

FACT SHEET

Food Service Management Company (FSMC) MEAL EQUIVALENTS

If a FSMC contract has a cents per meal fee, a la carte and/or special function sales are converted into meal equivalents for the purpose of determining the FSMC fee(s). The meal equivalents are added to the reimbursable meal counts to determine a total meal count. A cents per meal fee is applied to the total meal count.

Most a la carte items can be produced more quickly and at a lower cost than a reimbursable meal (especially commercially prepared prepackaged items requiring minimal preparation and labor). Therefore, the a la carte service may yield higher management fees for the FSMC per unit sale than the reimbursable meals served. This could possibly result in increased management fees for the School Food Authority (SFA) and a reduction in state and federal reimbursement and USDA Foods entitlement value for the following school year. .

In an effort to preclude the promotion of a la carte sales over reimbursable meal revenue, it is suggested that the conversion factor used, at a minimum, be equal to or greater than the rate of reimbursement for a free lunch

The meal equivalent conversion factor must be stated in the SFA's Request for Proposal

SAMPLE CALCULATIONS

Example: A la carte Sales for One Month - \$23,000

- Possible Conversion Factors:
- \$1.00 (most common)
 - or
 - Current free reimbursement rate
 - or
 - SFA's average paid lunch price

Management Fee - \$.15/per meal/meal equivalent

- **\$1.00 Conversion Factor**
 $\$23,000 \div \underline{\$1.00} = 23,000 \text{ meal equivalents} \times \$0.15 = \underline{\$3,450.00}$ for the management fee.
- **\$3.215 Conversion Factor (FY 17 free reimbursement)**
 $\$23,000 \div \underline{\$3.215} = 7154 \text{ meal equivalents} \times \$0.15 = \underline{\$1073.10}$ for the management fee.
- **\$3.50 Conversion Factor(Example of \$3.50 average paid lunch price)**
 $\$23,000 \div \underline{\$3.50} = 6571 \text{ meal equivalents} \times \$0.15 = \underline{\$985.65}$ for the management fee.

The monthly management fee varies significantly depending on the conversion factor.		
Conversion Factor	Projected Monthly Fee	Projected Annual Fee(10 months)
\$1.00	\$3,450.00	\$34,500.00
\$3.215	\$1073.10	\$10,731.00
\$3.50	\$985.65	\$9856.50