



FEASIBILITY AND IMPACT STUDY

PHILLY COOKS

FOR PHILLY

June 2023



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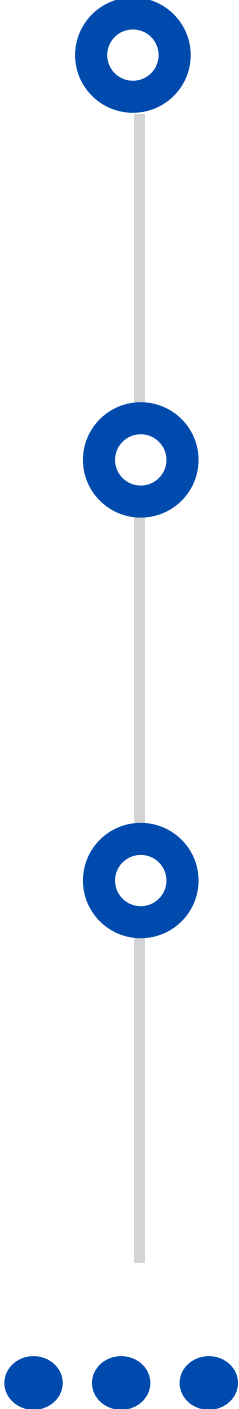
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1. INTRODUCTION



Photo credits: large photo – U.S. Department of Defense, Wikimedia Commons, Public Domain; small photo – “A Group of Children Having Lunch in a Cafeteria”, USDA SNAP Ed-Connection, free for non-commercial use.

WHAT IS PHILLY COOKS FOR PHILLY?



Every year, **millions of meals** are served through public programs to Philadelphians with the greatest need. However, these publicly-funded meals are produced **outside of Philadelphia**, directing millions of taxpayer dollars outside of the city and increasing the programs' carbon footprint.

The ***Coalition for Philly Cooks for Philly*** (the Coalition) is looking to change this effect with the establishment of a centralized kitchen, **recapturing taxpayer money**, creating **high-quality jobs**, and **supplying nourishing meals** to the city's population with the greatest need.

This kitchen will operate as a **public-nonprofit partnership** to drive activity in the greater Philadelphia economy, offering a centralized production of meals for students, seniors, and others. Along with meals, this **economic development** project aims to create jobs within the city to leave a lasting **impact** on the economy and residents of Philadelphia.



**PHILLY COOKS FOR PHILLY IS A
VISION FOR PHILADELPHIA'S FOOD
ECONOMY, PUTTING
PHILADELPHIANS IN CONTROL OF
THEIR FOOD AND FUTURE.**

Photo credit: "Philadelphia Skyline" by Rob Shenk is licensed under CC BY-SA 2.0.

**THIS STUDY
WAS
GENEROUSLY
FUNDED BY**



GREATER
PHILADELPHIA



PURPOSE OF THIS REPORT

The purpose of this report is to address the **feasibility** and **economic impact** of the proposed centralized kitchen facility in **Philadelphia**, including capital requirements, costs, revenues generated, and overall benefits to the city.

This report describes the research and analysis using various data sources, including interviews, publicly available information, surveys, and benchmark facilities.



2. METHODOLOGY AND BACKGROUND



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METHODOLOGY AND BACKGROUND

This study built on the foundation of the existing work of the Coalition. The MFR project team reviewed, summarized and synthesized materials from the Coalition's preliminary fact-finding activities, including existing reports on similar initiatives, stakeholder interviews, and discussions with similar facilities in other locations.

The team then gathered additional information through:

- Targeted **interviews**
- Review of **publicly available information**
- Review of **data** made available for the limited use of this study
- **Surveys**

See **Appendix B** for a comprehensive list of sources.

The team used all information available to develop **financial projections** for and to estimate **impact** of the proposed central kitchen.

3. THE OPPORTUNITY



Photo credits: large photo – U.S. Department of Defense, Wikimedia Commons, Public Domain; small photo – “A Group of Children Having Lunch in a Cafeteria”, USDA SNAP Ed-Connection, free for non-commercial use.

THE OPPORTUNITY EVERY YEAR, MILLIONS OF MEALS SERVED THROUGH PUBLIC PROGRAMS TO PHILADELPHIANS ARE PRODUCED OUTSIDE OF PHILADELPHIA

Philly Cooks for Philly is about Philadelphians having more agency over their food, envisioning centralized production of meals for students, seniors, and others, produced by Philadelphia residents employed in meaningful work while preparing for strong careers.





THE OPPORTUNITY

NO LOCAL FACILITY IS LARGE ENOUGH TO PRODUCE MEALS AT A SCALE TO MEET LOCAL DEMAND

- The **School District of Philadelphia** (SDP) contracted for approximately **9.2 million** pre-plated meals in 2021-22, for the approximately 50% of school locations (out of 255) that do not have full-service kitchens¹
 - SDP pre-plated meal volume has been impacted by the pandemic; pre-pandemic annual volume was approximately **13 million** pre-plated meals.²
- The **City of Philadelphia Department of Parks and Recreation** contracted for approximately **2.5 million** meals in 2021-22 under the Child and Adult Care Food Program.³

These meals are currently produced outside the Philadelphia region



THE OPPORTUNITY

POTENTIAL DEMAND ALSO INCLUDES

- Providing meal components for the approximately 50% of **SDP schools that have kitchens** and cook meals on site
- Other nearby **public school districts**
- Philadelphia and other regional **charter schools**
- **Private schools**
- **Archdiocesan schools**
- **Higher education** and **healthcare** institutions
- **Early childhood** and **senior-serving** organizations and programs





THE OPPORTUNITY

POTENTIAL FOR A MORE RESILIENT BUSINESS MODEL

WITH LOCAL OWNERSHIP AND INVESTMENT IN A PRODUCTION FACILITY, PHILADELPHIA WILL BE LESS VULNERABLE TO SHIFTING VENDOR AVAILABILITY AND PRIORITIES.



