

I. Planning

A. Mission Statement: To provide high-quality, cost-effective nutrition services to our customers (patients, employees, and visitors) and create a positive work environment for employees.

B. Goals:

1. Provide nutritious, attractive, and satisfying meals to customers (patients, employees, and visitors) that meet or exceed the standards set by the Joint Commission.
2. Create a sound financial foundation by establishing and following a progressive budget.
3. Initiate ongoing training and education for foodservice employees in order to increase employee morale and performance of the department.

C. Long-term objectives:

1. Provide high-quality attractive food and create a positive reputation for the hospital food service department over the next ten years.
2. Manage and use finances more effectively in order to help grow and expand the department over the next ten years.
3. Create a positive work environment for employees and increase employee morale by providing training and increased wages over the next ten years.

D. Short-term objectives:

1. Standardize all recipes over the next six months to ensure quality for all meals that are served to customers (patients, employees, and visitors)
2. Track revenues and expenses over the next six months in order to verify management is following the income and operating budget created.
3. Provide in-service trainings for all food service employees over the next six months in order to increase employee morale and efficiency.

V. Analysis

We decided to fire one full time employee in order to reduce labor cost. By firing one full time employee, the company saves \$26,450. We did not want to be understaffed and therefore only fired one employee. We will reassess the workload later and decide if other employees need to be let go. The money saved by reducing labor costs can be reinvested into employee salaries and therefore help boost employee morale.

As the new Food Service Director, we decided to focus on employee training. Incorporating in-service training and supervisor training will allow us to decrease costs in many different areas. First, better training will improve food quality and appearance. We predicted that higher food quality and appearance would boost food sales in 2015. Also, training will provide education on standardized menus, serving sizes, and equipment care. This training will help reduce food, supply, and other costs. Also, training will provide motivation and support to employees, therefore improving employee morale. Training will

teach the supervisors how to become better leader; also leading to increased employee morale.

Overall, our changes are small but over time they will create a large positive impact to the hospital foodservice operation. With these changes, we hope to improve the quality of our food, boost employee morale, and create a sound financial foundation.

VI. Explanations

a. We assumed we had more employees than we needed. We decided to let go of one full time employee to reduce labor costs and due to increased employee efficiency from training. We will reassess later if we are still overstaffed and make cuts as necessary.

b. We assumed food costs would decrease by 10% because of new standardized recipes, newer equipment, and more in-service training. These factors will help reduce food waste and ensure equal quality.

c. In order to better develop our leadership skills; we have decided to attend the upcoming Western Foodservice & Hospitality Expo, held in Los Angeles, California. We have calculated that the total cost for this three-day expo will be \$1,215. The facility will pay for travel and food accommodations but registration will not be covered. Seminars include increasing revenue and delivering optimal customer service. These are all areas we would like to improve at our hospital and feel that attending this expo will help us achieve our goals.

d. We assumed supplies and equipment costs would decrease by 10% due to improved training and emphasizing the importance of not overusing items such as gloves, aprons, and towels.

e. We predicted the forecasted meal volume would increase to 225,000 meals. We projected higher meal sales due to increased employee morale and training that will make the meals more appealing.

f. We expected cafeteria and patient meal costs to increase by 2% due to inflation.

g. We have included two new pieces of equipment to our facility: a tilting skillet and a convection combi oven. Both pieces of equipment will help speed up production and help maintain high quality of menu items. Also, these two pieces of equipment should make production simpler for employees, decreasing labor costs.

Labor Costs:

