

Executive Summary

Pine Mountain Club Property Owner's Association, Incorporated ("Client", "Association", "PMCPOA") retained the services of Avalier & Associates ("Consultant") to provide Client an onsite evaluation, with guidance and recommendations relevant to the foodservice operations, cost controls, efficiencies and member services being provided to homeowner/members of the Pine Mountain Club ("Club") located at 2524 Beechwood way, Pine Mountain, CA 93222. These services were performed on-site from July 11th through July 13th 2012.

The scope of work as outlined in Appendix A included a review of the following critical areas of food and beverage operations.

- Purchasing
- Receiving
- Storage/Issue
- Preparation and Production
- Service
- Sanitation/Maintenance
- Menus
- Financial
- Beverage Operations

Findings: Food

Purchasing:

- Food purchasing is from two local broad line distributors (Sysco & Jordano's) however there is no sound business basis for the system of purchasing (forecasted covers, par stocks, build to inventory, etc.).
- There is an 'open storeroom' policy without any requisition/issue system so food is removed as needed by the kitchen staff.
- Many items in both the refrigerators and freezers were poorly wrapped and not dated.
- There are no competitive bidding practices in place for produce, seafood or meat purchases.
- There are no written purchasing specifications.

Receiving:

- Weights were not verified on incoming meats, seafood, poultry, all of which are purchased by weight.
- No physical examination of meat, seafood or poultry was observed. No quoted pricing, order sheet or specifications are posted for comparison to incoming invoice pricing.

Storage/Issue:

- There is 'open access' to all food products by all members of the kitchen staff at all times.

Preparation and Production:

- The size and layout of the cooking line limits the number of cooks who can work there at any given time.
- There is no system in place for the forecasting of anticipated covers by day and by day-part.
- There is no system in place that provides a 'menu mix' with the percentage of popularity for each menu item.
- Portion sizing is uneven on most of the entrees.
- Some 'basic' Standardized recipes cards and Photoplatings have been done but are not being followed and do not provide sufficient information for training the staff.

Service:

- Some members of the service staff are still in need of some basic training related to proper set up of tables, proper tableside service, taking the order and repeating back to the member and handling of flatware, glassware and china.
- Staffing is at a minimum during most of the week, and when service tends to be somewhat slow, it is more of an issue of getting the food out of the kitchen rather than the servers not paying attention to their duties.
- Staffing schedules are not based on any number of forecasted covers as there is no cover history available but rather a 'seat of the pants' feel for the day of the week, activities at the club, weather and the previous week's business level.
- No plate covers were being used for food going upstairs to the Lounge and Condor Room.

Sanitation/Maintenance:

- Sanitation practices in the kitchen and dining room are in need of some improvement. Specific observations are included in Appendix A.

Menus:

- All Menu items should be individually costed for verification of Net Plated Cost.
- Inventory pricing has not been updated and does not reflect the current pricing seen on the Sysco and Jordano's invoices.
- There is good cross utilization of inventory and no 'single-use' inventory items were noted.
- Lunch and dinner menus contain far too many items for the current kitchen configuration, employee experience and volume of business to support.

Accounting/Finance:

- Several meetings were held with the Director of Finance related to accounting. Specific topics are included in Appendix A.
- Inventories are not always taken on the last day of operations for the month, without any adjustments, making any sort of comparative analysis on a month-by-month basis useless.

Findings: Beverage

Purchasing:

- There are no purchasing controls in place.

Receiving:

- It is always an area of potential concern when the individual ordering the beverages is also the individual responsible for authorizing receipt of the goods.

Storage/Issue:

- The bartenders have the keys to access to the liquor storage room.
- Inventory is taken without any supervision, or verification or counts, which would allow for manipulation of the beverage inventory, and subsequent potential cost.

Preparation & Production:

- All drinks are 'Free Poured' without benefit of any measuring device.
- The current beverage operation is a 'one man show' without any controls in place. Specific details of needed controls included in Appendix A.
- There is no record of 'Comps'.
- The wines by the glass program should also be given additional review.

Service:

- A generally accepted industry standard would be one bartender for each 125 guests.

Sanitation/Maintenance:

- Bar area was generally clean and well kept.

Menus:

- The dinner menus in the Lounge and adjoining Condor Room are far too large for the volume of business on Friday and Saturday evenings.

Accounting/Finance:

- An analysis of the beverage cost of sales for the past year was done and is included in the Appendix section of this report. It indicates almost no control on beverage costs and by any standard would be unacceptable.
- This department will need much closer monitoring in the future and there should be targeted costs to maintain based upon current bottle costs, selling prices.

Recommendations: Food

Purchasing:

- It is recommended that each vendor be called in and spoken to regarding the implementation of competitive bidding practices.
- A record should be kept at the delivery entrance, of what was ordered and what price was quoted so that prices can be reconciled when the delivery is made.

