

Calculating Costs



School food service professionals face growing pressure to operate Child Nutrition Programs with increased efficiency. With labor hours, food costs and maintaining equipment, food service directors are often looking at new ways to make their program more cost-effective.

Depending upon your experience level and whether or not you want to focus on just breakfast, two sets of worksheets have been developed for your use to calculate the costs of running the School Breakfast Program in your school.

First, if you already have a strong sense of how to achieve the break-even point for lunch, you can use the worksheet (p. 2) to determine the break-even point for breakfast.

Second, if you want to see how breakfast will affect your entire operation, use the worksheets starting on page 4 to calculate costs. In this section, worksheets have been developed to guide professionals in analyzing and comparing program expenses and revenue. Once a school's current financial performance is determined, this section prepares the professional to make adjustments to realign fixed or variable costs and/or generate revenue to cover short and long-term program needs.

You will be able to:

- Identify total revenue realized from each student for breakfast and lunch.
- Record one day's student participation for breakfast and lunch and calculate the amount of revenue realized from one meal
- Compare the annual expenses of each budget item and determine the percent of revenue that item represents
- Convert annual expenses to average daily costs
- Analyze variable costs and fixed costs versus revenue to calculate the break-even point

These worksheets will help you determine the financial impact on your school food service program. Worksheets for your use are available in the folder called "*Resources*" and on the "*Discover School Breakfast*" CD.

1. Revenue Per Reimbursable Breakfast
2. Revenue Per Reimbursable Lunch
3. Daily Revenue Breakfast
4. Daily Revenue Lunch
5. Analyze Annual Revenue
6. Convert Annual Expenses to Average Daily Costs
7. Calculate Break-Even Point
8. Analyze Program Costs

After you have completed these worksheets, be sure to see page 23 for ways to achieve the break-even point for your operation. See pages 24 and 26 for ways you can decrease cost and/or increase revenue.



Breakfast Profit/Loss Worksheet

School: _____

Date: _____ Number of Meals: _____

Expenses

Actual Total Food Cost \$ _____

Total Labor Cost \$ _____

Total Supplies Cost \$ _____

Total Other Cost \$ _____

1) Total Meal Expense \$ _____

Revenue

Paid Children _____ @ \$ _____ = \$ _____

Reduced Price _____ @ \$ _____ = \$ _____

Adult Meals _____ @ \$ _____ = \$ _____

Other food _____ @ \$ _____ = \$ _____

2) Total Revenue \$ _____

Reimbursement

Paid Children _____ @ \$ _____ = \$ _____

Reduced Price _____ @ \$ _____ = \$ _____

Free _____ @ \$ _____ = \$ _____

3) Total Reimbursement \$ _____

Total Revenue (line 2 + line 3) \$ _____

Less Total Expenses (line 1) \$ _____

Profit (+) or Loss (-) \$ _____

See pages 23, 24 and 26 for ways you can improve your operation.

Breakfast Profit/Loss Worksheet

School: Saleem Hue Penny Elementary School

Date: May 1st, 2003 Number of Meals: 115

Expenses

Actual Total Food Cost	\$	<u>75.90</u>
Total Labor Cost	\$	<u>27.00</u>
Total Supplies Cost	\$	<u>4.60</u>
Total Other Cost	\$	<u>0.00</u>
1) Total Meal Expense	\$	<u>107.50</u>

Revenue

Paid Children	<u>25</u>	@	\$ <u>.85</u>	=	\$ <u>21.25</u>
Reduced Price	<u>10</u>	@	\$ <u>.30</u>	=	\$ <u>3.00</u>
Adult Meals	<u>5</u>	@	\$ <u>1.15</u>	=	\$ <u>5.75</u>
Other food	<u> </u>	@	\$ <u> </u>	=	\$ <u>0.00</u>
2) Total Revenue			\$		<u>30.00</u>

Reimbursement*

Paid Children	<u>25</u>	@	\$ <u>.22</u>	=	\$ <u>5.50</u>
Reduced Price	<u>10</u>	@	\$ <u>.87</u>	=	\$ <u>8.70</u>
Free	<u>75</u>	@	\$ <u>1.17</u>	=	\$ <u>87.75</u>
3) Total Reimbursement			\$		<u>101.95</u>

Total Revenue (line 2+ line 3)	\$	<u>131.95</u>
Less Total Expenses (line 1)	\$	<u>107.50</u>
Profit (+) or Loss (-)	\$	<u>+24.45</u>

Based on non-severe 2003 rates.

