



## Strategies for Efficient Budgeting

The following section outlines a series of suggestions and strategies for helping you to ensure that your school's breakfast program maintains its long term financial viability. Many of these recommendations may be applied to your food service operation as a whole. Because every school environment is different, program operators may be confronted by a myriad of different cost considerations. As such, it is best to closely analyze areas of budgetary concern within your specific operation before choosing a remedy (or set of remedies) to help bring your costs into line.

### Making Changes to Meet the Break-Even Point

If your program is not reaching the break-even point, or the point at which revenues meet program costs, steps should be taken to move your budget toward equilibrium. Food and labor costs account for about 85 percent of the total program costs; however, the cost of operating a breakfast program is relatively lower than it is for lunch. While it is logical that these two areas might be considered when attempting to reduce costs, remember not to sacrifice quality when cutting your expenses. If the meals you are serving are not attractive to students or you are not investing enough into staffing and related resources, it will not matter how inexpensive your program is; there will likely not be sufficient revenue generated from sales.

Speaking of revenue, this is another important area to consider. Incorporating or expanding upon ideas and strategies for increasing revenue is an equally viable approach towards covering expenses and meeting the break-even point. Supplemented by the Federal cash reimbursement provided for each meal served to eligible students, the revenue generated from breakfast sales in most cases should be adequate to cover your expenses.

It may be necessary to take a closer look at the problem areas you've identified. If the program is being run without proper attention to detail or is employing inefficient business practices, growing participation to increase revenue may actually serve to compound the problem.

### Decreasing Food Costs

Although all food purchases must be conducted in accordance with Federal and state procurement regulations, including full and open competition, your food procurements should be one of the first areas to examine when expenses are higher than revenue. There are several ways

to reduce this highly variable cost to help achieve a reasonable break-even point. The following pages include a section titled “Tips for Decreasing Food Costs” which contains more detailed strategies for reducing the impact that food costs have on your budget.

### **Decreasing Labor Costs**

One of the most difficult challenges is controlling your labor costs. Long-term employees require higher wages and benefits. However, with the increased use of pre-prepared items and disposable dishes, it may be possible to reduce the amount of labor needed in order to prepare and provide breakfast service. More efficient use of your existing labor force may also be the answer. The marginal costs involved in adding paid work hours to existing employee’s schedules are often less than those associated with adding a new employee to your payroll. When implementing or expanding the School Breakfast Program, determine whether or not your existing food service staff is able and willing to assume the related preparation/serving responsibilities. Also examine closely your current or intended methods for providing breakfast service; for example, preparing grab ‘n go bags the day before may be more cost effective from a labor standpoint than providing traditional same-day breakfast service in the school cafeteria every morning. Strategies for reducing labor costs are distributed throughout the “Tips for Decreasing Food Costs” and “Tips for Increasing Revenue” sections, below.

### **Increasing Revenue**

When your food service operation is experiencing a revenue problem, the first area to consider for expansion may be the breakfast program. There is often room to grow your breakfast participation rate, whereas lunch participation may be at the maximum. In any case, the breakfast program is usually a great source for generating additional revenue, on top of being a great way to provide a tremendously valuable service to students and parents.

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,” below.

## **Tips for Decreasing Food Costs**

### **Menu Planning**

A. Offering single serving packages for extra food items

EXAMPLE: Use individual condiment packets or pre-portioned cups instead of allowing students to take unlimited quantities, or otherwise placing these items after point of service.

B. Consider cost of items that must be prepared by kitchen staff vs. items that require little (or no) preparation. Depending on the cost of your inputs, an item made from scratch may be less expensive (and more appealing to students).

EXAMPLE: Pancakes from scratch, pancake mix, or frozen pancakes. Think of which is the most cost effective way to prepare pancakes given the associated food and labor costs.

### **Purchasing**

A. Centralized purchasing in a cooperative arrangement creates buying power. Although all procurements must still be performed in accordance with all procurement and program regulations, cooperative purchasing can result in lower food costs.

EXAMPLE: Forty-five school districts formed a purchasing cooperative to take advantage of volume purchasing. A formal agreement was executed listing the responsibilities of each district. One district is responsible for warehousing and distribution.

B. Require fewer deliveries of all products.

EXAMPLE: Designate the periodic requirements for delivery of milk to two times per week instead of five times per week. (Assuming the delivery locations can properly store the increased volume of milk when receiving fewer deliveries.)

C. Purchase appropriate quantity for the program purpose.

EXAMPLE: In product specifications, examine monthly needs and buy in larger quantities whenever possible. Storage requirements need to be considered to accommodate delivery amounts. The initial cost of adding to existing storage capacity may save money in the long term.