Position	# Employees	Seniority (yrs)	Hourly Wage	Hours Worked /Pay Period	Hrs Worked	PTO ?	Hrs PTO	PTO AMT	HCI ?	HCI AMT	Total Wages	Retirement	FICA	Adj Wages
Dietician, Admin	1	6	\$30.50	80	2080	Yes	245.44	\$7,485.92	Yes	\$3,000	\$63,440.00	\$4,758.00	\$4,758.00	\$58,682.00
Dietitian, Relief	1	1	\$20.80	40	1040	No	0	\$-	Yes	\$3,000	\$21,632.00	\$1,622.40	\$1,622.40	\$20,009.60
Supervisor I	1	15	\$17.35	80	2080	Yes	295.36	\$5,124.50	Yes	\$3,000	\$36,088.00	\$2,706.60	\$2,706.60	\$33,381.40
Supervisor II	1	4	\$15.75	80	2080	Yes	222.56	\$3,505.32	Yes	\$3,000	\$32,760.00	\$2,457.00	\$2,457.00	\$30,303.00
Supervisor III	1	2	\$15.25	32	832	No	0	\$-	No	\$-	\$12,688.00	\$951.60	\$951.60	\$11,736.40
AM Cook	1	3.5	\$14.95	80	2080	Yes	222.56	\$3,327.27	Yes	\$3,000	\$31,096.00	\$2,332.20	\$2,332.20	\$28,763.80
PM Cook	1	17	\$16.95	80	2080	Yes	295.36	\$5,006.35	Yes	\$3,000	\$35,256.00	\$2,644.20	\$2,644.20	\$32,611.80
Relief Cook	1	2	\$13.50	80	2080	Yes	222.56	\$3,004.56	Yes	\$3,000	\$28,080.00	\$2,106.00	\$2,106.00	\$25,974.00
Food Service Worker B														
8 employees	8	5	\$10.75	80	16640	Yes	1780.48	\$19,140.16	Yes	\$24,000	\$178,880.00	\$13,416.00	\$13,416.00	\$165,464.00
5 employees	5	1	\$9.35	80	10400	Yes	1112.80	\$10,404.68	Yes	\$15,000.00	\$97,240.00	\$7,293.00	\$7,293.00	\$89,947.00
2 employees	2	8	\$12.45	80	4160	Yes	490.88	\$6,111.46	Yes	\$6,000.00	\$51,792.00	\$3,884.40	\$3,884.40	\$47,907.60
Food Service Worker A														
7 employees	7	2.5	\$8.95	80	14560	Yes	1557.92	\$13,943.38	Yes	\$21,000	\$130,312.00	\$9,773.40	\$9,773.40	\$120,538.60
4 employees	4	1	\$8.75	40	4160	No	0	\$-	Yes	\$12,000	\$36,400.00	\$2,730.00	\$2,730.00	\$33,670.00
12 part-time	12	2	\$8.50	20	6240	No	0	\$-	No	\$-	\$53,040.00	\$3,978.00	\$3,978.00	\$49,062.00
					Total Hours			PTO AMT		HCI AMT	Total Wages	Retirement	FICA	
					70,512			\$77,053.60		\$99,000.00	\$808,704.00	\$60,652.80	\$60,652.80	
										2013/2014 Labor Cost:	\$1,106,063.20			

2015 Labor Costs:

Position	# Employees	Seniority (yrs)	Hourly Wage	Hours Worked/ Pay Period	Hrs Worked	PTO?	Hrs PTO	PTO AMT	HCI ?	HCI AMT	Total Wages	Retirement	FICA	Adj Wages
Dietician, Admin	1	6	\$30.50	80	2080	Yes	245.44	\$7,485.92	Yes	\$3,000	\$63,440.00	\$4,758.00	\$4,758.00	\$58,682.00
Dietitian, Relief	1	1	\$20.80	40	1040	No	0	\$-	Yes	\$3,000	\$21,632.00	\$1,622.40	\$1,622.40	\$20,009.60
Supervisor I	1	15	\$17.35	80	2080	Yes	295.36	\$5,124.50	Yes	\$3,000	\$36,088.00	\$2,706.60	\$2,706.60	\$33,381.40
Supervisor II	1	4	\$15.75	80	2080	Yes	222.56	\$3,505.32	Yes	\$3,000	\$32,760.00	\$2,457.00	\$2,457.00	\$30,303.00
Supervisor III	1	2	\$15.25	32	832	No	0	\$-	No	\$-	\$12,688.00	\$951.60	\$951.60	\$11,736.40
AM Cook	1	3.5	\$14.95	80	2080	Yes	222.56	\$3,327.27	Yes	\$3,000	\$31,096.00	\$2,332.20	\$2,332.20	\$28,763.80
PM Cook	1	17	\$16.95	80	2080	Yes	295.36	\$5,006.35	Yes	\$3,000	\$35,256.00	\$2,644.20	\$2,644.20	\$32,611.80
Relief Cook	1	2	\$13.50	80	2080	Yes	222.56	\$3,004.56	Yes	\$3,000	\$28,080.00	\$2,106.00	\$2,106.00	\$25,974.00
Food Service Worker B														
7 employees ^a	7	5	\$10.75	80	14560	Yes	1557.92	\$16,747.64	Yes	\$21,000	\$156,520.00	\$11,739.00	\$11,739.00	\$144,781.00
5 employees	5	1	\$9.35	80	10400	Yes	1112.80	\$10,404.68	Yes	\$15,000	\$97,240.00	\$7,293.00	\$7,293.00	\$89,947.00
2 employees	2	8	\$12.45	80	4160	Yes	490.88	\$6,111.46	Yes	\$6,000	\$51,792.00	\$3,884.40	\$3,884.40	\$47,907.60
Food Service Worker A														
7 employees	7	2.5	\$8.95	80	14560	Yes	1557.92	\$13,943.38	Yes	\$21,000	\$130,312.00	\$9,773.40	\$9,773.40	\$120,538.60
4 employees	4	1	\$8.75	40	4160	No	0	\$-	Yes	\$12,000	\$36,400.00	\$2,730.00	\$2,730.00	\$33,670.00
12 part-time	12	2	\$8.50	20	6240	No	0	\$-	No	\$-	\$53,040.00	\$3,978.00	\$3,978.00	\$49,062.00
					Total Hours			PTO AMT		HCI AMT	Total Wages	Retirement	FICA	
					68432			\$74,661.08		\$96,000.00	\$786,344.00	\$58,975.80	\$58,975.80	
										2015 Labor Cost:	\$1,074,956.68			