A 2022 study by the Greater Pittsburgh Community Food Bank found that there is “limited vendor selection” in Pennsylvania for vended meals for schools and child and adult care programs.¹

There have been several recent vendor exits from the market:

- **Preferred Meals**, the vendor then producing meals out of a facility in northern PA for SDP and the Philadelphia Department of Parks and Recreation, abruptly **ceased operations** in **May 2022**. Parent Company Elior cited **heavy losses** by the subsidiary.⁴
- In **July 2022**, **Food Service Partners**, a food production company with operations in New York, **filed for bankruptcy** and has subsequently **ceased operations**.⁵

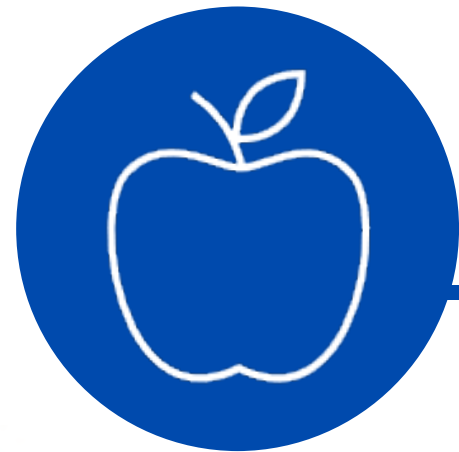
Additionally, in **2020**, SDP terminated its contract with **Revolution Foods**, a California-based company, due to **failure to meet performance metrics** and **operational challenges** in meeting contract terms and conditions. Revolution Foods was serving 3,900 meals at 9 locations daily.⁶

4. POTENTIAL BENEFITS



POTENTIAL BENEFITS

PHILLY COOKS FOR PHILLY WOULD BENEFIT MANY LOCAL ORGANIZATIONS AND INDIVIDUALS



Local Food-serving Institutions

- Philly Cooks for Philly will focus on the needs of local institutions and the region as a whole, rather than a transactional relationship
- With a knowledge of the City, Philly Cooks for Philly understands the needs of local customers and is in close proximity to operations



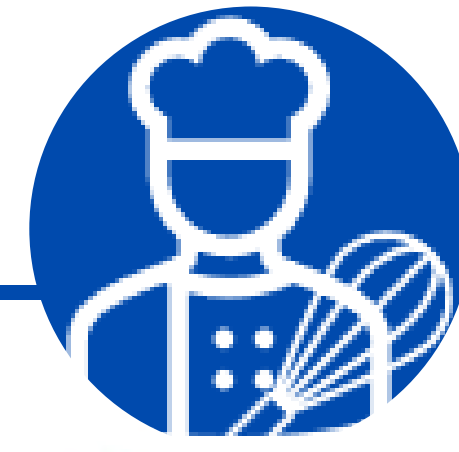
Those Served by Local Food-serving Institutions

- Philly Cooks for Philly has a greater understanding of the city, and the needs of its citizens, than the current out-of-state providers
- Philly Cooks for Philly will provide high-quality food to the most vulnerable Philadelphians



Local Suppliers

- Philly Cooks for Philly will support local suppliers through partnerships
- With a focus on benefitting the Greater Philadelphia region, Philly Cooks for Philly will prioritize locally grown produce



Workforce

- Philly Cooks for Philly will offer living-wage jobs to Philadelphians
- Philly Cooks for Philly places an emphasis on preparing employees for the future, offering robust job training and career development



POTENTIAL BENEFITS

PHILLY COOKS FOR PHILLY UNDERSTANDS THE SCHOOL DISTRICT OF PHILADELPHIA'S UNIQUE REQUIREMENTS



- The **Philly Cooks for Philly** team understands that the K-12 school food world is far different from food service operations like restaurants. There are ever increasing **regulations**, **low margins and reimbursement rates**, **commodity usage**, and limitations regarding **staffing** and **infrastructure**.
- School food service funds are intended to be self-sufficient and operate on at least a **break-even** basis with the established reimbursement rates.
- Long-established meal participation patterns have been **disrupted** by the pandemic.
- At the heart of school food is the emphasis on **safety** and **quality** for the students, however the **stringent regulations** can limit the ability of schools, and their providers, to address issues with creative solutions.

- Within the City of Philadelphia, many schools were built in a time when students went home for lunch each day and **do not have full-service kitchens**, or a footprint to reasonably accommodate building a full-service kitchen.
- The approx. 125 locations without full-service kitchens (satellite locations) receive **frozen pre-plated meals** daily that are heated on site. Frozen meals have distinct advantages, including preservation, safety and advance menu planning.
- SDP is actively working to **reduce** its use of frozen, pre-plated meals. The proposed Central Kitchen will be designed with **flexibility** to accommodate shifts in SDP and other customer needs.