Analyze Current Meal Pricing

To identify the total revenue generated by a breakfast or lunch meal, it is necessary to analyze the cash received from students and the reimbursement received from Federal and state/local funds.

Activity
<p>Use the following scenario to identify the revenue per meal from breakfast:</p> <hr/> <ul style="list-style-type: none"> ■ Paying students are charged 75 cents for breakfast and adults pay \$1.30. <hr/> <ul style="list-style-type: none"> ■ Reduced meal students pay 30 cents for breakfast. <hr/> <ul style="list-style-type: none"> ■ Column B is already completed with sample Federal reimbursement rates. Column C has not been completed with state/local reimbursement rates as this varies from state to state and may not be available. When completing this exercise for your district, fill in your state/local rate and current Federal reimbursement rate (www.fns.usda.gov/cnd/).

Step 1: Identify revenue per reimbursable breakfast

Complete the worksheet on page 5 with the per meal cash and reimbursement received for each student category and adult meal sales to identify the total revenue generated by each type of meal served.

Column A

Record the amount charged for breakfast to students in each category and the price of each adult meal.

Column B

The Federal reimbursement received for each meal category has been recorded.

Column C

Record state and/or local reimbursement received per meal for each student category.

Column D

Add each line across to determine the total revenue received for each meal category.

* Some states may receive state matching funds for a total amount for the year. This reimbursement would be divided by the total number of meals served and substituted for the state/local reimbursement amount listed in the example.

Step 1: Identify Revenue for Reimbursable Breakfast WORKSHEET A



Revenue Per Reimbursable Breakfast							
	Column A	+	Column B	+	Column C	=	Column D
Meal Category	Cash (Point of Sale)		Federal Reimbursement		State/Local Reimbursement		Total Revenue
Paid Meals			0.22				
Free Meals	N/A		1.17				
Reduced Meals			0.87				
Adult Meals			N/A		N/A		

QUESTION: Does each student meal category (paid, free, reduced*) contribute equally to the total revenue? **YES / NO**

Completed WORKSHEET A

Revenue Per Reimbursable Breakfast							
	Column A	+	Column B	+	Column C	=	Column D
Meal Category	Cash (Point of Sale)		Federal Reimbursement*		State/Local Reimbursement**		Total Revenue
Paid Meals	0.75		0.22		\$0.00		0.97
Free Meals	N/A		1.17		\$0.00		1.17
Reduced Meals	0.30		0.87		\$0.00		1.17
Adult Meals	1.30		N/A		N/A		1.30

Next, continue with calculating lunch revenue.

* Based on non-severe need 2003 school breakfast rates

** State/Local reimbursement rates vary state to state

Activity

Use the following scenario to identify the revenue per meal from lunch:

■ Paying students are charged \$1.50 for lunch and adults pay \$2.25.

■ Reduced meal students pay 40 cents for lunch.

■ Column B is already completed with sample Federal reimbursement rates. Column C has not been completed with state/local reimbursement rates as this varies from state to state and may not be available. When completing this exercise for your district, fill in your state/local rate and current Federal reimbursement rate (www.fns.usda.gov/cnd/).

Step 2: Identify Revenue per Reimbursable Lunch

Complete the worksheet on page 7 with the per meal cash and reimbursement received for each student category and adult meal sales to identify the total revenue generated by each type of meal served.

Column A	Column B	Column C	Column D	Column E
Record the amount charged for lunch to students in each category and the price of each adult meal.	The Federal reimbursement received for each meal category has been recorded.	The value per meal of commodities has been recorded.	Record state and/or local reimbursement received per meal for each student category.	Add across to determine the total revenue received for each meal category.

