



Elementary, Middle, Secondary and Continuing Education
School Operations and Management Services
Child Nutrition Program Administration, Room 55, Albany, N.Y. 12234-0055
Tel. (518) 473-8781 Fax (518) 473-0018
Web Page: www.nysed.gov/cn/cnms.htm

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TO: School Business Administrators Contracting With Management Companies

FROM: Frances N. O'Donnell, Coordinator

SUBJECT: 2003-04 Food Service Contract- Bids or Extensions

All public schools that use a Food Service Management Company (FSMC) to run their food service operation must competitively bid for services. All non-public schools, residential child care institutions and jails participating in the National School Lunch, Breakfast and/or Special Milk Program must competitively bid for a FSMC to manage their food service operation in whole or in part. There are procedures, required by New York State Law, which school food authorities (SFAs) must follow. The Department must approve all FSMC contracts. The enclosed specifications and agreement forms must be used.

SFAs with a FSMC contract from 1998-99 must let bids for the 2003-04 school year. The contract term is for one year. The contract may be extended each year for up to four years. Approval is required from our office for annual renewals. Changing FSMCs without proper approval will result in withholding reimbursement funds and/or reclaiming of reimbursements received for the months the SFA operated without an approvable FSMC contract.

Contracts that started on or after 1999-2000 may be extended with the FSMC for the 2003-04 school year. The business official should review the food service program to decide if the FSMC has fulfilled the terms of the contract. If the lunch and or breakfast program meets with the SFA's approval, the business official should recommend the extension of the contract. If the board of education, staff or students are not satisfied with the FSMC, or the SFA wants to make material changes to the food service operation, the contract should be re-bid.

Just a reminder, we adjusted the extension form for the upcoming school year to accommodate an SFA that used the two-tier bid last year. SFAs that have one bid price for breakfast and lunch should put all bid price information in the section for lunch.

We revised the standard bid specifications and contract forms to incorporate all new State or federal regulations. We also clarified those areas that have been a problem for SFAs in the past.

SFAs are encouraged to include their own specifications and/or redefine certain clauses in the enclosed sample contract before submitting the contract to prospective bidders. However, if your SFA adds and/or amends clauses to the contract package, submit the contract to Sharon Smith for review. This is done as a precaution to ensure that compliance with federal and State regulations remains intact.

The following pages contain updates to the 2003-04 bid specification and contract for your reference, frequently asked questions and fact sheets that explain the different contract types. Also included is a listing of FSMCs interested in bidding on food service contracts. We do not endorse any of the food service companies. The bid summary form included in the packet must be submitted with the signed bid specification and contract.

2003-04 will be the last year the Type I contract will be available. The Type I contract is awarded based on an annual administrative fee or a per meal administrative fee. The administrative fee is defined as all other costs, except, food, labor, and miscellaneous expenses. The administrative fee is the only source of profit for the FSMC. SFAs with an existing Type I contract can execute the entire five-year term of their contract and then they will have to bid using the Type II per meal contract.

If you have any questions please contact Sharon Smith at the above address and telephone number.

2003-04 Updates To The Contract And Extension Form

1. **OIG Audit**

The Office of the Inspector General of the USDA issued a nationwide audit report (Audit Report No. 27601-0027-CH) on April 20, 2002 regarding FSMCs operating the National School Lunch Program (NSLP). The audit was intended to determine if sufficient controls existed to ensure management companies complied with program requirements. One of the findings of the audit revealed that FSMCs failed to provide SFAs with the value of credits, discounts, and rebates for purchases made on behalf of the SFAs. Allowable charges to the SFA by the FSMC must be the amount of the allowable costs after all credits discounts and rebates received by the FSMC have been taken.

We have expanded the 'Scope and Purpose' clause in the agreement section to include the following statement:

Allowable charges to the SFA must be net of all credits, discounts and rebates. The SFA must not be charged by the FSMC for costs that have been reduced by credits, discounts and rebates. The SFA must benefit from all credits, discounts and rebates including those obtained by the FSMC. Monthly operating statements must clearly show these amounts.

