

Memorial Hospital Foodservice Budget

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I. Planning

A. Mission Statement: Work as a team to provide excellent foodservice and high quality patient care.

B. Goals

- 1) Create a culture of positivity and team morale.
- 2) Spend judiciously and within our means.
- 3) Provide high quality meals with excellent customer service.

C. Long Term Objectives

- 1) Within one year, provide wages and benefits that 75% of employees report being satisfied with.
- 2) Within one year, organize finances to be in accordance with the budget in place. The organization will earn more than it spends.
- 3) Improve overall customer satisfaction by providing employees with bi-weekly in-service trainings on topics pertaining to foodservice such as customer service, kitchen procedures, food safety. Etc.

D. Short Term Objectives

- 1) Establish a way to report grievances and give feedback. Create an anonymous comments box and during an employee meeting educate employees on the existence of reporting procedures.
- 2) Create a budget that includes all income, expenditures, and future expenses that can be used to balance finances and plan financially for the future.
- 3) Implement standardized recipes and allow for experimentation and taste testing to create these recipes.

II. Income Budget

Income Budget ¹			
2014	Meals Served	Meal Equivalent Value	Income
Cafeteria Meals	225,000	\$4.85	1,091,250
Patient Meals	200,000	\$2.25	450,000
Total	425,000		1,541,250
2015	Meals Served	Meal Equivalent Value	Income
Forecasted Cafeteria Meals	171,428	\$4.85	831,426
Forecasted Patient Meals	200,000	\$2.25	450,000
Total	371,428		1,281,426
2016	Meals Served	Meal Equivalent	Income
Forecasted Cafeteria Meals	225,000	\$5.91	1,331,325
Forecasted Patient Meals	200,000	\$2.75	549,000
Total	425,000		1,880,325

III. Operating Budget A. Labor Expenses

Labor Expenses											
Position	# of Workers	Seniority	Hourly Wage	Hours Worked per Pay Period	Hours per Year	Yearly Wage	Paid Leave Time Accrual Rate	Health Care Insurance	Retirement Plan	FICA	Total/Year
Dietitian, Admin	1	6 yr	\$ 27.50	80	2080	\$ 57,200.00	\$ 245.44	\$ 3,000.00	\$ 4,290.00	\$ 4,290.00	\$ 69,025.44
Dietitian, Relief	1	1 yr	\$ 19.80	40	1040	\$ 20,592.00	\$ 111.28	\$ 3,000.00	\$ 1,544.40	\$ 1,544.40	\$ 26,792.08
Supervisor I	1	15 yr	\$ 16.35	80	2080	\$ 34,008.00	\$ 295.36	\$ 3,000.00	\$ 2,550.60	\$ 2,550.60	\$ 42,404.56
Supervisor II	1	4 yr	\$ 14.75	80	2080	\$ 30,680.00	\$ 222.56	\$ 3,000.00	\$ 2,301.00	\$ 2,301.00	\$ 38,504.56
Supervisor III	1	2 yr	\$ 14.25	32	832	\$ 11,856.00	\$ 89.02	\$ -	\$ 889.20	\$ 889.20	\$ 13,723.42
AM Cook	1	3.5 yr	\$ 14.95	80	2080	\$ 31,096.00	\$ 222.56	\$ 3,000.00	\$ 2,332.20	\$ 2,332.20	\$ 38,982.96
PM Cook	1	17 yr	\$ 15.85	80	2080	\$ 32,968.00	\$ 295.36	\$ 3,000.00	\$ 2,472.60	\$ 2,472.60	\$ 41,208.56
Relief Cook	1	2 yr	\$ 12.50	80	2080	\$ 26,000.00	\$ 222.56	\$ 3,000.00	\$ 1,950.00	\$ 1,950.00	\$ 33,122.56
Food Service Worker B											
	8	5 yr	\$ 10.75	80	16640	\$ 178,880.00	\$ 1,780.48	\$ 3,000.00	\$ 13,416.00	\$ 13,416.00	\$ 210,492.48
	5	1 yr	\$ 9.35	80	10400	\$ 97,240.00	\$ 1,112.80	\$ 3,000.00	\$ 7,293.00	\$ 7,293.00	\$ 115,938.80
	2	8 yr	\$ 12.45	80	4160	\$ 51,792.00	\$ 245.44	\$ 3,000.00	\$ 3,884.40	\$ 3,884.40	\$ 62,806.24
Food Service Worker A											
	7	2.5 yr	\$ 8.90	80	14560	\$ 129,584.00	\$ 1,557.92	\$ 3,000.00	\$ 9,718.80	\$ 9,718.80	\$ 153,579.52
	4	1 yr	\$ 8.60	40	4160	\$ 35,776.00	\$ 445.12	\$ 3,000.00	\$ 2,683.20	\$ 2,683.20	\$ 44,587.52
	12	2 yr	\$ 7.90	20	6240	\$ 49,296.00	Part time workers	\$ -	\$ 3,697.20	\$ 3,697.20	\$ 56,690.40
TOTALS				932	70512	\$ 786,968.00	\$ 6,845.90	\$ 36,000.00	\$ 59,022.60	\$ 59,022.60	\$ 947,859.10

