

Assessing Your Finances: Where Do You Go From Here?

COVID-19 COMMUNICATIONS

May 5, 2021

Professional Standards Learning Codes: 3340



Meet Your Trainer



Andrea Coffman

Business & Operations Specialist



Arizona Department of Education (ADE)

This training was developed by the Arizona Department of Education (ADE) Health and Nutrition Services Division (HNS).

Intended Audience

This training is intended for **operators of the National School Lunch Program (NSLP), Summer Food Service Program (SFSP), and Seamless Summer Option (SSO)**. All regulations are specific to operating the programs under the direction of ADE.



Objectives

1. Review the tools and metrics available to assist School Food Authorities (SFAs) in assessing the financial status of their food service programs.
2. Understand how to calculate and use key performance indicators (KPIs) to make informed financial decisions.
3. Identify and evaluate strategies and best practices which can be used to maximize program budgets.

COVID-19 Financial Impact





Financial Impact

The School Nutrition Association surveyed 1,614 school districts across the country regarding the impact of COVID-19 on school nutrition finances

- 53.9% experienced a financial loss in school year 2019/20
- 61.8% anticipate an overall net loss for school year 2020/21



Financial Impact

Factors which impacted School Nutrition Program budgets:

- Reduction in the number of meals served
- Loss of additional revenue streams
- Increased food costs
- Increased and/or unexpected transportation costs
- Increased supply costs
- Increased labor costs

Financial Management





Financial Management Practices

- Key Performance Indicators (KPIs) are analyzed frequently
- Forecasting is utilized to help reduce food waste
- Food and labor costs are closely monitored
- Inventory is controlled and evaluated on a regular basis
- Expenses and revenues are compared monthly
- Participation is analyzed monthly

Key Performance Indicators





Key Performance Indicators

- Specific measurements used to evaluate performance in critical program aspects against an industry standard or over a period of time
- 12 different KPIs were developed by the Institute of Child Nutrition (ICN)
- KPI Interactive Spreadsheet and Resource can be accessed here:
<https://theicn.org/icn-resources-a-z/kpi>



12 KPIs Developed for School Nutrition

Meal Count & Participation	Financial and Inventory Management	Productivity and Labor
Meal Equivalent (MEQ)	Revenues	Meals per Labor Hour (MPLH)
Average Daily Participation (ADP)	Expenditures	Staff Turnover Rate
	Revenue per MEQ	Absenteeism
	Cost per MEQ	
	Cost as a Percentage of Revenue	
	Break-Even Point	
	Inventory Turnover Rate	



The Value of KPIs

- Provides a data-driven approach to assess program performance
- Detects areas which can be improved
- Measures progress
- Identifies where to invest resources for biggest impact
- Tracks progress of major initiatives on participation, cost, and revenue



Five Commonly Used KPIs

- Meal Equivalents (MEQ)
- Average Daily Participation (ADP)
- Revenue per MEQ
- Cost per MEQ
- Meals per Labor Hour (MPLH)

Meal Equivalents





What are MEQs?

Conversion of different meal services (i.e., breakfast, supper, and snacks) and nonprogram food sales to the equivalent of one federally reimbursable lunch for comparison purposes.



Benefits of Calculating MEQs

- Provides a standard unit of measurement
- Gauges the effectiveness and efficiency of a program
- Metric is used in the calculation of other other KPIs



MEQ Conversion Chart

Meal Service	Conversion Factor	Explanation
1 Lunch or 1 Supper (Student or Adult)	= 1.00	All reimbursable lunches and suppers and full paid adult lunches are counted as one MEQ.
1 Breakfast (Student or Adult)	= 0.67	3 breakfasts are equal to 2 MEQs ($2 / 3 = 0.67$)
1 Snack	=0.33	3 snacks are equal to 1 MEQ ($1 / 3 = 0.33$)
Nonprogram Food Sales	= Dollar amount of nonprogram food sales divided by (current free lunch reimbursement rate + current USDA Foods Value)	Nonprogram Food Sales / Free lunch reimbursement rate + USDA Foods value



