>194</td>
</tr>
</tbody>
</table>

14,500/150 days = 96.7 = 97

35,000/180 days = 194.4 = 194

Calculate Percent Daily Participation

Average Daily Attendance = 300

<table>
<thead>
<tr>
<th>Meal</th>
<th>ADP</th>
<th>%ADP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>97</td>
<td></td>
</tr>
<tr>
<td>Lunch</td>
<td>194</td>
<td></td>
</tr>
</tbody>
</table>

Percent Daily Participation Answers

Enrollment = 300

<table>
<thead>
<tr>
<th>Meal</th>
<th>ADP</th>
<th>%ADP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>97</td>
<td>32%</td>
</tr>
<tr>
<td>Lunch</td>
<td>194</td>
<td>65%</td>
</tr>
</tbody>
</table>

97/300 = .323

194/300 = .646
Students must eat school meals in order for you to have revenue!

Revenue

Revenue alone is not an indicator of profitability

Total Revenue – Total Expenses = Profit or Loss

Expenses (Costs)

- Labor (salaries, wages, benefits)
- Food
- Supplies (paper, chemicals, small wares)
- Capital expenditures
- Overhead
- Indirect costs

Key Points

- Just because an expense increases doesn’t mean you will lose money.
- Increases in one expense category may be accompanied by increases, decreases or no changes in other expense categories

Total Revenue – Total Expenses = Profit or Loss

Menus

- Driving force of school nutrition operation
- Cycle menus have financial advantages

Calculating Cost of Food Used

Beginning Inventory (purchased and USDA Foods) + Total Purchases (purchased and USDA Foods) = Total Food Available - Ending Inventory (purchased and USDA Foods) = Cost of Food Used
Inventory methods

- Perpetual Inventory
  - Running record of items in stock
  - Can be manual or computerized
- Physical Inventory
  - Actual count of items in stock
  - Required periodically even if keep perpetual

Purchasing and Inventory Management

- Food is one of two “big ticket” expenses in your program. (the other is labor)
- Inventory is money spent, but not used
- Convenience vs. conventional production affects costs
- Paper and chemicals also part of inventory
  - Can have an inverse relationship—more disposables/less dishwashing

Key Points

- Extra charges may make an obvious choice not so clear cut/consider all costs when making purchasing decisions
- Maintaining a reasonable inventory and purchasing program is helped by planning menus for stable usage—cycle menus

Reducing Food Cost

- Ways to Lower Food Costs in School Nutrition Programs Handout
- Cost of over-production
- Savings from batch cooking
- Portion control

Extra Servings Cost

\[ 500 \text{ Actual} - 300 \text{ Estimated} = 200 \text{ Extra} \]

\[ 200 \text{ Extra} \times 0.30 \text{ Each} = 60 \text{ dollars} \]

\[ 60.00 \times 75 \text{ times} = 4,500 \text{ dollars} \]

Batch Cooking Cost Saving

\[ 20 \text{ Extra before BC} - 3 \text{ Extra BC} = 17 \]

\[ 17 \text{ Saved} \times 30 \text{ times} = 510 \]

\[ 510 \times 0.79 \text{ each} = 402.90 \]
Too Large Portion Cost

3 pieces instead of 2 = extra $.23

$.23 \times 250 \text{ portions} = $57.50

$57.50 \times 30 \text{ times} = $1725.00

Labor Costs

- Cost per meal
- Minutes per meal
- Meals per labor hour
- % total costs or revenue

Points to Know

- There is a fixed amount of direct labor required to make one meal...it may be the same amount of labor to make 50 meals.
- Comparing one operation against another that is dissimilar provides no information. There are many variables in equipment, menu, etc.

Setting Ala Carte Prices

- Consider all costs—not just food cost
- USDA requires total non-program revenue percentage be greater than or equal to total non-program food cost percentage not by individual item.

New Requirement: 2010 HHFKA

- USDA requires documentation that % of revenue from non-program foods be ≥ to % of food costs for non-program foods.
- Non-program foods=no USDA reimbursement:
  - Adult meals and contracted meals
  - Second meals or second portions sold
  - Other ala carte items (not part of reimbursable meal)

Revenue from Nonprogram Food

- Identify the proportion of total food costs attributable to non-program food in order to establish revenue target
- Price non-program food items to ensure that revenues will meet the requirement
- Track non-program food revenues separately from all other revenue items
### Computing Costs of Single Ingredient Products

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Purchase Unit</th>
<th>Cost per Purchase Unit</th>
<th>Serving size</th>
<th>Portions per Purchase Unit</th>
<th>Cost per Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burrito (2 oz M/MA)</td>
<td>Case</td>
<td>$25.76</td>
<td>1 each</td>
<td>60</td>
<td>0.429</td>
</tr>
<tr>
<td>Crispito (1 oz M/MA)</td>
<td>Case</td>
<td>$29.52</td>
<td>1 each</td>
<td>72</td>
<td>0.410</td>
</tr>
<tr>
<td>Pizzas, Pepperoni (2 oz M/MA)</td>
<td>Case</td>
<td>$40.79</td>
<td>1 each</td>
<td>80</td>
<td>0.510</td>
</tr>
<tr>
<td>Sweet Potato Puffs</td>
<td>15 lb case</td>
<td>$23.24</td>
<td>2.25 oz</td>
<td>106</td>
<td>0.219</td>
</tr>
<tr>
<td>Green Beans</td>
<td>6-10 lbs cans</td>
<td>$17.92</td>
<td>½ cup</td>
<td>120</td>
<td>0.149</td>
</tr>
<tr>
<td>Apple Sauce</td>
<td>6-10 lbs cans</td>
<td>$24.56</td>
<td>½ cup</td>
<td>120</td>
<td>0.205</td>
</tr>
<tr>
<td>Whole grain bread</td>
<td>Loaf</td>
<td>$2.49</td>
<td>1 slice</td>
<td>24</td>
<td>0.112</td>
</tr>
<tr>
<td>Corn, Loops (1 unit G/B)</td>
<td>Case</td>
<td>$23.04</td>
<td>1 each</td>
<td>96</td>
<td>0.240</td>
</tr>
<tr>
<td>Beef Steak Fingers</td>
<td>Case of 100</td>
<td>$23.40</td>
<td>3 each</td>
<td>60</td>
<td>0.390</td>
</tr>
<tr>
<td>Beef Steak Fingers</td>
<td>Case of 100</td>
<td>$23.40</td>
<td>4 each</td>
<td>45</td>
<td>0.520</td>
</tr>
<tr>
<td>French Toast Sticks</td>
<td>Case</td>
<td>$16.95</td>
<td>3 sticks</td>
<td>55</td>
<td>0.308</td>
</tr>
<tr>
<td>Banana</td>
<td>40 # box</td>
<td>$20.70</td>
<td>1 each</td>
<td>120</td>
<td>0.173</td>
</tr>
</tbody>
</table>

### Financial Mgt. Tools from Bureau

- Menu costing worksheets
- Financial Tracking Worksheets
- Financial Report on IowaCNP
- Procurement (Purchasing) Guidance

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### Keys to financial success

- Participation by students
- Managing inventory and purchasing
- Knowing and managing costs per meal
- Using the resources available to you
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(1) Mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or
(2) Fax: (202) 690-7442; or
(3) Email: program.intake@usda.gov.

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Questions??

Will answer now if time
OR
Record for answering in break-out session