** Some states may receive state matching funds for a total amount for the year. This reimbursement would be divided by the total number of meals served and substituted for the state/local reimbursement amount listed in the example.*

Step 2: Identify Revenue for Reimbursable Lunch WORKSHEET B



Revenue Per Reimbursable Lunch									
	Column A	+	Column B	+	Column C	+	Column D	=	Column E
Meal Category	Cash (Point of Sale)		Federal Reimbursement		Commodity Value		State/Local Reimbursement		Total Revenue
Paid Meals			0.20		0.155				
Free Meals	N/A		2.14		0.155				
Reduced Meals			1.74		0.155				
Adult Meals			N/A				N/A		

QUESTION: Does each student meal category (paid, free, reduced*) contribute equally to the total revenue? **YES / NO**

In this program example, paid meals do not contribute adequately to the total revenue for breakfast or lunch.

Completed WORKSHEET B

Revenue Per Reimbursable Lunch									
	Column A	+	Column B	+	Column C	+	Column D	=	Column E
Meal Category	Cash (Point of Sale)		Federal Reimbursement*		Commodity Value		State/Local Reimbursement**		Total Revenue
Paid Meals	1.50		0.20		0.155		\$0.00		1.86
Free Meals	N/A		2.14		0.155		\$0.00		2.30
Reduced Meals	0.40		1.74		0.155		\$0.00		2.30
Adult Meals	2.25		N/A		N/A		N/A		2.25

CHALLENGE: Knowing the status of breakfast and lunch revenue reveals whether the Child Nutrition Program's pricing structure is in balance. When all categories (except adult meals) do not contribute equally to revenue, steps should be taken to equalize them. Free and reduced priced meals should not subsidize the paid meals and vice versa.

* Value uses the less than 60% free and reduced 2003 school lunch rates.

**State/Local reimbursement rates vary state to state

Calculate Daily Revenue

Calculate the **total revenue** for each category for breakfast and lunch to reflect the number of people participating by category (i.e. paid, free, reduced, a la carte, etc.) and the revenue received for each category.

Step 1: Calculate Daily Revenue Breakfast

Column A

Record the number of breakfast meals served by category.

Column B

Enter the reimbursement* figure or price charged for each meal category.

Column C

Multiply Column A figures by Column B figures to get total revenue by category

- On Line 8 enter total a la carte sales from cash register record
- Total Column C to determine total daily breakfast revenue

Activity			
Use the sample figures below to calculate daily revenue for breakfast.			
Sample figures			
Paid meals	90	Federal Reimbursement	
Reduced meals	20	Paid	\$0.22
Free meals	320	Reduced	\$0.87
Paid student price	\$0.75	Free	\$1.17
Reduced student price	\$0.30	State/Local Reimbursement	\$0.00
Adult cash sales	2	A la carte sales	\$3.00
Adult paid price	\$1.30		

* Based on non-severe need 2003 school breakfast rates

Step 1: Calculate Daily Revenue Breakfast WORKSHEET C



Daily Revenue Breakfast			
Category	Column A Number of Meals	Column B Price or Reimbursement	Column C Total
Student Meal Revenue:			
1. Paid			
2. Reduced			
3. Free		-----	-----
Federal Reimbursement			
4. Paid Meals	Line 1		
5. Reduced	Line 2		
6. Free	Line 3		
7. State/Local Funds	(Lines 4+5+6)		
8. A la carte	-----	-----	
9. Adult Cash Sales			
Total Daily Breakfast Revenue			

Refer to next page for completed worksheet.

Completed WORKSHEET C*

Daily Revenue Breakfast			
Category	Column A Number of Meals	Column B Price or Reimbursement	Column C Total
Student Meal Revenue:			
1. Paid	90	\$0.75	\$67.50
2. Reduced	20	\$0.30	\$6.00
3. Free	320	-----	-----
Federal Reimbursement*			
4. Paid Meals	90	\$0.22	\$19.80
5. Reduced	20	\$0.87	\$17.40
6. Free	320	\$1.17	\$374.40
7. State/Local Funds**	430 (Lines 6+7+8)	\$0.00	\$0.00
8. A la Carte	-----	-----	\$3.00
9. Adult Cash Sales	2	\$1.20	\$2.40
Total Daily Breakfast Revenue			\$490.50

Go to the next page to calculate daily lunch revenue.

* Based on non-severe need 2003 school breakfast rates.

** State/Local reimbursement rates vary state to state

Step 2: Calculate Daily Revenue Lunch

Column A

Record the number of lunch meals served by category.

Column B

Enter the reimbursement* figure or price charged for each meal category.