Calculating MEQs

MEAL CATEGORIES	MEALS SERVED		CONVERSION FACTORS		MEQ
Breakfasts (Student & Adult)	11,400	X	0.67	=	7,638
Lunches (Student & Adult)	24,700	X	1.00	=	24,700
Snacks	20,000	X	0.33	=	6,600
Nonprogram Food Sales	\$9,000	/	(3.53 + 0.2450) or 3.78	=	2,381
TOTAL MEQs					41,319

Average Daily Participation





What is Average Daily Participation (ADP)?

The average number of reimbursable meals served in a school nutrition program on a daily basis.



Benefits of Calculating ADP

- Prevent waste in excess labor hours
- Monitor participation trends
- Monitor customer satisfaction
- Identify opportunities for increasing meal participation
- Forecast labor needs
- Create food production schedules
- Evaluate menu items helping you prevent food waste
- Measure program growth



Calculating ADP

$$\text{ADP Breakfast} = \frac{\text{Number of Student Breakfasts Served in a Month}}{\text{Number of Operating Days in a Month}}$$

$$\text{ADP Lunch} = \frac{\text{Number of Student Breakfasts Served in a Month}}{\text{Number of Operating Days in a Month}}$$



Sample Calculation

ADP Breakfast: $11,000 \text{ (breakfasts)} / 21 \text{ (operating days)} = 523.8 \text{ or } 524$

ADP Lunch: $24,000 \text{ (lunches)} / 21 \text{ (operating days)} = 1,142.9 \text{ or } 1,143$

This school had an ADP of 524 for breakfast, and 1,143 for lunch



Putting it into Practice

ADP for breakfast at your elementary school is 524, however you notice on one of the days you only served 200 breakfasts.

You review your menu and see that you served oatmeal for breakfast on this day

You might then be able to assume oatmeal may not be well liked and another menu choice might bring additional participation and less food waste



Putting it into Practice

You review your ADP for lunch for the year and notice that every February participation drops from 500 to 350.

You now have the information you need to review things like appropriate staffing levels, menu items offered in February, other activities that might take place at the school during this time.



What is ADP Rate

This is the ratio of students eating a school meal to the average number of students attending the school.



Calculating ADP Rate

ADP Rate Breakfast = Breakfast ADP / Average Daily Attendance

ADP Rate Lunch = Lunch ADP / Average Daily Attendance



Sample ADP Rate Calculation

ADP Rate Breakfast:

$$524 \text{ (breakfast ADP)} / 2100 \text{ (Average Daily Attendance)} = 0.249 \text{ or } 25\%$$

ADP Rate Lunch:

$$1,143 \text{ (lunch ADP)} / 2,100 \text{ (Average Daily Attendance)} = 0.544 \text{ or } 54\%$$



Putting it into Practice

Your calculated ADP Rate for breakfast for the month of September at 3 separate elementary schools are as follows:

Elementary School 1 = 25%

Elementary School 2 = 35%

Elementary School 3 = 20%

You do some digging and find out that Elementary School 3 has a policy that upon arriving at school kids are encouraged to go to morning recess, however at Elementary School 1 and 2 they first are walked through the cafeteria and encouraged to eat breakfast.

Revenue per Meal Equivalent





What is Revenue per Meal Equivalent?