Footnotes: For more details see explanation section

a Because of efficiency gains with improved training, we were able to let go of one employee

Other Expenses:

<u>Food Expenses</u>									
1 Jan 2013 Beginning Inventory	\$55,780.00								
Purchases	\$1,240,000.00								
31 Dec 2013 Ending Inventory	\$34,056.00								
2013 Cost of Food Used	\$1,261,724.00								
2014 Cost of Food Used	\$1,261,724.00								
Inflation Rate	\$0.02								
2015 Cost of Food Used ^b	\$1,158,262.63								
<u>Supplies</u>									
2013 Cost of Supplies	\$16,255.00								
2014 Cost of Supplies	\$16,255.00								
Inflation Rate	\$0.02								
2015 Cost of Supplies ^d	\$14,922.09								
<u>Minor Equipment</u>									
2013 Cost of Minor Equipment	\$12,325.00								
2014 Cost of Minor Equipment	\$12,325.00								
Inflation Rate	\$0.02								
2015 Cost of Minor Equipment ^d	\$11,314.35								
<u>Continuing Education</u>									
Leadership Training ^c	\$0.00								
Marriott Hotel (5 nights)	\$685.00								
Travel	\$500.00								
3 Dinners outside program	\$30.00								
2015 Training Total	\$1,215.00								
2013 Other Expenses Total	\$1,290,304.00								
2014 Other Expenses Total	\$1,290,304.00								
2015 Other Expenses Total	\$1,185,714.07								

Footnotes: For more details see explanation section

b.	Food costs would decrease by 10% because of new standardized recipes, newer equipment, and more in-service training
c.	Supervisor training at the upcoming Western Foodservice & Hospitality Expo, held in Los Angeles, California.
d.	We assumed supplies and equipment costs would decrease by 10% because of new in-service training.

Operating Statistics:

2013	
Meal equivalent value	\$5.90
Revenue per patient meal	\$3.55
2013 meal equivalents sold	225000
2013 patient meals served	200000
Total Sales 2013	\$2,037,500.00
2014	
Meal equivalents sold through July 31 2014	100000
Projected 2014 meal equivalents sold	171000
Projected 2014 patient meals served	200000
Department receives per patient meal	\$3.55
Meal equivalent value	\$5.90
Total Sales 2014	\$1,718,900.00
2015	
Forecasted 2015 meal volume ^e	225000
Forecasted 2015 patient meals served ^e	200000
Interest	\$0.02
2015 Forecasted meal equivalent value ^f	\$6.02
2015 Forecasted income per patient meal ^f	\$3.62
Total Sales 2015	\$2,078,250.00

	Food Cost	Labor Cost	Other Expenses	Total Cost	Total Labor Hours	Total Labor Minutes	Total FTEs
2013	\$1,261,724.00	\$1,106,063.20	\$1,290,304.00	\$2,396,367.20	70512	4230720	33.9
2014	\$1,261,724.00	\$1,106,063.20	\$1,290,304.00	\$2,396,367.20	70512	4230720	33.9
2015	\$1,158,262.63	\$1,074,956.68	\$1,185,714.07	\$2,260,670.75	68432	4105920	32.9
		2013	2014	2015			
Food cost per meal		2.97	3.40	2.73			
Labor cost per meal		2.60	2.98	2.53			
Total cost per meal		5.64	6.46	5.32			
Meals per labor hour		6.03	5.26	6.21			
Food cost percentage		0.62	0.73	0.56			
Labor minutes per meal		9.95	11.40	9.66			
Meals per FTE		12537	10944	12918			

Footnotes: For more details see explanation section

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| e. | Projected amounts are increased from 2014 due to improved efficiency and morale of employees |
| f. | Assuming a 2% inflation rate |

Income and Expense Statement:

Income and Expense Statement				
		<u>2013</u>	<u>2014</u>	<u>2015</u>
Sales				
	Patient Meals	\$710,000.00	\$710,000.00	\$724,200.00
	Non-patient Meals	\$1,327,500.00	\$1,008,900.00	\$1,354,050.00
Expenses				
	Food Cost	\$(1,261,724.00)	\$(1,261,724.00)	\$(1,158,262.63)
	Labor Cost	\$(1,106,063.20)	\$(1,106,063.20)	\$(1,074,956.68)
	Supplies	\$(16,255.00)	\$(16,255.00)	\$(14,922.09)
	Minor Equipment	\$(12,325.00)	\$(12,325.00)	\$(11,314.35)
	Continuing Education	\$-	\$-	\$(1,215.00)
Net Income				
		\$(346,542.20)	\$(665,142.20)	\$(169,891.40)

Capital Budget^g:

Equipment	Cost	Justification
Vulcan VE30 Tilting Skillet	\$(11,550.80)	Make production easier, save employee time
Rational Model 61 A618206.27D Combi Oven	\$(13,064.00)	Speed production of hamburgers, scones, grilled cheese sandwiches, and Reuben sandwiches, reduce employee stress, and help produce a standardized product every time that will be of high quality