B. Other Expenses

Other Expenses ²			
	2014	2015	2016
Beginning Inventory	\$55,780.00	\$34,056.00	\$37,332.00
Purchases	\$1,240,000.00	\$1,125,000.00	\$1,080,000.00
Ending Inventory	\$34,056.00	\$37,332.00	\$30,000.00
Cost of Food Used	\$1,261,724.00	\$1,121,724.00	\$1,087,332.00
Supplies	\$16,255.00	\$16,225.00	\$15,576.00
Minor Equipment	\$12,325.00	\$12,325.00	\$118,932.00
Continuing Education		\$250.00	\$275.00

C. Income and Expense Statement

Income and Expense Statement ⁴				
INCOME		Meals Served	Meal Equivalent	Income
	Forecasted Cafeteria Meals	225,000	\$5.91	1,331,325
	Forecasted Patient Meals	200,000	\$2.75	549,000
	Total	425,000		1,880,325
EXPENSES	Operating Budget			
	Employee Cost	786,968		
	Paid Time Off (PTO)	6846		
	Health Care Insurance	36,000		
	Retirement Plan	59,023		
	FICA	-233,093		
	Total Employee Cost	655,744		
	Other Expenses			
	Cost of Food Used	1,087,322		
	Supplies	15,576		
	Minor Equipment	118,932		
	Continuing Education	275.00		
	Total Other Expenses	1,222,105		
	Total Expenses	1,877,849		
	Final Budget	2,476		

D. Capital Budget

1. Full size convection oven: \$6,000

A full size convection oven will benefit our organization because of its ability to quickly cook large quantities of food at a time as well as hold food at a desired temperature. We predict that with this convection oven, we will be able to get food ready in time for service more efficiently. Because of its ability to quickly cook food, we also predict that the quality of the food will be increased because of our ability to batch cook.

2. Tilting skillet: \$10,000

Tilting skillets are versatile pieces of equipment that can be used to make gravies and sauces, burgers, soups, stir-fry vegetables, and many other similar dishes. This piece of equipment is convenient because its size can accommodate large quantities of food at a time. We predict that with a tilting skillet, the variety of our menu options will greatly increase as well as our efficiency.