- There is no receiving scale to verify that the incoming products, ordered by weight, are accurate. This should be closely monitored as it would be easy for a driver to remove a few steaks from a box knowing that the box will not be weighed or counted.
- Facsimile quotes for proteins and produce (both of which can vary widely) should be received each week for the following week's delivery.
- Establish standardized specifications for meat and poultry based upon the NAMP guidelines found in The Meat Buyers Guide and The Poultry Buyers Guide.
- Purchasing personnel should NOT receive any goods (food or beverage) from suppliers for their personal use (Steward's Purchase).

Receiving:

- Food and beverage deliveries should not be received during the hours of 11:30 a.m. and 2:30 p.m.
- Having the same person doing the ordering, receiving and signing for food and beverage purchases goes against Generally Accepted Accounting Principles (GAAP).
- The hourly staff would need to be thoroughly trained before being allowed to receive goods.
- All incoming produce should be dated to facilitate the rotation of goods in the refrigerators and freezers.
- All incoming fresh products (dairy, produce, meats, poultry and seafood) should be dated and rotated in the reach-in; or walk-in refrigerators.
- Order sheets should be kept at the receiving area so the verification checks related to the amount of product ordered and the quoted amount for products are being adhered to by the vendors.
- Since proteins, order by weight, are not being weighed, random checks of any unsealed cases should be done to verify the contents matches the number of units ordered.

Storage/Issue:

- Empty out all reach-in and walk-in refrigerators and freezers, and thoroughly clean, sanitize and re-organize.
- Place identification labels on the shelves to ensure that all items get put back in their proper place.
- All kitchen employees need to be trained to ensure that they properly cover all foods going into the walk-in refrigerator/freezer.

Preparation & Production:

- A history of covers by day part, for in-season and off-season is established in order to begin production planning (and labor scheduling) based upon historically accurate information.
- Someone should be checking, on a weekly basis, the percentage of popularity of each menu item (Sales Mix), by day-part, for the Bistro and Lounge (on weekends) and production planned in accordance with the information provided.
- Standardized recipe cards, cost cards, and Photoplatings need to be implemented to ensure that food items are prepared to a standard recipe.

- Once standardized recipes are in place and being adhered to, the menu mix of sales can be applied to the cost percentages and a Theoretical Food Cost (Potential) can be established.
- Many of the back-of-the-house employees are new to the Pine Mountain Club therefore continued training in the proper methods of cooking, timing of foods, following of recipes, proper portion controls, plate presentations, checking temperature of plated foods, etc. must be stepped up to the next level.
- Each department (food and beverage) should have their own cost 'potential' established based upon quality standards, portion sizing, menu mix, etc.

Service:

- Service training meetings should be held at least once a quarter until there is a level of consistency in the service.
- A small basket should be kept on top of the Bistro dining area cadenza to supply member requests for a piece of flatware, condiment, etc.
- In support of the local training there should be a series of tests to be completed by service employees to determine how well the information was communicated and retained by employees.
- All tabletop accoutrements (china, glassware flatware, salt & pepper shakers, sugar caddies, etc. should be of similar good quality and on one pattern.

Sanitation & Maintenance:

- A Monthly Sanitation Self Inspection to be conducted.
- Consultant recommends that the Restaurant subscribe to *Food Safety Illustrated*, a publication of the Food Safety Council of the Educational Foundation of the National Restaurant Association.
- It is recommended that a service representative from Ecolab be brought to examine the causes for the heavy spotting on the flatware and, to a lesser degree, glassware being used in the Bistro Café.

Menus:

- The current menus, while much more eye appealing than the former plastic encased bi-fold menu are far too large.
- It would be inappropriate to provide recommendations/comment on the menu pricing until such time as the recipe cost worksheets are completed.
- In light of the demographic profile of the members, it is recommended that some 'healthy menu options' be included on the menus.
- Portions were fair but inconsistent and should be re-evaluated when the plating costs are determined once standardized recipes are in place.
- While the visual presentation of most foods looked appetizing, the tastes were inconsistent. This will be corrected when standardized recipes are established and fully implemented.

Inventory Management:

- Consultant recommends that the current inventory sheets be scrapped in favor of those provided as a sample to Club management.
- Recommendation is made for the Pine Mountain Club purchase a laptop computer for use by the food and beverage department.

Kitchen Efficiency & Labor Analysis:

- Unfortunately, there are very limited options related to the existing equipment, purchasing of new equipment and/or reconfiguration of equipment. Specific details and rationale are provided in Appendix A.
- Labor factors have been analyzed and are detailed in Appendix A including possible solutions to challenges of food service on weekends in the Lounge and Condor Room.
- Menu analysis is also provided in Appendix A consisting of potential menu differentiation between Bistro and Lounge on Weekend nights and "specials" and is outlined in Appendix A.

Accounting/Finance:

- The National Restaurant Association's "Uniform System of Accounts for Restaurants" should be the standard by which the financial statements are organized and presented for ownership's review.
- Membership in the California Restaurant Association is also recommended as it provides numerous benefits.
- Consideration should be given to implementing 13, 4-week periods per year.
- Consideration should be given to bringing a representative from the POS software program manufacturer, or their distributor, to the Club for a half-day training meeting to ensure that all key management users of the software are thoroughly familiar with the capabilities of the existing program and are able to extract required information and make necessary operational changes that may be needed.