POTENTIAL BENEFITS

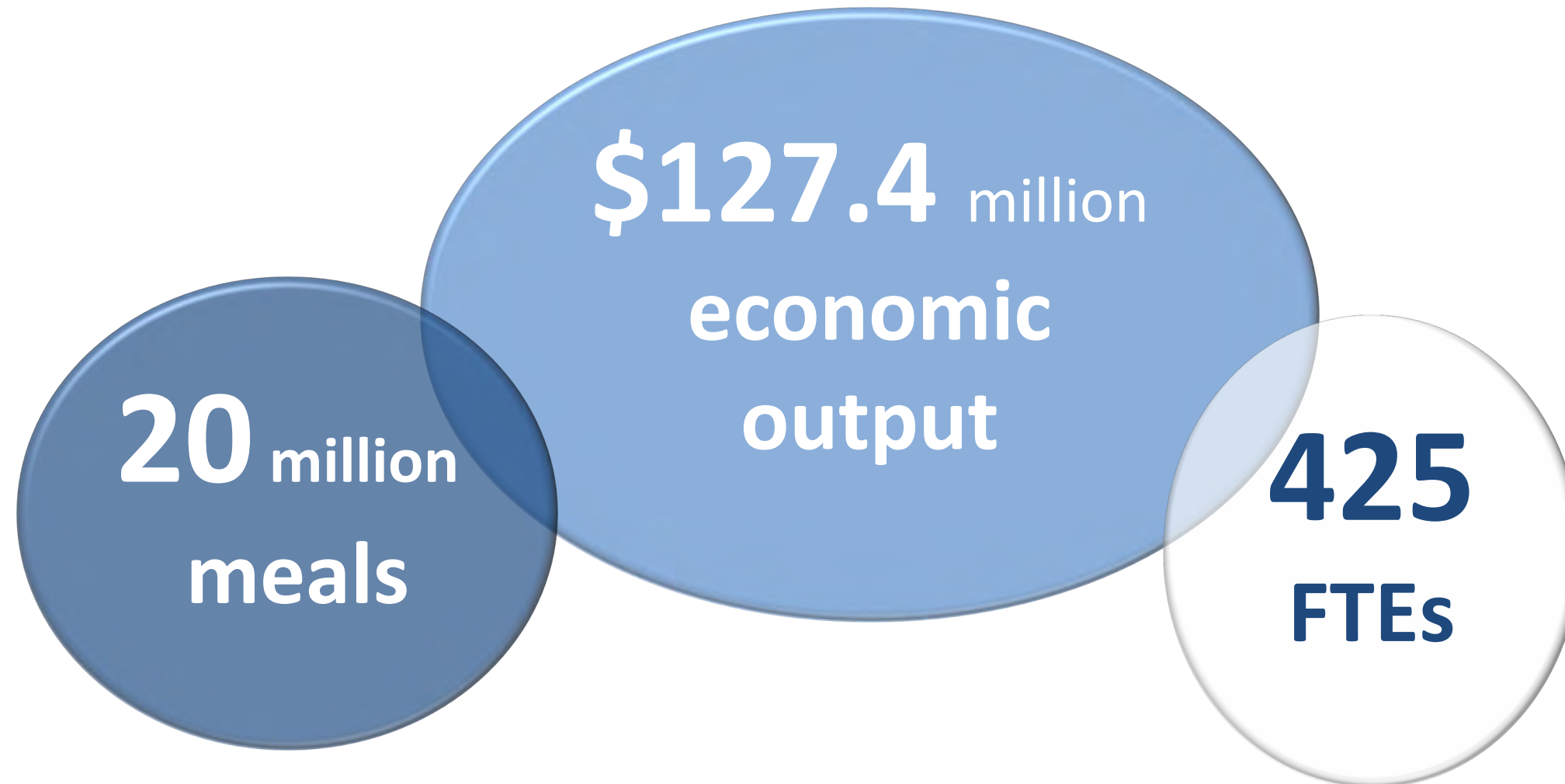
PHILLY COOKS FOR PHILLY UNDERSTANDS THE SCHOOL DISTRICT OF PHILADELPHIA'S UNIQUE REQUIREMENTS (CONT.)



POTENTIAL BENEFITS

PHILLY COOKS FOR PHILLY WOULD PROVIDE SIGNIFICANT ECONOMIC BENEFIT TO PHILADELPHIA

At full capacity, the Central Kitchen would annually support*



* For the Philadelphia region, please see [Appendix D](#) for further details.

**PHILLY COOKS FOR PHILLY WOULD PROVIDE
SIGNIFICANT ECONOMIC BENEFIT TO PHILADELPHIA**

The construction of the Central Kitchen would support*

\$48.4 million
economic
output

260
FTEs

* For the Philadelphia region, please see [Appendix D](#) for further details.



POTENTIAL BENEFITS

CASE STUDY



Photo courtesy of Fontaine, via [website](#).

Springfield, Massachusetts Public Schools - Culinary and Nutrition Center⁷

- Completed in **2019**
- **Partnership** among city of Springfield, the school district, and Sodexo, USA
- **\$21 million** upgrade of former warehouse
- Funded primarily with **\$14 million** debt issued by the city, from which the school district leases the facility
- **62,000** square feet
- Over **7.5 million** meals produced annually
- Over **100** culinary center positions, including **40** new positions



Logo courtesy of Home Grown Springfield,
via [website](#).

“Over the years, I have seen many of our Sodexo employees, like myself, take advantage of career opportunities afforded by Springfield’s Culinary and Nutrition Center. As a team, we are not only passionate about providing nutritious breakfast and lunch options for our children but are empowered by having the skills to do so.”

Lydia Rodriguez, Sodexo

POTENTIAL BENEFITS

CASE STUDY (CONT.)

Springfield, Massachusetts Public Schools - Culinary and Nutrition Center

The **benefits** of the facility have included:

- **Fresh food** cooked on site
- **Lower costs**
- Improved **efficiencies** and **quality** in food sourcing
- Increased sourcing from **local sources**
- Increased **meal participation**
- **Job training** and **job opportunities** for Springfield residents
- **Self-sustaining**, including funding bond repayment obligation

“Springfield’s Culinary and Nutrition Center has been such a success at creating local jobs and growing the regional food economy, but most importantly, it has been a catalyst for providing healthier and better quality food for our children.”

Patrick Roach, Chief Financial and Operations Officer at Springfield Public Schools



5. POTENTIAL CHALLENGES



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POTENTIAL CHALLENGES

USDA REGULATIONS

USDA Certification, which may be required to serve the intended client base, requires significant investment in operations. Has this been accounted for?

Yes, the Philly Cooks for Philly facility will be designed to accommodate a USDA certification, if required.

Different reimbursement programs have different requirements. Will the facility be able to accommodate these differences?