IV. Operating Statistics

Operating Statistics ³					
YEAR	Total Food Cost	÷	Total # Meals Served	=	Food Cost per Meal
2014	1,261,724		425,000		2.97
2015	1,121,724		371,428		3.02
2016	1,087,332		425,000		2.558428235
	Total Labor Cost	÷	Total # Meals Served	=	Labor Cost per Meal
2014	947,859		425,000		2.23
2015	947,859		371,428		2.55
2016	966,816		425,000		2.27
	Total Cost (food + labor)	÷	Total # Meals Served	=	Total Cost per Meal
2014	2,209,583		425,000		5.20
2015	2,211,978		371,428		5.96
2016	2,256,218		425,000		5.31
	Total # Meals Served	÷	Total Labor Hours	=	Meals per Labor Hour
2014	425,000		70,512		6.03
2015	371,428		70,512		5.27
2016	425,000		70,512		6.03
	Total Food Cost	÷	Total Sales	=	Food Cost Percentage
2014	1,261,724		1,541,250		0.819
2015	1,121,724		1,281,426		0.8753716563
2016	1,087,332		1,880,325		0.5782681185
	Total Labor Cost	÷	Total Sales	=	Labor Cost Percentage
2014	947,859		1,541,250		0.615
2015	947,859		1,281,426		0.74
2016	966,816		1,880,325		0.5141749432
	Total Labor Mins to Produce Meals	÷	Total # Meals Served	=	Labor Minutes per Meal
2014	3,744,000		425,000		8.81
2015	3,744,000		371,428		10.08
2016	3,744,000		425,000		8.81

V. Analysis

The biggest problems that we saw with the organization were lack of organization and progression, unwise use of resources, and low employee morale. We decided to invest time and money into rectifying these problems with the hope that by improving the organization at its core, sales would increase while superfluous spending would decrease.

1. Lack of organization and progression: We decided to implement standardized recipes in order to reduce food waste and for better quality control. The development of these recipes will include employee input through submission of recipes and taste panels. By including the employees in the development of these recipes, we hope that they will be enthusiastic in creating quality, standard meals that they will be proud to serve. We also hope that these standardized recipes will help control food costs, and help management to better understand where money is going.

2. Wise budgeting: In order to make sure that our organization spends less than it earns, we are raising the cost of food by 5% (which also accounts for 2% inflation.) Because the quality of meals will increase through standardized recipes, we hope that even with the increased cost sales will stay the same.

3. Low employee morale: If employees are not excited to prepare and serve food, it will be apparent through poor customer service, sloppy plate presentation, and low quality. We are implementing employee in-service trainings on a variety of topics to help employees feel more confident. When employees are more competent they are more likely to be satisfied about their work. We also implemented a way for employees to give feedback and voice grievances anonymously, which will help increase communication and hopefully satisfaction.

While some of these changes might take time and effort to implement, we believe that by implementing these ideas the financial situation of the organization will improve. Over time, if we are able to get the budget under control, we can raise employee wages as necessary.

VI. Explanations

1. The forecasted cafeteria meals is based on the number of meals that has already been sold for 2015 per month (from January 1 through July 31.) We assumed that the number of cafeteria meals sold per month would remain relatively stable for the rest of the year. Since there was no data given for the number of patient meals for the year 2015, we assumed it would remain the same as last year and for the following year. The data from 2014 is most accurate for number of meals sold as the numbers were actually recorded, so we used the numbers from 2014 to forecast 2016 numbers. We increased the prices of meals for 2016 by 5% to account for an inflation rate of 2% and to boost income from meals sold. We will ensure that sales stay high even with increased prices by focusing on customer service, quality, and incorporating themed meals into our menus.

2. For the purchases for 2016 we increased the price to adjust for inflation, but decreased the price by 80% after. We also predicted that in the end, we would have \$30,000 left over in inventory. We believe with our changes to standardized recipes we will be able to purchase less food and use it more efficiently. We also think that we should have less inventory left over in the end, and with trainings we will be able to use less food more efficiently. We used the same math to forecast the costs of supplies and minor equipment, because with our employee trainings, employees will be more educated on how to properly use equipment and supplies. We figured that \$275 would be all that we could afford to help with continuing education for dietitians. This expense was needed to fulfill employee continuing education benefits and as part of the plan to increase employee education.

3. Additional equations used include Food Cost Percentage, Labor Cost Percentage, and Labor Minutes Per Meal. These were used in order to better analyze the expenses of the operation and to better forecast and budget for future operations.

4. In the end, we had \$2,476 left over. Although this isn't a huge income, we hope that our trainings, standardized recipes, and other implementations will become more effective and save more money in future years.