Column C

Multiply Column A figures by Column B figures to get total revenue by category

- On Line 8 enter total a la carte sales from cash register record
- Total Column C to determine total daily lunch revenue

Activity			
Use the sample figures below to calculate daily revenue for lunch.			
Sample figures			
Paid meals	250	Federal Reimbursement*	
Reduced meals	382	Paid	\$0.20
Free meals	100	Reduced	\$1.74
Paid student price	\$1.50	Free	\$2.14
Reduced student price	\$0.40	State/Local Reimbursement	\$0.00
Adult cash sales	3	A la carte sales	\$15.00
Adult paid price	\$2.00		

* Value uses the less than 60% free and reduced 2003 school lunch rates

Step 2: Calculate Daily Revenue Lunch WORKSHEET D



Daily Revenue Lunch			
Category	Column A Number of Meals	Column B Price or Reimbursement	Column C Total
Student Meal Revenue:			
1. Paid			
2. Reduced			
3. Free		-----	-----
Federal Reimbursement			
4. Paid Meals	Line 1		
5. Reduced	Line 2		
6. Free	Line 3		
7. State/Local Funds	(Lines 4+5+6)		
8. A la Carte	-----	-----	
9. Adult Cash Sales			
Total Daily Lunch Revenue			

Refer to the next page for completed worksheet.

Total breakfast revenue and **total lunch revenue** can be used for any day. Later in this section when analyzing the break-even point, the **total breakfast revenue** and **total lunch revenue** will be added together to get the **total daily revenue**. For a more accurate picture of your program, average the revenue for five or more typical days.

Completed WORKSHEET D*

Daily Revenue Lunch			
Category	Column A Number of Meals	Column B Price or Reimbursement*	Column C Total
Student Meal Revenue:			
1. Paid	250	\$1.50	\$375.00
2. Reduced	100	\$0.40	\$40.00
3. Free	382	-----	-----
Federal Reimbursement			
4. Paid Meals	250	\$0.20	\$50.00
5. Reduced	100	1.74	\$174.00
6. Free	382	2.14	\$817.48
7. State/Local Funds**	732	\$0.00	\$0.00
8. A la Carte	-----	-----	\$15.00
9. Adult Cash Sales	3	2.00	\$6.00
Total Daily Lunch Revenue			\$1,477.48

* Value uses the less than 60% free and reduced 2003 school lunch rates.

** State/Local reimbursement rates vary state to state

Analyze Annual Revenue

It is essential to know the source of your program's greatest expenses. Comparing each annual expense category to your total annual revenue shows which expense categories may need adjustments.

Activity			
Use the following sample figures to identify the percent of annual revenue each annual expense represents			
Food costs	\$175,000	Temporary wages	\$3,500
Wages	\$130,000	Paper supplies	\$9,000
Benefits	\$35,000	Equipment	\$8,000
Utilities	\$22,000	Miscellaneous cost	\$4,000
Sanitation	\$18,000	Annual Total Revenue	\$400,000

Column A

Record annual actual cost for each expense item and total on Line 8. Note definitions of expenses footnoted below chart.

Column B

Record annual total revenue; this number will be repeated on Lines 1-8 of Column B

Column C

For Lines 1-8 divide the actual expense cost by total revenue, multiply by 100 to determine percent revenue. **ROUND TO THE NEAREST WHOLE NUMBER.**

To identify carryover/loss refer to Line 8 (Column A and B). Subtract the smaller number from the larger number and enter in Line 9 Column A. If **actual cost** exceeds **total revenue**, a loss (-) results. If revenue exceeds costs, a carryover (+) is shown.

Step 1: Calculate Percent Revenue WORKSHEET E



Compare Annual Expenses to Revenue			
	Column A	Column B	Column C
Expenses	Actual Cost	Total Revenue	% Revenue
1. Food			
2. Paper Supplies ^a			
3. Labor ^b			
4. Other Labor ^c			
5. Equipment ^d			
6. Overhead ^e			
7. Miscellaneous ^f			
8. Total			
9. Carryover (+)/Loss(-)			

^aPaper includes paper products used in food sales
^bLabor includes permanent full-time, part-time and substitute wages and benefits, such as FICA, health insurance and Worker's Comp
^cOther Labor includes temporary wages
^dEquipment includes large and small equipment
^eOverhead includes utilities, office expenses and sanitation service
^fMiscellaneous includes all other expenses not previously listed

QUESTION: When Column C is totaled, is the percent of revenue greater than 100 percent? **YES / NO**

In this example, the percent of revenue is greater than 100 percent, which means the program is losing money.