Yes, the Philly Cooks for Philly facility will be designed to accommodate the requirements of all reimbursement programs.



POTENTIAL CHALLENGES

CUSTOMER REQUIREMENTS

Due to infrastructure and food safety issues, frozen meals may be preferable. Isn't that contrary to the goals of Philly Cooks?

The central kitchen operation would be sensitive to all clients' needs. There is no requirement for any potential client to change their meals from frozen to fresh.

Menu planning would not allow for the flexibility needed to offer fully fresh food procurement. Does this affect the Philly Cooks model?

This project fully understands and is aligned with this necessity.



POTENTIAL CHALLENGES

PUBLIC SECTOR PROCUREMENT



Public sector entities cannot commit volume to any facility considering the competitive bidding requirements. How can Philly Cooks for Philly be successful without guarantee of demand?

As a public-nonprofit partnership, Philly Cooks for Philly could include a client ownership stake in the central kitchen, or become a meal sponsor, foregoing the need to go to bid.

Philly Cooks for Philly would follow all procurement rules and regulations for supplies and services.

POTENTIAL CHALLENGES

PHILADELPHIA LABOR COSTS AND AVAILABILITY

The Philadelphia labor pool could pose challenges related to employment. Considering that a selling point of Philly Cooks for Philly is in creating jobs for Philadelphians, how will this be considered?

Labor is a challenge almost everywhere in the region. Philadelphia's labor force is similar to those of other large urban areas.

Positions at the proposed facility would also include job training and a career skills component to prepare employees for advanced opportunities in the food industry.





POTENTIAL CHALLENGES

CREATING VS. REDIRECTING JOBS

What would the impact on existing local meal delivery jobs be?

Local delivery jobs will not be impacted negatively by moving production to Philadelphia. In fact, local delivery jobs will likely increase as more contract opportunities are realized out of the local central kitchen.

The employment of the central kitchen for production would be eliminating jobs from current providers and transferring them to Philadelphia. Isn't this a net zero jobs impact?

Philly Cooks is a project for Philadelphians and aims to benefit residents of Philadelphia, the nation's city with the highest poverty rate.

Philadelphia is currently exporting tax dollars to pay for these meals, with no local employment benefit and zero benefit to local producers and service providers.



POTENTIAL CHALLENGES DISTRIBUTION IN PHILADELPHIA



How will you account for the challenges of distribution from a centralized facility in Philadelphia traffic? Would it make sense to have several smaller facilities throughout the region?

Meals are currently being distributed throughout the City by current providers. This is not a new challenge.

Delivery logistics would be even more responsive due to a city-based production and distribution network. Currently, meals are produced over 100 miles away.

This project is open to any feasible model that delivers efficient and accurate outcomes.

6. WHAT IS NEEDED?



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WHAT IS NEEDED

FINANCIAL ASSUMPTIONS

- Although other customers are targeted, this analysis assumes **initial volume** will be from the **School District of Philadelphia** and the **Philadelphia Department of Parks and Recreation**
- The facility will be a minimum of **75,000** square feet, which would accommodate an annual volume of approximately **19,500,000** meals (75,000 meals for each of 260 operating days)⁸
- The **hired operator** will hire employees and be generally responsible for operating costs of the facility
- Philly Cooks for Philly will have a **governance and oversight** role for the organization
- The entity will be a **tax-exempt** entity

- The facility is intended to **break even**. We have assumed a 5% margin to support liquidity needs
- The organization will **not assume debt**
- The **start-up costs** will be provided through grants, contributions, and investment in the joint venture entity
- **Ongoing operating support** through grants and contributions will be provided through at least year three
- The organization will maintain at least 90 days' **cash on hand**
- The earliest the facility would begin operations is **July 1, 2026**



WHAT IS NEEDED

ESTIMATED START-UP COSTS



Facility - \$24,750,000

- Assumes build rather than use existing building
- \$125/sq. foot for external structure, \$150/sq. foot for internal build-out, and 20% for soft costs⁸
- Assumes 75,000 square feet
- Cost may be lower if existing building is used, or building is leased



Equipment - \$11,250,000

- \$150/sq. foot - includes refrigeration, freezers and production equipment⁸
- Assumes 75,000 sq. feet



Vehicles - \$3,000,000

- 20 refrigerated vehicles
- Assumes purchased, cost may be lower if existing or leased trucks are used



Working Capital - \$5,000,000

- To support the organization's liquidity during start-up period

ESTIMATE: \$44 MILLION

RANGE: \$37-50 MILLION



See [Appendix C](#) for detailed information.

WHAT IS NEEDED

ESTIMATED ONGOING VOLUME, REVENUE AND TARGET OPERATING COSTS

Year	Estimated meals produced	Estimated revenue	Target operating costs	% of capacity used
1	3.0 million	\$10.8 million	\$10.2 million	15%
2	8.0 million	\$27.7 million	\$26.4 million	40%
3	10.8 million	\$39.0 million	\$37.1 million	54%
4	10.6 million	\$39.6 million	\$37.6 million	53%
5	10.5 million	\$40.4 million	\$38.4 million	53%

. See [Appendix C](#) for detailed information.

For purposes of this analysis, only potential SDP pre-plated and Philadelphia Department of Parks and Recreation meal volume is included, ramping up over a period of three years. Based on estimates, the facility as envisioned would have approximately **half of its capacity remaining to accommodate full-service SDP schools and/or other customers.**

Targeted operating costs are based on estimated revenue and the organization running a small annual surplus to reinvest in operations and address contingencies that may arise. Operating costs will primarily be driven by the contract with the selected Operator, **If negotiated Operator fees exceed targets, additional funding from other sources will be needed** to ensure the facility is sustainable.



WHAT IS NEEDED OPPORTUNITIES FOR INVESTMENT

Philly Cooks for Philly will operate under a **public-nonprofit partnership** model and requires significant investment for facility build-out and initial operating expenses.