D. Use USDA commodities wisely.

EXAMPLE: Plan menus to utilize USDA commodities to the fullest extent possible, such as USDA donated fresh apples. Estimate the quantity of apples needed in relation to the reported quantity of USDA fresh apples available and frequency of delivery. Once determined, use USDA donated apples when available and schedule purchased apples to supplement USDA apples, as needed, or for use when USDA donated apples will not be available.

E. Ensure that solicitations are drafted and advertised in a manner that ensures maximum full and open competition.

EXAMPLE: After only receiving two bids to provide food and other products for the school food service, the school decided to edit the terms and conditions of the solicitation, including lowering the bonding requirements and adding flexibility in the brands of products being acceptable, resulting in more competition and lower bid prices.

### **Receiving**

Establish a routine for all receipt of deliveries. 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, light syrup, No. 33 cans.

B. Monitor inventory daily.

EXAMPLE: Each time employees are issued a product from the warehouse, make sure that a real-time inventory is used and the amount of product removed/remaining is recorded. One employee is responsible for issuing items from the warehouse, rotating stock and noting unusual amounts on hand. Scale this model as appropriate for the size of your food service operation.

C. Ensure that all refrigeration equipment is properly calibrated.

EXAMPLE : Record the temperature of refrigeration equipment at the same time, or as close to the same time, daily. The best time to record the temperature is first thing in the morning before storage units have been opened. This helps determine when temperature changes may indicate potential problems. Also, checking product temperature upon receipt and refrigerating and/or freezing immediately may greatly reduce the risk of product loss from early spoilage.

### **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.

EXAMPLE: A dough recipe will require specific amounts of flour, butter, baking powder, etc. Ensure that proper measurements are used. Further consider switching from volume to weight measurements for accuracy, where viable.

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 residual ingredients from a mixing bowl with rubber scraper, especially when preparing large volume recipes.

E. Find creative ways to incorporate leftovers in other menu items.

EXAMPLE: At the end of each serving period, place leftover breakfast items in covered containers. Save for use at lunch that day or use it for the next day (for example, hard boiled eggs). Consider setting up some means of recycling unopened packaged food items or non-perishable goods like whole fruits. When doing this, make sure that you refer to FNS Instruction 786-6, "*Reimbursement for Recycled Milk and Other Meal Components*," and strictly observe all State and local food safety requirements.

## **Serving**

A. Monitor portion control.

EXAMPLE: Teach and emphasize portion control to all employees by instructing on correct use of ladle or scoop. Make sure you are taking the time to determine portions for inclusion in prepackaged meals ahead of time.

B. Compare meals served to production records.

EXAMPLE: If 250 meals were served and production records show a use of food items appropriate for 300 meals, additional portion controls should be established.

C. Establish employee policy on food use/storage 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**

### **Menu Planning**

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

A. Conduct taste testes in order to provide more palatable meal options to students.

EXAMPLE: Include breakfast pizza in the menu since it performed well in taste tests with eligible district students.

### **Extra Sales**

Offering additional food items or selling some foods a la carte provides additional revenue to the nonprofit school food service account.

A. Do some research to see what items are both popular and healthy. Keep in mind that the Smart Snacks in School requirements will apply to these sales beginning in School Year 2014-15.

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.

### **Serving Site**

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

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

EXAMPLE: Use a transportable cart with an awning in the hall to serve breakfast.

B. Establish outdoor sales and service, providing places for students to sit.

EXAMPLE: Use a portable cart for breakfast service. Load the cart in the kitchen and move to the lawn where students gather before school. Make sure the cart has the proper equipment to keep foods at their proper serving temperature.

C. If using a fixed serving location (such as a school cafeteria), 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.

### **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.

D. Offer breakfast at multiple times using multiple service methods.

EXAMPLE: Traditional service or after the bell service in the cafeteria, Grab 'n Go breakfasts available in hallways throughout the morning.

E. Offer breakfast in the classroom.

EXAMPLE: Serving breakfast in the classroom can increase your revenue flow by guaranteeing that meals get served to more students, resulting in more Federal reimbursement.

### **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 and return all revenues to the nonprofit school food service account, as required by program regulations.

EXAMPLE: Create a catering notebook with menus, serving style and prices. Get a copy of 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 Head Start program to provide meals for children for the school year. Note: Sales tax must typically be collected for any group other than non-profit.

### **Meal Charges**

Prices charged for full-priced meals and adult meals have a major impact on revenue 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.