Recommendations: Beverage

Purchasing:

- Purchasing should be based on a list of 'Approved Brands' and any other brands should have to be authorized by someone above the bartender level.
- An analysis should be done to determine if any products are being purchased for individual members and at what rate are those products being consumed. Any products that are not consumed during the course of one month (during the season) should be eliminated.
- A usage report should be prepared for draft and bottled beers and wines sold both by the bottle and by the glass.
- Any wines ordered for a specific event should be fully paid for by the event host/organizer.

Receiving:

- There should be no more than two (Young's Market and Southern Wine & Spirits) deliveries a week, someone from accounting should be receiving/verifying the incoming order against what was ordered.
- All liquor should be immediately secured in the liquor room once the invoice is signed and verified.
- All liquor ordered in amounts of less than one case should be physically verified to ensure the item received matches the item ordered.

Storage/Issue:

- In California we recommend that all bottles placed on shelves have some means of protection against earthquake damage. This can be as simple as running one or two wires the width of the shelves to prevent bottles from falling forward in the event of a temblor.

Preparation & Production:

- Consultant strongly recommends that a **measured pourer** be placed on all well, call and premium bottles at the bar.
- A "Breakage Control Sheet" should be prepared and filled out each night by the closing bartender indicating exactly what brands/bottles were fully consumed and replaced with fresh stock.

Service:

- Consultants onsite observations related to the beverage services in the Lounge were acceptable by industry standards.

Sanitation/Maintenance:

- All back bar bottles and shelving should be wiped down at least once a week.
- All counters, blender stations, drain trays, glass washing sink, dump sink and the bar itself need to be constantly kept in an immaculately clean condition.
- Ice should be 'burned off' at the close of each shift rather than just allowing the ice to melt over time.

Accounting/Finance:

- Weekly 'surprise' audits should be done by the Accounting Department whereby a new cash drawer is brought to the bartender during the middle of a shift.
- A detailed record must be kept for the complimentary drinks ('comps") currently provided to some association members.
- The number of 'No Sale' rings, or 'Voids' should also be closely monitored as it is also a means of opening the cash drawer without ringing up a sale.
- Consultant recommends that a 'mystery shopper service' be brought in once or twice a month for a period of three months to observe operations and prepare a written report of findings for management.

Inventory Management:

- There is currently no inventory control procedure in place. We recommend that a Perpetual Inventory System be implemented that would allow for the Accounting Department to do an 'audit' of the beverage inventory at any time.
- Inventory MUST be taken on the last day of the month, or before opening the bar on the first day of the month.
- A Par Stock amount of liquor should be established for the front bar operation. It should be checked on a random basis to ensure the proper number of bottles for each brand is present.

Labor Analysis:

- One bartender should be able to handle the normal flow of business in the Lounge on all but Friday and Saturday evenings. For catered events with cash bars, a good rule of thumb would be one bartender for each 125 guests.

SUMMARY OF RECOMMENDATIONS

Currently there are very few food and beverage controls in place. A series of food and beverage cost and pre-cost controls (purchasing, receiving, forecasting, inventory management, preparation and production, staffing, service and sanitation) are needed to reduce food, beverage, and labor costs to more closely comply with industry standards. The current food and beverage management team is going to require some 'coaching' in order to implement the needed controls.

Management needs to develop some standardized policies and procedures related to the foodservice operations including, but not limited to:

- Non-food & beverage personnel entering the kitchen
- Consumption of food in the kitchen by staff members
- Establishing the meaning of the term "cover" as it relates to measuring the amount of guests served by day-part, day of the week and by week as a guide to front and back-of-the-house staffing and revenues by labor hour and other labor cost, and pre-cost, controls.
- Establish beverage pouring standards and hold beverage staff accountable
- Define how, what (well brands only), why and when beverages are 'comp'ed for members and a tracking measurement to ensure the policy is not abused
- Inventory management/controls regarding both when and how monthly inventories are taken and reconciled.

There are several critical items that need to take place in both the food and beverage areas before the Club will begin to see the food, beverage and labor costs come into line with similar type operations.

- Before the Club can get to where it wants to go (minimize costs/expenses/subsidies and improve speed and quality of service to members) it must first find out where it is. This is a 'foundation building' process upon which other controls are built that will eventually yield the desired results.
- The proposed system of food and beverage controls contained within this report need to not only be implemented but also embraced and maintained for effective change to take place.
- The proposed kitchen study could turn up recommendations that would easily pay for the study in better efficiencies and reduced costs.
- The issues of guest services and the food delivery system can definitely be improved upon however the underlying issues of kitchen and equipment constraints will continue to exist until a long term decision is reached.
- Consultant is reluctant to recommend that services be 'cut back' until every effort is made to increase membership use of the facilities, service enhancements are in place and working and food and beverage control policies and procedures are fully implemented

Respectfully submitted

Don J. Avalier, FCSI, FMP
Principal
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