Refer to the next page for the completed worksheet.

CHALLENGE: In addition to the percent of revenue for each expense, you must have an accurate analysis of daily program costs. To achieve this, the actual cost of each annual expense must be converted to a daily cost. Turn to the next page to determine daily costs.

Completed WORKSHEET E

Compare Annual Expenses to Revenue			
	Column A	Column B	Column C
Expenses	Actual Cost	Total Revenue	% Revenue
1. Food	175,000	400,000	44
2. Paper Supplies	9,000	400,000	2
3. Labor	165,000	400,000	41
4. Other Labor	3,500	400,000	1
5. Equipment	8,000	400,000	2
6. Overhead	40,000	400,000	10
7. Miscellaneous	4,000	400,000	1
8. Total	404,500	400,000	101
9. Carryover (+)/Loss(-)	-4,500		

^aPaper includes paper products used in food sales

^bLabor includes permanent full-time, part-time and substitute wages and benefits, such as FICA, health insurance and Worker's Comp

^cOther Labor includes temporary wages

^dEquipment includes large and small equipment

^eOverhead includes utilities, office expenses and sanitation service

^fMiscellaneous includes all other expenses not previously listed

Convert Annual Expenses to Average Daily Costs

Activity
Use 180 days for the number of serving days to convert annual expenses to average daily costs.

Column A

Copy actual cost figures from Column A on the previous page.

Column B

Write the number of serving days per year and repeat each space in Column B

Column C

Divide each actual expense (A) by number of serving days (B), record as average daily cost (C). **ROUND TO NEAREST WHOLE NUMBER.**

Step 1: Calculate Average Daily Costs WORKSHEET F



Convert Annual Expenses to Average Daily Costs			
	A	B	C
Expenses	Actual Cost	Number of Serving Days	Average Daily Costs
1. Food			
2. Paper Supplies ^a			
3. Labor ^b			
4. Other Labor ^c			
5. Equipment ^d			
6. Overhead ^e			
7. Miscellaneous ^f			

^aPaper includes paper products used in food sales

^bLabor includes permanent full-time, part-time and substitute wages and benefits, such as FICA, health insurance and Worker's Comp

^cOther Labor includes temporary wages

^dEquipment includes large and small equipment

^eOverhead includes utilities, office expenses and sanitation service

^fMiscellaneous includes all other expenses not previously listed

Circle Column C. The **average daily costs** for each expense will be used later in this section when analyzing the **break-even point** of the Child Nutrition Program.

Refer to the next page for completed worksheet.

Completed WORKSHEET F

Convert Annual Expenses to Average Daily Costs			
	A	B	C
Expenses	Actual Cost	Number of Serving Days	Average Daily Costs
1. Food	175,000	180	972
2. Paper Supplies ^a	9,000	180	50
3. Labor ^b	165,000	180	917
4. Other Labor ^c	3,500	180	19
5. Equipment ^d	8,000	180	44
6. Overhead ^e	40,000	180	222
7. Miscellaneous ^f	4,000	180	22

^aPaper includes paper products used in food sales

^bLabor includes permanent full-time, part-time and substitute wages and benefits, such as FICA, health insurance and Worker's Comp

^cOther Labor includes temporary wages

^dEquipment includes large and small equipment

^eOverhead includes utilities, office expenses and sanitation service

^fMiscellaneous includes all other expenses not previously listed

Calculate Break-Even Point

You will now use all of the data collected thus far to calculate the break-even point for your Child Nutrition Program. The break-even point worksheet will allow you to calculate the actual revenue in dollars needed for your program to pay for itself.