This is a revenue management tool to help manage and analyze trends and project revenues



Benefits of Calculating Revenue per MEQ

- Ensures revenue covers meal costs
- Helpful in identifying trends
- Determines areas where revenue can be increased
- Informed financial decisions



Calculating Revenue per MEQ

Formula:

$$\text{Total Revenue} / \text{Total MEQs} = \text{Revenue per MEQ}$$



Sample Calculation

REVENUE SOURCE	REVENUES		TOTAL MEQS		REVENUE PER MEQ
Student Meal Sales	\$18,250	/	41,524	=	\$0.4395
Adult Meal Sales	\$1,250	/	41,524	=	\$0.0301
Nonprogram Food Sales	\$5,140	/	41,524	=	\$0.1238
Contract Food Sales	\$640	/	41,524	=	\$0.0154
Federal Reimbursement	\$96,740	/	41,524	=	\$2.3297
USDA Foods	\$7,180	/	41,524	=	\$0.1729
TOTAL REVENUE	\$129,200	/	41,524	=	\$3.1416

This school is making \$3.14 for every MEQ

Cost per Meal Equivalent





What is Cost per Meal Equivalent?

The dollar amount it costs a school nutrition program to produce 1 meal equivalent



Benefits of Calculating Cost per MEQs

- Ensures revenue covers meal costs
- Helps determine whether prices should be increased
- Helpful in identifying trends
- Informed financial decisions



Calculating Cost per MEQs

Formula:

$$\text{Total Expenditures} / \text{Total MEQs} = \text{Cost per MEQ}$$



Sample Calculation

EXPENDITURE SOURCE	COSTS/ EXPENDITURES		TOTAL MEQS		COST PER MEQ
Salaries and Wages	\$40,000	/	41,524	=	\$0.9633
Employee Benefits	\$15,000	/	41,524	=	\$0.3612
Purchased Food	\$40,000	/	41,524	=	\$0.9633
USDA Foods	\$12,000	/	41,524	=	\$0.2890
Supplies	\$22,000	/	41,524	=	\$0.5298
TOTAL EXPENDITURES	\$129,000	/	41,524	=	\$3.1066

Revenue per MEQ was \$3.14 and cost per MEQ is \$3.10 therefore this school would profit \$.04 for every MEQ served for the month.

Meals per Labor Hour





What is Meals per Labor Hour?

The number of meal equivalents served per labor hour represents the primary measure of productivity and production efficiency.



Benefits of Calculating MPLH

- Evaluates productivity
- Monitors staff efficiency
- Determines appropriate staffing needs



Calculating MPLH

Formula:

Number of MEQ / Number of Planned Productive Labor Hours (PPLH)



Steps to Calculating MPLH

Step 1. Calculate total MEQ for the period

Step 2. Calculate total hours of labor paid during the time period including employees, managers, and supervisors

Step 3. $MPLH = \text{Number of MEQs} / \text{Number of Paid Productive Labor Hours}$



Determining the Number of PPLH

Calculate total hours of labor paid monthly, including all School Nutrition employees and managers/supervisors.

*Do not include paid hours for sick, personal, or holiday leave



PPLH Sample Calculation

NUMBER OF STAFF MEMBERS THAT WORK THE SAME NUMBER OF HOURS DAILY	X	HOURS WORKED DAILY	X	DAYS IN THE PERIOD	=	TOTAL STAFF HOURS PLANNED FOR THE PERIOD
2	X	7	X	21	=	294
7	X	6	X	21	=	882
7	X	5	X	21	=	735
6	X	3	X	21	=	378
22		21		21		2,289



SAMPLE MPLH Calculation

Calculating MPLH

$$\text{MPLH} = 41,524 \text{ (MEQ)} / 2,289 \text{ (PPLH)} = 18.14 \text{ MPLH}$$

This site produces 18 meals for every 1 labor hour

Managing Costs



Poll Question

In school year 2020/21 which cost category did you see the largest increase in?

1. Labor
2. Food
3. Supplies
4. Transportation
5. I don't know



Tips for Reducing Food Costs

- Maximize USDA Foods Entitlement
- Inventory Management
- Forecasting
- Utilizing standardized recipes
- Use cycle menus
- Monitoring and calculating meal costs regularly
- Managing the purchase of food items through proper procurement



Tips for Reducing Labor Costs

- Ordering pre-packaged menu items
- Incorporating ready-to-eat products
- Cross-training employees
- Adequate staffing and scheduling of staff
- Evaluating meals per labor hour
- Participating in a special assistance provision option

Increasing Revenue





Tips for Increasing Revenue

- Expand Child Nutrition Programs (At-Risk Afterschool Meals)
- Regularly monitor participation in each meal service (breakfast, lunch)
- Survey customers to get feedback on menu items



Overview of At-Risk

At-Risk is a component of the Child and Adult Care Food Program (CACFP) that is federally assisted through the United States Department of Agriculture operating in afterschool programs

The purpose of the program is to provide meals and/or snacks to children in an organized, structured, and supervised afterschool care setting.

