###### FACT SHEET

**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 management fees. 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.

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 SFA, in the specifications, should establish the meal equivalent conversion factor.

SAMPLE CALCULATIONS

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

Possible Conversion Factors - $1.00 (most common)

or

$2.90 (approximate free reimbursement rate)

or

* $3.00 (average price charge to paying child)

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

* **$1.00 Conversion Factor**

$23,000 ÷ **$1.00** = 23,000 meal equivalents X $.15 = $3,450.00 for the management fee.

* **$2.90 Conversion Factor**

$23,000 ÷ **$2.90** = 7931 meal equivalents X $.15 = $1189.65 for the management fee.

* **$3.00 Conversion Factor**

$23,000 ÷ **$3.00** = 7667 meal equivalents X $.15 = 1150.05 for the management fee.

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| **The monthly management fee varies significantly depending on the conversion factor.** | | |
| **Conversion Factor** | **Projected Monthly Fee** | **Projected Annual Fee** |
| $1.00 | $3,450.00 | $34,500.00 |
| $2.90 | $1189.65 | $11,896.00 |
| $3.00 | $1150.05 | $11,500.50 |