Calculate Break-Even Point



A. Variable Cost (from Analyze Annual Revenue p. 15)

- | | | |
|--------------------------|-------|---|
| 1. Food % Revenue | _____ | % |
| 2. Paper % Revenue | _____ | % |
| 3. Other Labor % Revenue | _____ | % |

Total Variable Cost (1+2+3)

_____	%
-------	---

B. Fixed Costs (From Convert Annual Expenses to Average Daily Costs p.17)

- | | |
|--------------------------------|----------|
| 1. Average Daily Labor | \$ _____ |
| 2. Average Daily Equipment | \$ _____ |
| 3. Average Daily Overhead | \$ _____ |
| 4. Average Daily Miscellaneous | \$ _____ |

Total Fixed Cost (1+2+3+4)

\$ _____

C. Revenue

- | | |
|--|----------|
| 1. Total Daily Breakfast Revenue (p.9) | \$ _____ |
| 2. Total Daily Lunch Revenue (p.12) | \$ _____ |

Total Daily Revenue (1+2)

\$ _____

D. Calculate Break-Even Point

The break-even point is the point at which expenses and total revenue are exactly equal. It can be expressed in dollars or as a percent of revenue.

To calculate the break-even point:

$$1. \frac{100\%}{\text{Total Variable Cost}} = \frac{\text{Contribution Margin}}{\text{Contribution Margin}}$$

$$2. \frac{\text{Total Fixed Cost}}{\text{Contribution Margin (Calculate as a decimal)}} = \frac{\$ \text{ Break-Even Point}}{\text{Break-Even Point (Round to the nearest whole dollar)}}$$

Refer to next page for completed worksheet.

Completed Worksheet

A. Variable Cost (from Analyze Annual Revenue p.15)

1. Food % Revenue	44%
2. Paper % Revenue	2%
3. Other Labor % Revenue	1%

Total Variable Cost (1+2+3) 47%

B. Fixed Costs (From Convert Annual Expenses to Average Daily Costs p.17)

1. Average Daily Labor	\$972.00
2. Average Daily Equipment	\$44.00
3. Average Daily Overhead	\$222.00
4. Average Daily Miscellaneous	\$22.00

Total Fixed Cost (1+2+3+4) \$1,260.00

C. Revenue

1. Total Daily Breakfast Revenue (p.9)	\$490.50
2. Total Daily Lunch Revenue (p.12)	\$1,477.48

Total Daily Revenue (1+2) \$1,967.98

D. Calculate Break-Even Point

The break-even point is the point at which expenses and total revenue are exactly equal. It can be expressed in dollars or as a percent of revenue.

To calculate the break-even point:

$$1. \quad \frac{100\%}{\text{Total Variable Cost}} - \frac{47\%}{\text{Total Variable Cost}} = \frac{53\%}{\text{Contribution Margin}}$$

$$2. \quad \frac{\$1,260.00}{\text{Total Fixed Cost}} \div \frac{0.53}{\text{Contribution Margin (Calculate as a decimal)}} = \frac{\$2,377.35}{\text{Break-Even Point (Round to the nearest whole dollar)}}$$

Analyze Program Costs

Total Daily Revenue vs. **Break-Even Point**

\$ _____ vs. \$ _____

Activity

Record the total daily revenue and break-even point from the previous pages in the spaces to the left.

If the **break-even point** is more than the **total daily revenue**, changes need to be made to decrease costs and/or increase revenue.



Guidelines Percentages		
	A	B
Expenses	Guidelines (%)	Revenue
1. Food	42	
2. Paper Supplies	2	
3. Labor	42	
4. Other Labor	1	
5. Equipment	2	
6. Overhead	10	
7. Miscellaneous	1	
Total	100	

Activity

Transfer the figures from each expense in Column C, page 15 to Column B of the chart on the left. Use the current program percent of revenue (B) to analyze if each item is close to the guideline percentage (A). Accepted management practices recommend costs should fall within these percentages.

Refer to the next page for completed worksheet.

QUESTION: Are any expenses higher than the suggested guidelines? **YES / NO**

The Guidelines Percentages above represent average percentage of revenue for each expense. In a USDA Food and Nutrition study, it is reported that “food and labor costs accounted for 84 percent of full cost” of the Child Nutrition Program’s total costs. Food cost in this study range from 38 to 42 percent while labor costs range from 42 to 46 percent.*

* School Lunch and Breakfast Cost Study, Summary of Findings, USDA, Food and Nutrition Service, October, 1994.