Additionally, there will be a need for further investment to supplement the revenue generated and cover working capital needs.



Photo credits U.S. Department of Defense, Wikimedia Commons, Public Domain.



Photo credit: "A Group of Children Having Lunch in a Cafeteria", USDA SNAP Ed-Connection, free for non-commercial use.



Start-up Investment Needed: \$37-\$50 million*



Additional working capital needs through Year 3: \$5-\$10 million

* Assumes building is purchased. If leased, lower start-up costs would be expected..



7. MOVING FORWARD





MOVING FORWARD PHILLY COOKS FOR PHILLY WILL REQUIRE COLLABORATION ACROSS THE PUBLIC, PRIVATE, AND NONPROFIT SECTORS

Suggested next steps for Philly Cooks for Philly include:

- Create **legal entity/entities** for the project and build organizational infrastructure
- Continue to **build the Coalition** of Philly Cooks for Philly, including mission-aligned partners, potential customers, and allies including but not limited to:
 - School District of Philadelphia
 - City of Philadelphia
 - Commonwealth of Pennsylvania
 - Archdiocese of Philadelphia
- Identify and work toward **policy supports and incentives** needed for public-nonprofit partnership model
- Develop comprehensive **ongoing funding strategy** and plan

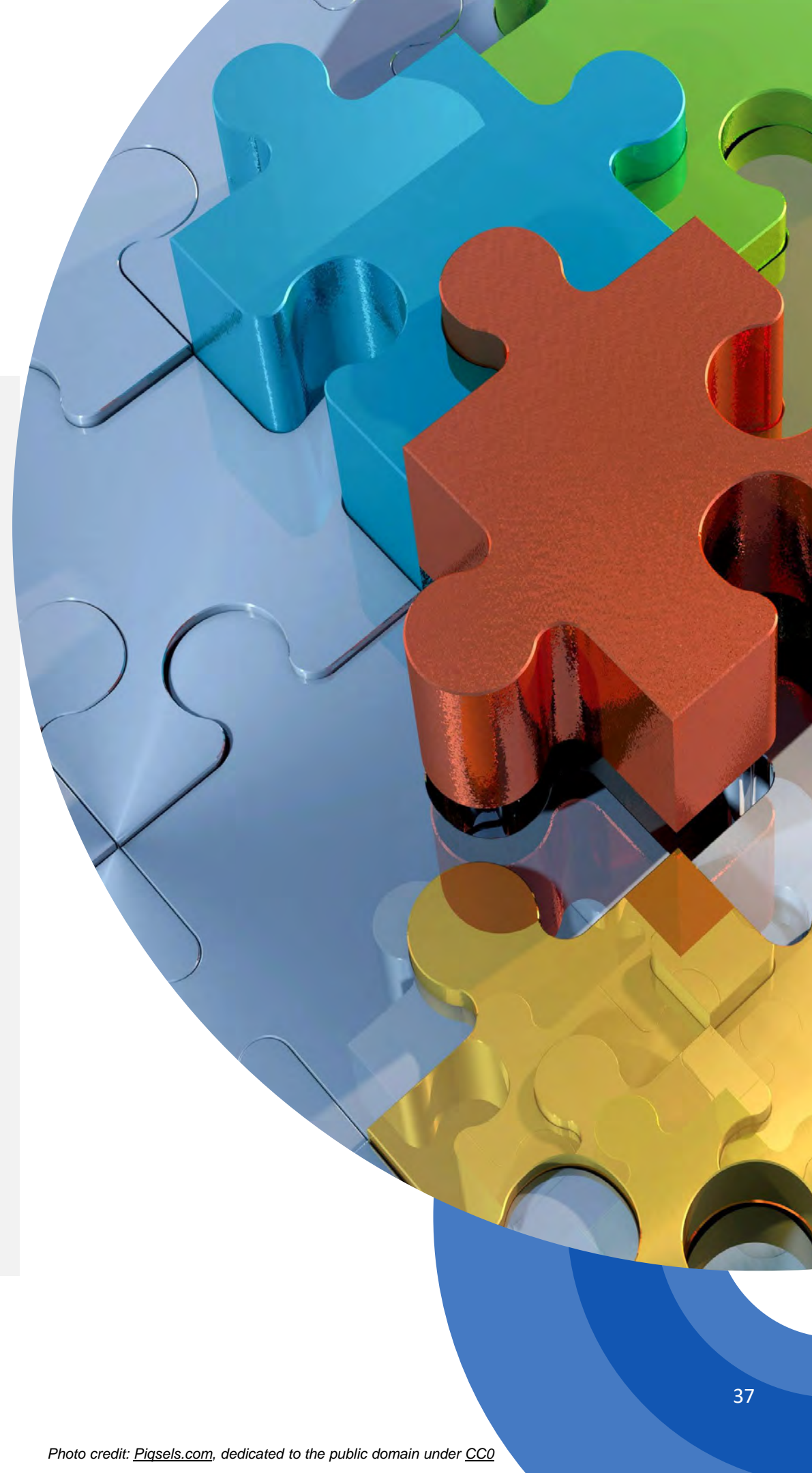


MOVING FORWARD

PHILLY COOKS FOR PHILLY WILL REQUIRE COLLABORATION ACROSS THE PUBLIC, PRIVATE, AND NONPROFIT SECTORS

Suggested next steps for Philly Cooks for Philly include (continued):

- Develop detailed **business and operational plans**, including options for public-nonprofit partnership structure
- Validate potential **operator** availability and interest
- Validate potential **customers** and estimated demand
- Align and secure **funding** for the next phase of the project
- Work with architects/engineers to **refine facility cost estimates** and develop optimal **facility layout** and important **site location considerations**
- Work with Philadelphia Industrial Development Corporation and the Philadelphia Department of Commerce to develop **identification criteria** for potential facility sites
- Identify sites** that meet the criteria, including **potential incentives** for site selection



ABOUT THIS STUDY'S FUNDERS

The Economy League of Greater Philadelphia (ELGP) supported this study by providing funding, serving as fiscal agent, and providing subject matter expertise to The Coalition for Philly Cooks for Philly.