It provides **free** afterschool snack and supper in low-income areas to all children who are 18 years of age and younger.

Each child can be provided with one snack and one supper **after the regular school day**.

On **non-school days**, operators may provide up to one snack and up to one meal to each child per day.



Financial Benefits of At-Risk

SERVING BREAKFAST AND LUNCH	SERVING BREAKFAST, LUNCH, AT-RISK SNACK AND AT-RISK SUPPER
Breakfast Reimbursement \$1.89 Lunch Reimbursement \$3.51	Breakfast Reimbursement \$1.89 Lunch Reimbursement \$3.51 At-Risk Snack Reimbursement \$.96 At-Risk Supper Reimbursement \$3.51
Reimbursement per child per day = \$5.40	Reimbursement per child per day = \$9.87
	<i>Additional revenue: +\$4.47 per child per day</i>

- How many children are you serving daily
- How many meals are you currently serving for a week/month
- Revenue increase is almost doubled

- Minimal additional staffing cost as meals can be prepped with breakfast/lunch
- Minimal, (if any) transport/serving cost
- Additional food cost is a great way to use USDA entitlement



Pairing with Your Meal Service

The Waiver to Allow Non-Congregate Feeding allows for many flexibilities and creative ways to serve At-Risk. It provides the SFA with the opportunity to find what works best for their sites and community. Especially during the times of COVID-19, serving meals through any Child Nutrition Program is not a “one-size fits all.”

For example:

- At-Risk meals/snacks can be served when breakfast and lunch are being served
- At-Risk meals/snacks can be provided for multiple days just like breakfast and lunch
- At-Risk meals/snacks can be prepped and packaged with breakfast and lunch



All Communities Can Benefit

The Area Eligibility Waiver opens the door for those who otherwise would not be able to participate. Through At-Risk meals, more food will be served; therefore, more children will be fed through this time of need that many are experiencing.

- This may be the only time for those who are not area eligible to participate
- Opportunity for those SFAs to increase revenue and get more meals/snacks to their community
- At-Risk is the best answer to recover losses experienced during the school closures



Questions?

Thank you!

If you are attending the live webinar, you will receive a link to complete the survey in EMS. After completing the survey, you can print a certificate of completion.

If you are watching the recorded webinar, you can access the survey link and certificate of completion at the end of the webinar slides.



Congratulations!

You have completed the *Recorded Webinar: Assessing Your Finances: Where Do You Go From Here?*

To request a certificate, please go to the next slide.

In order to count this training toward your Professional Standards training hours, the training content must align with your job duties.

Information to include when documenting this training for Professional Standards:

- **Training Title:** Recorded Webinar: Assessing Your Finances: Where Do You Go From Here?
- **Learning Codes:** 3340
- **Key Area:** 3300-Financial Management
- **Length:** 1 hour

Please Note: Attendees must document the amount of training hours indicated regardless of the amount of time it takes to complete it.



Congratulations!

Requesting a training certificate

Please click on the link below to complete a brief survey about this webinar. Once the survey is complete, you will be able to print your certificate of completion from Survey Monkey. **This will not appear in your Event Management System (EMS) Account.*

<https://www.surveymonkey.com/r/RecordedWebinarOnlineSurvey>

The information below is for your reference when completing the survey:

- **Training Title:** Recorded Webinar: Assessing Your Finances: Where Do You Go From Here?
- **Professional Standards Learning Codes: 3440**