Completed WORKSHEET

Guidelines Percentages		
	A	B
Expenses	Guidelines (%)	Revenue
1. Food	42	44
2. Paper Supplies	2	2
3. Labor	42	41
4. Other Labor	1	1
5. Equipment	2	2
6. Overhead	10	10
7. Miscellaneous	1	1
Total	100	101

Areas to examine for reducing cost are **food** and **labor**. Increasing **revenue** is another option to meeting the **break-even point**. More recommendations are listed in the following pages, "Making Changes to Meet the Break-Even Point." Ideas for decreasing costs and increasing revenue are on page 24 and 26.

Making Changes to Meet the Break-Even Point

If the program is not meeting the break-even point, steps should be taken to bring it in line. Food and labor costs account for about 80-85 percent of the total program costs; however, the cost of operating the breakfast program is relatively lower than lunch. But it is logical that these two areas might be considered when attempting to reduce costs. Remember not to sacrifice quality when cutting expenses.

Another area to consider is revenue. By incorporating or expanding on some revenue producing ideas, the program could bring in enough money to cover the expenses to meet the break-even point. Supplemented by the Federal reimbursement, the revenue generated from breakfast sales in most cases covers the expenses.

It may be necessary to take a closer look at the problem areas. If the program is poorly run or inefficient, simply increasing participation to increase revenue may compound the problem.

Decrease Food Cost

Food cost is one of the first areas to examine when expenses are higher than revenue. There are several ways to reduce variable cost to help achieve the break-even point. The following pages include a section titled, "Tips for Decreasing Food Cost" on page 24.

Decrease Labor Cost

One of the most difficult challenges is decreasing labor cost. Long-term employees require higher wages. With the increased use of prepared items and disposable dishes, it may be possible to reduce the amount of labor needed. Using available labor more efficiently may be the answer. Existing labor may be used to implement or expand additional programs such as the School Breakfast Program.

Increase Revenue

The first area to consider for expansion may be the breakfast program. There is often room for expansion in participation whereas lunch participation may be at the maximum.

Another option may be to increase revenue in all Child Nutrition Programs. If that is the case, refer to the section in the following pages titled, "Tips for Increasing Revenue" on page 26.

Tips for Decreasing Food Cost

1. Menu Planning

- A. Purchase single serving packages for extra food items
EXAMPLE: Use honey, syrup and jelly packets instead of allowing students to take unlimited quantities. Control number of packets available for each student.
- B. Consider cost of prepared items vs. items that requires little (or no) preparation
EXAMPLE: Pancakes from scratch, pancake mix or frozen pancakes. Think of which is the most cost effective way to prepare pancakes.

2. Purchasing

- A. Centralized purchasing in a cooperative arrangement creates buying power.
EXAMPLE: Forty-five school districts formed a purchasing cooperative to take advantage of volume purchasing. A formal agreement was drawn listing the responsibilities of each district. One district is responsible for warehousing and distribution.
- B. Require fewer deliveries of all products.
EXAMPLE: Designate the daily requirements for delivery of milk to two times per week instead of five times per week.
- C. Purchase appropriate quantity for the program purpose.
EXAMPLE: In specifications of products, examine monthly needs and buy in larger quantities whenever possible. Storage requirements need to be considered to accommodate delivery amounts.
- D. Use USDA commodities wisely.
EXAMPLE: Plan menus to utilize USDA commodities, such as flour and dried blueberries in muffins.

3. Receiving

Establish a routine for all receiving. Train several employees in all receiving procedures including proper use of weight scales and product specifications.

- A. Check all products against specifications and delivery invoices.
EXAMPLE: The order was placed for ten cases of canned peaches, U.S. Grade A, juice packed, No. 10 cans. Instead, the school received U.S. Grade A, heavy syrup, No. 33 cans.

- B. Monitor inventory daily.
EXAMPLE: Each time employees are issued a product from the warehouse, a perpetual inventory is used and the amount of product is recorded. One employee is responsible for issuing items from the warehouse, rotating stock and noting unusual amounts on hand.
- C. Store products at correct temperature.
EXAMPLE: Checking temperature of items upon receipt and refrigerating and/or freezing immediately.