ELGP also worked to connect the coalition to MFR Consultants, Inc., the firm tasked with completing this evaluation.

ELGP was founded in 1909 with the belief that high-quality analysis and practical insight about the region's most important challenges and opportunities, combined with collaborative, cross-sector leadership are crucial drivers to the prosperity of Greater Philadelphia.



GREATER
PHILADELPHIA



ABOUT THIS STUDY'S FUNDERS

The Leo and Peggy Pierce Family Foundation provided a generous financial grant to fund the completion of this study.

The Leo and Peggy Pierce Family Foundation seeks to prevent and end hunger and food insecurity in the five-county Philadelphia region and Indian River County, FL through grants and investments.



ABOUT THIS STUDY'S FUNDERS

Philadelphia Works provided a generous financial grant to fund the completion of this study.

Philadelphia Works, Inc. develops and manages smart workforce solutions that respond to business needs and increase economic opportunity for all Philadelphia residents.

The vision of Philadelphia Works, Inc. is: “A thriving Philadelphia workforce, a stronger local economy.”



THIS STUDY WAS CONDUCTED BY

MFR Consultants, Inc. (MFR) is a full-service, 100% minority-and-woman owned consulting firm with a national footprint, headquartered in Philadelphia, Pennsylvania.

Founded in 1989, MFR provides end-to-end solutions in the areas of business advisory and information technology for entities in the public, private, and non-profit sectors.

MFR strives to create value and cost savings for our clients, foster long-term relationships, and leave a lasting, positive impact on our people, our clients, and our world.



8. APPENDICES



Photo credits: large photo – U.S. Department of Defense, Wikimedia Commons, Public Domain; small photo – “A Group of Children Having Lunch in a Cafeteria”, USDA SNAP Ed-Connection, free for non-commercial use.

APPENDIX A: ENDNOTES



APPENDIX A: ENDNOTES

- ¹ School District of Philadelphia, *Emergency Pre-Plate Scope of Service* from RFP, p. 3
- ² School District of Philadelphia, *2018-2019 Consolidated Budget*, p. 33. (Pre-plated meals calculated as 50% of reported total projected meals)
- ³ City of Philadelphia, *Negotiating Price Changes for PPR's Summer and Afterschool Meals Program*, presentation dated April 29, 2022
- ⁴ Elior Group, *Bolstered By Solid Organic Growth and Strong Commercial Momentum but with Margins Doubly Hit by Pandemic and New Inflation, Elior Deploys Bold Recovery Plan*, press release dated May 18, 2022
- ⁵ FSPH, *Voluntary Petition for Non-Individuals Filing for Bankruptcy*, case number 22-10575, filed June 29, 2022.
- ⁶ School District of Philadelphia, *Board of Education Finance and Facilities Committee Agenda*, January 16, 2020, pp. 27-34.
- ⁷ Home Grown Springfield, *Building Underway for \$21 Million Culinary and Nutrition Center Opening in January 2019*, accessed at <https://www.homegrowspringfield.org/about/our-new-facility>; discussion with Timothy Gray, Food Service Director of Springfield. MA Public Schools
- ⁸ American School and University, *Centralized Food Production in Boulder Valley*, April 2, 2021, accessed at <https://www.asumag.com/facilities/cafeteria-food-service-facilities/article/21160938/centralizing-food-production-in-the-boulder-valley-colorado-school-district>
- ⁹ HMC Architects, *The Central Kitchen: Tackling Food Insecurity and Strengthening a Community*, accessed at <https://hmcarchitects.com/portfolio/pk12/central-kitchen/>
- ¹⁰ The New Markets Tax Credit Coalition, *D.C. Central Kitchen: The Michel R. Klein Center for Jobs and Justice*, accessed at <https://nmtccoalition.org/project/d-c-central-kitchen-the-michael-r-klein-center-for-jobs-and-justice/>
- ¹¹ Official Statement dated March 8, 2006, *Houston Independent School District Public Facility Corporation...Lease revenue Bonds (Food Service Warehouse Project)*, Series 2006, accessed at <https://emma.msrb.org/MS245193-MS220501-MD429129.pdf>
- ¹² Overaa, *Oakland Unified School District Central Commissary*, accessed at <https://www.overaa.com/projects/oakland-unified-school-district-central-kitchen-and-horticulture-center/>



A photograph of middle school students sitting at a table in a school cafeteria, eating lunch. The students are diverse in age and ethnicity. They are smiling and talking to each other. There are blue trays with food, including burgers, vegetables, and fruit, on the table. A window in the background shows a view of a green landscape.

APPENDIX B: ACKNOWLEDGEMENTS

Photo credit: "Middle school students eating school" by U.S. Department of Agriculture is marked with [CC0 1.0](#).