2. **The Conversion Rate for A La Carte Sales In The Type II Contract Will Be \$2.24 For All 2003-04 Contracts**

The conversion rate has been established to ensure a fair level of payment to the FSMC, while simultaneously guaranteeing that child nutrition revenues are not subsidizing adult and a la carte items. The conversion rate is also in place to avoid making the sale of a la carte items more profitable than the marketing of reimbursable meals. A lower conversion rate generates more equivalent meals and therefore more money to the FSMC. The Department strongly affirms the mission of the Child Nutrition Programs, to provide students with nutritious breakfasts and lunches.

3. **Government Donated Foods**

To prevent overestimating the use of government donated foods in an SFA's food service program we recommend using the following commodity entitlement formula:

.1525 cents per meal multiplied by the average daily participation (in the NSLP) multiplied by 180 days.

SFAs and FSMCs should not base their estimates of future availability on past commodities received by the SFA. Schools received an average of 27 percent over their entitlement last year because of a number of factors. The Office of General Services, Division of Donated Foods is trying to accommodate SFAs with changes in the delivery and types of foods available. For more information on government donated commodities contact the Division of Donated Foods at (518) 474-5122.

4. **Summer Food Service Program (SFSP)**

On October 1, 2002, the USDA Food and Nutrition Service (FNS) authorized The Department to assume complete administrative authority over all SFSPs operating in New York State. Prior to October, FNS shared responsibility with the Education Department and administered all private non-profit, residential camp and National Youth Sports Programs (NYSP) operating in New York State.

In an effort to increase participation and feed more children in low-income areas during the summer months, USDA is offering SFAs a new waiver option - The Seamless Summer Feeding Waiver (SSFW) omits several of the SFSP specific regulations and follows more of the School Breakfast Program

(SBP) and the NSLP regulations to promote a seamless transition from the Child Nutrition Programs to the summer program. Under the SSFW:

- ✓ SFAs can apply to operate the SFSP through 2004.
- ✓ Schools are reimbursed at the NSLP/SBP free rates and follow most of the NSLP rules for meal service.
- ✓ Up to two meals per day (three for migrant sites) may be served to children, 18 and under, free of charge.

For more information, contact a representative of the SFSP unit at (518) 432-5068.

SFAs contracting with a FSMC are not permitted to add SFSP participation to the existing contract because the addition constitutes a substantive change to the contract. There are important program differences between the NSLP and the SFSP. If you are going to offer the SFSP contact their office at (518) 432-5068 for assistance.

Additional provisions, general terms and conditions, as required in federal regulations 7CFR Part 225, are included in Appendix G of these contracts. An SFSP menu should be included in the bid specification. Complete Appendix G 1 indicating all the sites where the SFSP will operate along with other pertinent data. If meals are pre-packaged and delivered to areas without refrigeration, a quality control plan, as described in Appendix G 2, must be in place. SFAs letting bids for the 2003-04 school year are required to use Appendix G 1 and G 2 or go out to bid separately for the SFSP. SFAs that use the Type IV contract should call the SFSP unit at (518) 432-5068 for information on participation in the SFSP before going out to bid. These terms and conditions, which provide for the operation of the SFSP in compliance with 7CFR Part 225, are applicable to both the SFA and the FSMC.

5. Food Safety Inspections

Schools participating in the NSLP or the SBP are required to obtain food safety inspections conducted by a State or local governmental agency responsible for such inspections at least once a year. The SFA is responsible for informing their state or local health department that they are due for an inspection if the annual inspection does not occur routinely. If an SFA participates in the SFSP, the SFA must notify the Department of Health (DOH) of approved SFSP sites each year. The FSMC providing meals to SFSP sites must periodically submit meals to the local health department or an independent agency to determine bacteria levels in the meals being served. Such levels shall conform to the standards, which are applied by the local health authority with respect to the level of bacteria, which may be present in meals served by other establishments in the locality. The results of the inspections must be submitted promptly to the sponsor and State agency.

6. Criminal Penalties

Criminal penalties are increased to \$25,000 which is the maximum fine for embezzling, willfully misapplying, stealing or obtaining by fraud funds, assets or property acquired under the National School Lunch Act or the Child Nutrition Act.

