Budget Assignment

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I. Planning

A. Mission Statement: Provide nutritious, appealing, safe meals to patients and visitors in a friendly and efficient manner.

B. Goals:
   a. Each employee will be properly trained in food safety and apply those principles.
   b. Each meal will be prepared to cater to individuals' dietary needs.
   c. Each customer will feel valued and important.

C. Long-term objectives
   a. Have each employee ServSafe certified.
   b. Provide meals that not only cater to guests, but also to guests with special dietary needs.
   c. Employees will be more personable with patients and guests through interaction and learning of names.

D. Short-term objectives
   a. Hold an additional weekly employee training meetings on food safety and sanitation.
   b. Develop recipes for the cafeteria that are specific to lactose intolerant, vegetarian, and celiac diets.
   c. Plan theme days and monotony breakers to provide fun interaction between employees and customers.

II. Income Budget

Price per meal	# Sold/Year	Sales
(General Public)$ 5.49	225,000	$1,235,250
(Patients) $2.45	200,000	$490,000
	Total:	$1,725,250

III. Operating Budget

A. Labor Cost

Wages

Position	# employees	Seniority	Hourly Wage	Hours worked/2 weeks		
Dietitian, Admin		7	$27.5	80	2200	
Dietitian, Relief		2	$19.25	40	770	
Supervisor I		16	$16.35	80	1308	
Supervisor II		5	$14.75	80	1180	
Supervisor III		3	$14.25	32	456	
AM Cook		4.5	$14.95	80	1196	
PM Cook		18	$15.85	80	1268	
Relief Cook		3	$12.5	80	1000	
Food Service Worker B	8	6	$10.75	80	6880	
	5	2	$9.35	80	3740	
	2	9	$12.45	80	1992	
Food Service Worker A						
	7	3.5	$8.9	80	4984	
	4	2	$8.6	40	1376	
	12	3	$7.9	20	1896	Wages/year
					30246	$786,396

Paid Time Off (PTO)

Position	#	Seniority	Hourly Wage	Hrs worked/ 2 weeks	(PTO equivalent) x (Wage)	PTO cost per 2 weeks	
Dietitian, Admin		7	$27.5	80	3.245	$259.6	
Dietitian, Relief		2	$19.25	40	2.05975	$82.39	
Supervisor I		16	$16.35	80	2.3217	$185.73	
Supervisor II		5	$14.75	80	1.7405	$139.2	
Supervisor III		3	$14.25	32	1.52475	$48.79	
AM Cook		4.5	$14.95	80	1.59965	$127.97	
PM Cook		18	$15.85	80	2.2507	$180.05	
Relief Cook		3	$12.5	80	1.3375	$107	
Food Service Worker B	8	6	$10.75	80	1.2685	$811.84	
	5	2	$9.35	80	1.00045	$400.18	
	2	9	$12.45	80	1.4691	$235.05	
Food Service Worker A							
	7	3.5	$8.9	80	0.9523	$533.28	
	4	2	$8.6	40	0.9202	$147.23	
	12	3	$7.9	20	0.8453	$202.87	Total PTO wages
						$3461.25	$89992.6

Health Care Insurance

Health Insurance/ month	Cost per year
33 employees	
$8250	$99,000

Retirement

Total Wages	Wages x .015
%786396	$117959.4
Retirement	$117959.4

Tuition

Tuition	
	$5000

Funeral Leave Plan

Funeral	
~$100/day	
	$1000

Total Labor Cost: **$1117288**

B. Other Expenses (Food and Supplies)

Food expenses:

$1,000,000

Supplies:

$12,000

Minor Equipment:

$12,822.93

Continuing Education:

$1,500

C. Income and Expense Statement

Income:	$1,725,250
Wages:	($786,396)
Paid Time Off:	($89,992.60)
Health Care:	($99,000)
Retirement:	($117,959.4)

Tuition:	($5,000)
Funeral Leave:	($1,000)
Food expenses:	($1,000,000)
Supplies:	($12,000)
Minor Equipment:	($12,822.93)
Continuing Education:	($1,500)
Net Income:	**-$400,420.93**

