

# WRITING A FEASIBILITY STUDY

The decision to implement any new project or program must be based on a thorough analysis of the current operation. In addition, the impact of implementation of the proposed project/program on the future operation of a school foodservice system must be evaluated. If a school foodservice director were considering central food production, such an analysis would be critical in making a final decision on whether to progress and how that progression should occur. A feasibility study provides the process for this analysis.

This chapter will focus on several aspects of a feasibility study:

- Definition/purpose of a feasibility study
- Who conducts the feasibility study
- Components of a feasibility study for a centralized foodservice system

### Definition/Purpose of a Feasibility Study

A feasibility study is defined as an evaluation or analysis of the potential impact of a proposed project or program. A feasibility study is conducted to assist decision-makers in determining whether or not to implement a particular project or program. The feasibility study is based on extensive research on both the current practices and the proposed project/program and its impact on the school foodservice operation. The feasibility study will contain extensive data related to financial and operational impact and will include advantages and disadvantages of both the current situation and the proposed plan.

The feasibility study is conducted to assist the decision-makers in making the decision that will be in the best interest of the school foodservice operation. The extensive research, conducted in a non-biased manner, will provide data upon which to base a decision.

## **Who Conducts the Feasibility Study?**

A feasibility study may be conducted by the school foodservice director in the district considering a central kitchen. The school foodservice director often does not have the time required to conduct the in-depth analysis required to complete a feasibility study. Also, the director may lack the expertise necessary for completing the study. Thus, a consultant often is hired to conduct the feasibility study.

The individual conducting a feasibility study should have the following characteristics:

- Experience in conducting feasibility studies
- Experience in foodservice and experience in school foodservice highly desirable
- Fair and neutral with no prior opinion about what decision should be made. It is important that all necessary data are collected and presented so that the best decision can be made.

If a consultant is hired, the school foodservice director will need to be involved in hiring the consultant and in the entire study development process. The school foodservice director will provide most of the operational data needed to assess the current operational situation, including information about costs, staffing, participation, etc. Guidelines for hiring a consultant will be provided in Chapter 6.

## **Components of a Feasibility Study for a Centralized Foodservice System**

The feasibility study for a proposed central foodservice system will be extensive. There are several components that should be included in the study, and each will be discussed.

### **Executive Summary**

An executive summary should be included at the beginning of the report. In 2-3 pages, the main points of the feasibility study are summarized for a quick review by busy administrators and school board members. The executive summary provides the reader with an overview of the feasibility study and will help them see the entire picture before they read the details. Some decision-makers may only read the executive summary. Thus, the executive summary should be concise and include the major findings of the study followed by a recommendation.

## Background Information

Some background or setting information is critical to provide the context of the feasibility study. Included in the background information:

- Summary of the school district including such information as the number of schools, number of students, number of students participating in the school foodservice program, geographic size, etc.
- Summary of the school foodservice including the types of programs offered (School Breakfast Program, National School Lunch Program, snack programs, summer feeding programs) and any special features of the program (such as catering)
- Mission of the school district and the school foodservice program
- Goals of the school district and the school foodservice program
- Trends in the school environment. Trends that will be most important relate to recent and projected growth trends in the school district, labor availability, financial status of the school district, etc. For example, central kitchens can be very beneficial to school districts that are in a rapid growth phase. There are economies of scale to be realized and building and equipment costs can be reduced if fully-equipped kitchens are not built in every school. The existing type of service should be given consideration. Acceptance of a change in style of preparation and service is an important consideration.
- Reason for the proposal. An explanation of the factors that influenced the school foodservice director to consider a change in foodservice systems is needed to provide the context and justification for consideration of a new system. In other words, what problems could be solved by making a change in the foodservice system?

## Proposed Centralized Foodservice System

Perhaps the largest portion of the feasibility study will be used to describe the proposed centralized foodservice system. There are many components that should be included, and school foodservice staff need to be involved in many of the discussions about the new system. The following information needs to be included:

- **Description of the System.** There is a need for many discussions about what characteristics will be needed from the proposed centralized foodservice system. Basic to these discussions is decisions about the menu. For any foodservice system, the menu drives almost every decision related to the system: purchasing, storage space required (including the proportion of storage space required for dry, refrigerated, and frozen items), equipment, safety and sanitation, and service. An extensive discussion about the menu, its impact on the foodservice system, and considerations required when planning a central kitchen is included in Chapter 3. A listing of proposed menu items should be included.

A description of the processes of the central kitchen is included in the feasibility study. That includes decisions about whether to use bulk or pre-plate and whether to transport food hot or chilled. These decisions will impact subsequent decisions related to equipment, staffing, food safety controls, and transportation.

- **Advantages and Disadvantages of the Proposed System.** The advantages and disadvantages of the proposed centralized foodservice system need to be clearly explained in the feasibility study. Not only should the potential gains be discussed, but decision-makers need to know possible disadvantages of the system. It is better to have the potential disadvantages described so that there will be no big surprises when the new system is in operation. Also, it will help the decision-makers determine if there are characteristics/outcomes of the new system that they will not be able to accept; thus, helping them make decisions to modify the system before it is too late. Knowing the potential disadvantages also help the decision-makers to be realistic and determine ahead of time what they are willing to accept.
- **Staffing.** A description of the staffing requirements includes the number, hours, and positions of employees needed at the central kitchen and at the various satellite locations. The need for highly skilled employees, for example, chefs, bakers, or food scientists, should be mentioned. An estimate of the total labor hours and cost should be included and will provide comparison numbers for the existing system. It also might be useful to extend the numbers to show the impact of adding schools based on future trend predictions for the school district. To a point, schools may be added with no staffing increases at the central kitchen. Those break points need to be mentioned in the feasibility study.
- **Space Requirements.** The space requirements for both the central kitchen and the satellites are included in the feasibility study. That will provide the basis for space cost comparisons, particularly for determining costs for constructing a new central kitchen and for building new schools.
- **Basic Layout of Central Kitchen and Satellite Kitchens.** A basic layout of the central kitchen and a satellite kitchen will be helpful in communicating requirements for space. This layout does not have the detail of a final blueprint, but would include basic layout of equipment and space requirements. Developing a Food Product Flow Diagram also is useful in thinking through the central kitchen and communicating the facility to others.