Thank you to the individuals and organizations who generously provided information for this study

Name	Organization	Title/Role
Dana Adams	Granite School District	Director of Child Nutrition
Cat Bartoli	Share Food Program	Deputy Program Director
Rob Batchelder	ChefScape	CEO and Founder
Natalie Bradford	Davis School District	Nutrition Services Director
Melanie Cataldi	Hygieia Consulting (formerly with Philabundance)	Principal
H. Patrick Clancy	Philadelphia Works	CEO
Shawn Connor	Balford	Vice President of Sales
Ken Crisafio	Metz Culinary Management	Director of Operations
David Crossed	Philly Cooks Board Member, Phila Works Board Member	Independent Consultant
David DeScenza	Whitson's Culinary Group	Regional Vice President
Jim Dickson	Metz Culinary Management	Senior Vice President
Patrick Durgan	Bellingham Public Schools	Director of Food Services/Executive Chef
Jean Falk	Archdiocese of Philadelphia	Registered Dietician, Nutritional Development Services
Andrew Finke	D.C. Central Kitchen	Chief Operating Officer
Diana Flores	Sacramento City Unified School District	Executive Director Nutrition Services
Amy Glodde	Oakland Unified School District	Interim Executive Director
Wayne Grasele	School District of Philadelphia (past)	Senior Vice President of Operations (retired)
Timothy Gray	Springfield (MA) Public Schools	Food Service Administrator
Lizanne Hagedorn	Archdiocese of Philadelphia	Executive Director, Nutritional Development Services
Liz Keegan	School District of Philadelphia	Materials Manager, Food Services
Sandra Kemp	Albuquerque Public Schools	Executive Director of Food and Nutrition
Nausher Khan	Red Rabbit, LLC	Vice President of Partner Relations
Jarred Lee	School District of Philadelphia	Manager of Operations, Food Services
Michael Magzag	Oliver Equipment	Senior Regional Manager
Uri Monson	School District of Philadelphia (past); Commonwealth of PA	CFO (past); Budget Director
Lisa Norton	School District of Philadelphia	Executive Director, Food Services
Jackie Walters Park	Red Rabbit, LLC	Chief Operating Officer
Jen Piney	Metz Culinary Management	General Manager
Patrick Roach	Springfield (MA) Public Schools	Chief Financial Officer
Amy Virus	School District of Philadelphia	Manager of Administrative and Support Services
Larry Walker	Balford	President and CEO
Lisa Winter	Norfolk Public Schools	Senior Director of School Nutrition
Chris Wurster	Archdiocese of Philadelphia	Assistant Director of Finance and Operations





APPENDIX C: FINANCIAL INFORMATION



SUPPORT FOR FACILITIES COSTS

Overall costs of construction for the facility are projected to be **\$480/sq. foot**. This is consistent with other central kitchen build-outs for which data is available, considering the escalations in building costs in the past few years, as well as the assumption that the Philly Cooks for Philly facility would be new construction.

Costs for Construction - Comparable Central Kitchen Facilities

Entity	Year	Dollars Spent	Square Feet	\$/Sq. Foot	Reference
Boulder Valley School District	2020	\$17,000,000	33,000	\$515.15	8
Springfield	2019	\$21,000,000	62,000	\$338.71	7
Sacramento	2020	Unknown	50,000	N/A	9
DC Central Kitchen	2022	\$15,000,000	35,000	\$428.57	10
Houston ISD	2006	\$33,600,000	77,250	\$434.95	11
Oakland Unified School District	2020	Unknown	45,000	N/A	12
Average				\$429.35	



SUPPORT FOR SDP MEAL VOLUME

Historic Enrollment, Meal Volume and Reimbursement Rates

School Year	Total Enrollment in District Schools (October 1) per SDP website [A]	Budgeted Volume per Consolidated Budget (Total Meals) [B]	Budgeted Meals per student/year = [B]/[A]	Average fed and state reimbursement per meal per Consolidated Budget [C]
2017-18	128,102	27,000,000	210.17	\$3.36
2018-19	296,994	27,000,000	212.61	\$3.48
2019-20	124,184	25,000,000	201.31	\$3.58
2020-21*	119,492	25,000,000	209.22	\$3.63
2021-22*	114,902	25,000,000	217.58	\$4.04
2022-23	113,443	18,800,000	165.72	\$3.98

* Note that actual meal volume for these years was significantly lower than budgeted due to the impacts of the pandemic.



SUPPORT FOR SDP MEAL VOLUME (Cont.)

Assumptions

- meal reimbursement rates from the USDA to SDP will increase **3%** each year
- enrollment will continue to decrease **1.5%** per year
- meal participation will remain flat
- pre-plated meals will be approximately **51%** of total meals
- the School District of Philadelphia would retain no less than **20%** of the reimbursed rate for pre-plated meals, paying no more than **80%** to pre-plated meal provider(s)



SUPPORT FOR SDP MEAL VOLUME (Cont.)

Projected Pre-Plated Meal Volume and Payments to Providers Based on Assumptions

School Year	Projected Total Enrollment in District Schools (October 1) [D]	Projected Meals per student/year [E]	Projected Volume (Total Meals) = [D] x [E]	Projected Volume (Pre-Plated Meals) = [E] x 51%	Average fed and state reimbursement per meal [F]	Projected Paid to Pre-Plated Meal Provider(s) = [E] x [F] x 80%
2023-24	112,000	165.72	18,560,000	9,470,000	\$4.10	\$ 31,060,000
2024-25	110,000	165.72	18,230,000	9,300,000	\$4.22	\$ 31,400,000
2025-26	108,000	165.72	17,900,000	9,130,000	\$4.35	\$ 31,770,000
2026-27	106,000	165.72	17,570,000	8,960,000	\$4.48	\$ 32,110,000
2027-28	104,000	165.72	17,230,000	8,790,000	\$4.61	\$ 32,420,000
2028-29	102,000	165.72	16,900,000	8,620,000	\$4.75	\$ 32,760,000
2029-30	100,000	165.72	16,570,000	8,450,000	\$4.89	\$ 33,060,000
2030-31	99,000	165.72	16,410,000	8,370,000	\$5.04	\$ 33,750,000



SUPPORT FOR DEPARTMENT OF PARKS AND REC. MEAL VOLUME

Assumptions

- Average meal reimbursement rates will increase **3%** each year from FY2022 base of:
 - **\$2.91** for summer programs
 - **\$3.66** for afterschool programs
- participation will be **85%** of pre-pandemic volume and remain constant
 - **1,785,000** annual summer meals (2.1 million pre-pandemic)
 - **318,750** annual afterschool meals (375,000 pre-pandemic)
- meal vendor will be paid **80%** of meal reimbursement