D. Capital Budget

Convection oven: *Hobart Full Size S/S Natural Gas Convection Oven* = $5,256.02

Mixer: *Hobart Legacy Bench Model Small Planetary Mixer* = $4,958.03

Total over three years = $10,214.05

Total for one year = $3,404.68/year

IV. Operating Statistics

2011 Statistics

Food Cost per Meal: $2.97 ($1,261,724/425,000= $2.97 per meal)

Labor Cost per Meal: $2.62 ($1,114,9838/425,000= $2.62 per meal)

Total Cost per meal: $5.79 ($2,461,208/425,000= $5.79 per meal)

Meals per labor hour: 5.85 meals/hour (425,000 meals/ 72592 hours = 5.85)

Food Cost Percentage: (raw food cost/sales) = $1,261,724/1,481,250= 85% FC

Labor hours per meal: (# of labor hours per year/# of meals) = (72592/425,000)

= 0.17 labor hours/meal

- Industry average is 0.19 hours per meal, and because we are at 0.17, we are working harder and faster than the average.

Break-Even Point: (Fixed cost/ (1- (Variable cost/Sales))

Fixed Cost = Labor + Major and Minor Equipment

Variable Cost = Food + Supplies

(1,130,641.33/ (1- (1,276,979/1,481,250)))

=$8,198,728.50

We would need about 8 million dollars to break-even.

Forecasted Statistics for 2013:

We plan to decrease food costs by purchasing only $1,000,000 worth of food for the year.

Food Cost per meal: $2.35 ($1,000,000/425,000 meals = $2.35 per meal)

Labor Cost per Meal: $2.62 ($1,117,288/425,000= $2.62 per meal)

Total Cost per meal: $5.05 ($2,147,016/425,000 meals = $5.05)

Meals per labor hour: 5.85 (2,792 labor hours for all employees *26 pay periods=72592

425,000/72592= 5.85 meals)

Food Cost Percentage: 58% (raw food cost/sales) = ($1,000,000/$1,725,250=.58

Labor hours per meal: (# of labor hours per year/# of meals) = (72592/425,000)

= 0.17 labor hours/meal

Break-Even Point: (Fixed cost/ (1- (Variable cost/Sales))

Fixed Cost = Labor + Major and Minor Equipment +Continuing Education[1]

Variable Cost = Food + Supplies

(1,133,515.61/(1- (1,012,000/1,725,250)))

=$2,741,812.56

V. Analysis

- Food costs: We are reducing food cost to make the food cost percentage decrease. By decreasing our food cost from $1,261,724 to $1,000,000, we decreased our food cost percentage from 85% to 58%. While we would still like to see the food cost percentage decrease in later years, this is a great start. We expect to reduce this cost by looking at our expensive recipes and altering them to be less expensive.[2] We will compare vendor costs and search for better deals.[3] We will reduce waste by checking proper receiving and storage behaviors, and also proctoring plate waste studies.[4]
- Increase meal cost: We expect the increased meal cost to increase our sales and help us reach our break-even point. We will increase the sales price for the public and for the patients. Increase the meal price sold to people other than patients to $6.49 over the course of 3 years. First we will increase to $5.49, then to $5.99, then to $6.49. We'll also raise the patient meals $0.50 for the first year, then $0.25 each year after that for the following two years.[5] By making our first adjustment, in both food costs and sale price, our break-even point decreases from $8,198,728.50 to $2,741,812.56. Over the next three years, we anticipating being able to have equal income and output.
- Sales: We have sold less than expected so far in 2012, but we plan to increase sales to reach the rates we were at in 2011. We will do this by promoting the cafeteria and by having an in-service with employees on customer service.[6]

VI. Explanations

1. As the manager, it is important to always be involved in continuing education (CE). I've decided to attain 15 hours of CE to strengthen my abilities to make more positive changes in my department.
2. We are assuming that there are high-cost foods that are not worth purchasing. We can hold taste panels to determine if our recipes can use less expensive ingredients to replace the expensive ones.
3. It is possible that they are using the lowest cost items. But, assuming that they are not, we would search for better deals with different vendors.
4. Our food cost is high, so we are assuming that we might be wasting a lot of food, either through high plate waste or improper handling.
5. We assume that once the hospital realizes how much it costs to make each meal, they will accommodate us by allotting more money per patient meal. We will start with small increases so it won't be a shock to the hospital or the customers.
6. We are assuming that by doing these things, the number of meals sold will increase to former rates, thus increasing sales.