- **Equipment Needs and Costs.** A list of equipment required for the central kitchen and the satellite kitchens is included. Cost estimates for the equipment and renovations at the school sites are needed to provide realistic cost estimates for the project.
- **Computer Software Requirements.** The various functions required for computerization are listed. In a centralized foodservice system, computers are used for a variety of functions such as inventory control, school/satellite ordering, production planning, and data management.
- **Site Possibilities.** The feasibility study should provide one or two recommended sites. The cost of the site is included. Also, the rationale for the site selected should be discussed, particularly transportation logistics. It is preferable for the site to be centrally located among the schools in the district. It also needs to be accessible to tractor/trailers making deliveries. The dock location is an important consideration. There will need to be adequate space for tractor/trailers to maneuver to and from the dock.

## Comparison of Current and Proposed Systems

A comparison of the current and the proposed centralized foodservice system needs to be included. Comparisons are needed for staffing numbers/hours, staffing costs, food costs, equipment costs, building costs, and total costs. A discussion of building and equipment costs needed in the next ten years for the current system needs to be included. For example, if there were several new schools being built, what would be the cost of building and equipping the kitchens for those schools? Are renovations needed for existing kitchens? Is there a need to replace or add equipment at any of the schools?

Pro forma income statements are needed for the current system and for the proposed centralized foodservice system. This includes realistic projections for both revenue and expenses. Financial projections would be extended for multiple years, often 10 years, so that the long-term financial impact can be estimated for both alternatives.

## Project Schedule

A “best guess” schedule for the project would be included as part of the feasibility study. Realistic dates for each phase of the project would be included; however, there often are delays during implementation of a project, particularly one with a major construction component. An example of some of the tasks included in the project schedule or timeline are:

- Review of the feasibility study by the district school foodservice director to ensure familiarity with the study, all aspects of the study accurately represent the current foodservice operation, and the final recommendation is appropriate for the district.

- Briefing of school district administrators, including the district school foodservice director (or the school foodservice director may opt to review the feasibility study prior to the briefing of the school district administrators)
- Briefing of school board members
- Approval of school board to proceed with architectural/engineering services
- Submission to the State Department of Education for project approval
- Develop a project team
- Identify a lead consultant for the project
- Prepare schematic design
- Prepare design drawings
- Obtain construction cost estimates
- Review design with city/county planning and zoning officials
- Consult with city/county health department about design/plans
- Start construction documents
- Complete construction documents
- Submit construction documents to State Department of Education, requesting permission to advertise for bids
- Advertise for bids
- Open bids
- Submit resolution to school board for final authorization for construction
- Begin construction
- Begin operational planning
- Start-up for new food production facility
- On-going evaluation process

The project team will be meeting on an on-going basis throughout the project to discuss various aspects of the project.

In addition, the district school foodservice director will have an operations team assembled to work on implementation aspects, such as developing systems for computerization, purchasing, food production, food safety, employee training, and distribution. Many of the operational forms and standardized recipes will need to be reviewed and modified for the new system.

### **Final Recommendation**

A final recommendation is provided in the feasibility study based on the research conducted. This recommendation includes the rationale for the recommendation and financial evidence that supports the recommendation.

## **Exhibit 4.1 Proposed Outline for a Feasibility Study**

1. Executive Summary
2. Background Information
3. Proposed Centralized Foodservice System
  - a. Description of the System
  - b. Advantages and Disadvantages of the Proposed System
  - c. Staffing
  - d. Space Requirements
  - e. Basic Layout of the Central Kitchen and Satellite Kitchens
  - f. Equipment Needs and Costs
  - g. Computer Software Requirements
  - h. Site Possibilities
4. Comparison of Current and Proposed Systems
5. Project Schedule
6. Final Recommendation

## Exhibit 4.2 Example Pro forma Income Statement Form

	Year 1	Year 2	Year 3	to	Year 10
<b><u>Revenue</u></b>					
415000 Interest					
416100 Student Meal Sales					
416200 Adult Meal Sales					
416900 Other Food Sales					
416980 Contract Meal Sales					
419900 Other Local Source Revenue					
432600 State Source Revenue					
443000 Direct Federal Sources					
445500 Federal Reimbursement					
445900 Market Value Commodities Revenue					
450000 Other Sources Revenue					
460000 Fund Transfer-In Revenue					
<b>Total Revenue</b>					
<b><u>Expenses</u></b>					
710450 Purchased Food Expense					
710100 Wages & Salaries Expense					
710410 General Operating Supply Expense					
710310 Purchased Technical Services					
710320 Property Operation, Maintenance, & Energy					
710390 Other Services Expenses					
710550 Capital Equipment					
920820 Indirect Costs					
920810 Fund Transfer-Out Expense					
710200 Employee Benefits Expense					
710490 Market Value Commodities Expenses					
710710 Property & Liability Insurance Expense					
Administrative Overhead Expense					
<b>Total Expenses</b>					
<b><u>Excess/Loss</u></b>					