SUPPORT FOR REVENUE

Assumptions

- SDP volume ramps up – Philly Cooks for Philly has 1/3 of volume in year 1, 2/3 of volume in year 2, and full volume in year 3
- Full Department of Parks and Recreation volume is onboarded year 2
- The earliest the facility would begin operations is July 1, 2026

Revenue Projections

	Year Ended June 30				
	2027	2028	2029	2030	2031
Revenue					
Contracted Meals - SDP	\$ 10,715,000	21,630,000	32,772,000	33,090,000	33,760,000
Contracted Meals - Parks and Rec Summer	-	4,960,000	5,120,000	5,280,000	5,440,000
Contracted Meals - Park and Rec Afterschool	-	1,112,000	1,144,000	1,184,000	1,216,000
Total Revenue	\$ 10,715,000	27,702,000	39,036,000	39,554,000	40,416,000



APPENDIX D: ECONOMIC IMPACT



INPUT-OUTPUT METHODOLOGY

Overview

Economic impact estimates are generated by utilizing input-output models to translate an initial amount of direct economic activity into the total amount of economic activity that it supports, which includes multiple waves of spillover impacts generated by spending on goods and services and by spending of labor income by employees. This section summarizes the methodologies and tools used to construct, use, and interpret the input-output models needed to estimate this project's economic impact.

Input-Output Model Theory

In an inter-connected economy, every dollar spent generates two spillover impacts:

- First, some amount of the proportion of that expenditure that goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local vendors. This represents what is called the “indirect effect,” and reflects the fact that local purchases

of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors.

- Second, some amount of the proportion of that expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This represents what is called the “induced effect,” and reflects the fact that some of those goods and services will be purchased from local vendors, further stimulating a local economy.

The role of input-output models is to determine the linkages across industries in order to model out the magnitude and composition of spillover impact to all industries of a dollar spent in any one industry. Thus, the total economic impact is the sum of its own direct economic footprint plus the indirect and induced effects generated by that direct footprint.



INPUT-OUTPUT METHODOLOGY (cont.)

Input-Output Model Mechanics

To model the impacts resulting from the direct expenditures, the MFR-ESI team developed a customized economic impact model using the IMPLAN input/output modeling system. IMPLAN provides an industry standard approach to assess economic impact.

IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through economics. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or organization, but also the level in which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes the multipliers and divides them into 542 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.

The IMPLAN modeling system also allows for customization of its inputs which alters multiplier outputs. Where necessary, an “analysis-by-parts” (ABP) approach is taken. This allows the user to model the impacts of direct economic activity related to an organization or industry with greater accuracy. Where inputs are unknown, IMPLAN is able to estimate other inputs based on the level of employment, earnings, or output by an industry or organization.

Employment and Wages Supported

IMPLAN generates job estimates based on the term “job-years,” or how many jobs will be supported each year.. Additionally, these can be a mix of a full and part-time employment. To account for this, IMPLAN has a multiplier to convert annual jobs to full-time equivalent jobs. Income to direct, indirect, and induced jobs is calculated as employee compensation. This includes wage and salary, all benefits (e.g., health, retirement) and payroll taxes. IMPLAN’s measure of income, therefore, estimates gross pay opposed to just strictly wages.



ECONOMIC IMPACT FROM OPERATIONS

Twenty million meals annually is the estimated maximum capacity for a **75,000** square foot facility. A conservative estimate of direct output for the facility at a **20 million** meal volume is **\$75 million** annually, which would result in an overall annual output of **\$124.4** million for the region. The facility would support **340** direct, indirect and induced FTEs in the City of Philadelphia, and another 85 regionally, with approximately **200** directly employed FTEs. **130** of the direct positions would be new to the City of Philadelphia and the Philadelphia Metropolitan Statistical Area (MSA).

The MSA comprises Chester, Montgomery, Bucks, Delaware and Philadelphia counties in Pennsylvania; Salem, Gloucester, Camden and Burlington counties in New Jersey; New Castle County in Delaware, and Cecil County, Maryland.

	City of Philadelphia	Rest of Philadelphia MSA	Total
<i>Impact</i>	<i>Total \$(M)</i>		
Direct Output (\$M)	\$75.0	\$ -	\$75.0
Indirect & Induced Output (\$M)	\$33.9	\$18.5	\$52.4
Total Output (\$M)	\$108.9	\$18.5	\$127.4
Annual Employment Supported (FTE)	340	85	425
Employee Compensation (\$M)	\$23.8	\$8.1	\$31.9

Source: IMPLAN (2021), MFR (2023)

Additionally, estimated annual Philadelphia wage tax is **\$670,000** and Pennsylvania income tax is **\$600,000** across direct, indirect, and imputed employees.



ECONOMIC IMPACT FROM FACILITY CONSTRUCTION

Should the Philly Cooks for Philly facility be built rather than purchased, the economic impact during construction is estimated to be as follows:

	City of Philadelphia	Rest of Philadelphia MSA	Total
<i>Impact</i>	<i>Total \$(M)</i>		
Direct Output (\$M)	\$24.8	\$ -	\$24.8
Indirect & Induced Output (\$M)	\$12.2	\$11.4	\$23.6
Total Output (\$M)	\$37.0	\$11.4	\$48.4
Annual Employment Supported (FTE)	225	35	260
Employee Compensation (\$M)	\$17.9	\$4.7	\$22.6

Source: IMPLAN (2021), MFR (2023)

The Direct Output above considers only the cost of construction, not equipment, because equipment would likely not be produced in-region and the economic benefit would be primarily to the region in which it is manufactured.

This analysis assumes that the facility would be **75,000** square feet, accommodating a maximum of approximately **20 million** meals per year.

The Employment Supported and Employee Compensation include direct, indirect and induced employment.





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