4. Preparation

- A. Train employees to follow standardized recipes as written.
EXAMPLE: The recipe for omelets requires an exact amount of eggs.
- B. Weigh all ingredients for accuracy.
- C. Use all edible portions.
EXAMPLE: Stems of raw broccoli can be added to stews and salads.
- D. Train staff to reduce all unnecessary waste.
EXAMPLE: Scrape all peanut butter from mixing bowl with rubber scraper.
- E. Find creative ways to incorporate leftovers in other menu items.
EXAMPLE: At the end of each serving period, place all breakfast items in covered containers. Save for the salad bar at lunch that day or use it for the next day (for example, hard boiled eggs).

5. Serving

- A. Monitor portion control.
EXAMPLE: Teach and emphasize portion control to all employees by instructing on correct use of ladle or scoop.
- B. Compare meals served to production records.
EXAMPLE: If 250 meals were served and production records show 300 meals, portion controls should be established.
- C. Establish employee policy on food practices.
EXAMPLE: Train employees that leftovers belong to the program and cannot be taken home, even if they do not eat employee meals. Inform employees that empty boxes cannot be taken home.

Tips for Increasing Revenue

1. Menu Planning

Offer a variety of food items that meet student preferences and require minimal labor.

A. Purchase single serving packages for extra food items.

EXAMPLE: Use honey, syrup and jelly packets instead of allowing students to take unlimited quantities. Control number of packets available for each student.

B. Bid prepared foods to reduce labor involved in preparation.

EXAMPLE: Purchase pre-baked muffins, assembled breakfast pizza, pre-baked egg and cheese burritos

C. Offer branded products, if appropriate.

EXAMPLE: Smucker's Uncrustables.

2. Extra Sales

Offering additional food items or selling food separately for a la carte provides additional revenue to the Child Nutrition Program.

A. Do some research at convenience stores and fast food outlets to see what items are popular and healthy.

EXAMPLE: Bottled waters, juices and snack foods might be the items students will purchase. Ensure that healthy options are available to students.

B. Allow students to purchase a second serving of any item offered.

EXAMPLE: Notify parents of this option by indicating on weekly menus that additional food may be purchased during meal service.

3. Serving Site

If the students congregate at a location other than meal service areas, sell foods at that location.

A. Use mobile serving carts for student convenience and for commercial appearance.

EXAMPLE: Use a transport cart with an awning in the hall to serve breakfast and/or lunch.

- B. Establish outdoor sales and service, providing places for students to sit.
EXAMPLE: Use a portable cart with a warming unit for breakfast service. Load the cart in the kitchen and move to the lawn where students gather before school.
- C. If using the usual serving location, provide food stations for students to select the menus that appeal to them. A food court atmosphere often stimulates sales.
EXAMPLE: Build portable walls to set up boundaries for the food court. Wooden lattice panels in 8-ft. x 4-ft. size can be fastened on casters to serve as portable walls. Have the point of sale at different areas within the court.
- D. Utilize unused space for a counter to sell deli or bakery items.
EXAMPLE: Locate a closed or unused area near student activities. Use a half-door with a shelf from which to serve customers.

4. Serving Time

Extending serving times to allow students to purchase more items while in the cafeteria provides an opportunity for increased sales.

- A. Expand the breakfast serving time.
EXAMPLE: Open 15 minutes earlier for breakfast to attract “early birds”.
- B. Serve breakfast items during breaks between classes.
EXAMPLE: Offer prepackaged items as students change classes.
- C. Offer breakfast to late arrivals.
EXAMPLE: Have Grab ‘n Go breakfasts available for students who do not arrive in time for traditional breakfast service.

5. Catering

Preparing a banquet of appetizers for a school function or community activity provides supplemental income to the program. In addition, providing a service in a professional manner improves the image of school food service.

- A. Prepare food for school-related events.
EXAMPLE: Create a catering notebook with menus, serving style and prices. Get a copy the community and school activity calendars. Each time an event is scheduled, call the planning committee and offer your service.

- B. Provide meals for day care centers or senior citizen meeting places.
EXAMPLE: Contract with the local Headstart program to provide meals for children for the school year. **Note: Sales tax must be collected for any group other than non-profit.**

6. Meal Charges

Prices charged for full-priced meals and adult meals have a major impact on income and number of meals served. A price increase should be based on thorough analysis of costs. Factors such as the demand for the product/service, the market price, and customer responsiveness to price changes influence the price levels. Other factors such as a convenient location or more personalized service may allow you to charge a higher price. Raising meal prices may be a final option to keeping the operation financially sound.