7. Breakfast Program

Remember that all public schools with a severe need designation are required to start a breakfast program. A severe need school is one that served 40 percent or more of its lunches to free and reduced price eligible students in the second preceding year. All other public elementary schools that participated in the lunch program on or after January 1, 1993 are required to start a breakfast program. Your district may have received an exemption from starting a breakfast program, which is granted on a yearly basis. If your SFA will begin a breakfast program in 2003-04, you must include

menus for the breakfast program in the bid and indicate which schools will be starting a breakfast program. This is a multiple year contract and specifications should be prepared with that in mind.

8. Reimbursement for Snacks in After School Care Programs through the National School Lunch Program

Public Law 105-336, the William F. Goodling Child Nutrition Reauthorization Act of 1998, expanded the United States Department of Agriculture's NSLP. SFAs can enhance the nutrition benefits for children by providing reimbursement for snacks served to children in after school care programs through age 18. The intent is to assist schools to operate organized programs of care that include educational or enrichment activities. These programs are known to help reduce or prevent children's involvement in juvenile crime or other high-risk behavior.

If the SFA administers the after school programs or retains the authority for the program; the snacks may be claimed by the SFA under the NSLP. SFAs participating only in the Special Milk Program are not eligible. If a public or nonprofit organization other than the SFA administers the after school program, that sponsor may be eligible to claim the snacks under the Child and Adult Care Food Program (CACFP) through the DOH. SFAs that currently participate in the supper program under CACFP may find that they need to remain in CACFP to continue claiming supper. Other SFAs may find that serving and claiming the snacks in the NSLP eliminates the need to be in the CACFP. See the memorandum dated June 2001, concerning reimbursement for snacks served to children in after school care programs through the lunch program that addresses NSLP issues, as administered by this office. For information on the CACFP, call DOH at 1-800-942-3858.

Only SFAs participating in the NSLP and interested in receiving reimbursement for snacks served to children in after school care programs through the NSLP should refer to Appendix H in the Type I and Type II contracts (Appendix G in the Type IV contract), if letting bids for 2003-04. SFAs must include the names of sites and times where snacks will be served on that appendix. SFAs using the Type II contract can use Bid Option 3 to receive separate bid prices for the breakfast, lunch and the snacks served to children in after school care programs through the NSLP. For SFAs with the Type II contract, using Bid Option 3 will enable you to require bidders to provide separate bid prices for snacks, breakfast and lunch with a solid means for determining the lowest responsible bidder. Remember, check the reimbursement rate for free snacks to ensure a fair bid price. SFAs using Type I and IV contracts will not need to use a different bid option or form because the cost of providing snacks will be included in the annual financial budget projection prepared by the FSMC. However, SFAs using those contracts must complete Appendix H in Type I and II contracts, Appendix G in Type IV, indicating which schools are receiving reimbursement for snacks. SFAs using the Type III contract do not participate in the NSLP and are not eligible to receive reimbursement for snacks.

Existing contracts can be modified to include the receipt of reimbursement for snacks served to children in after school care. Neither USDA nor the Department considers reimbursement for snacks served in an after school program, a new program. The estimated cost to an SFA for providing snacks to children in after school care would be a small percentage of the total cost of the existing lunch program and therefore not considered a material change to the contract. Existing contracts should be modified to include an estimate of the number of snacks to be served for the current school year and a bid price should be negotiated between the SFA and the FSMC to provide the required items. Check with your school attorney on the proper language for the amendment.

9. BID OPTION 3 For Separate Bids for the Breakfast, Lunch and Snacks Served to Children in After School Care Programs through the NSLP.

Bid Option 3 requires the SFA to estimate the total number of lunches, breakfasts and snacks to be served for the year. The FSMC bids a direct cost plus administrative fee for each meal. The per

meal amounts are usually not the same. The number of estimated meals (supplied by the SFA) are multiplied by the bid price for each item to get the total district cost for breakfast, lunch and snack. These subtotals are added to determine the grand total district cost. The grand total is transferred to the appropriate column on the bid form. (See sample below.) **Do not average** the bid prices and transfer that amount to the bid form. The SFA will not pay the FSMC an average of the bids. All companies will be bidding on the same number of meals in order to provide fair comparisons. It is to the advantage of the FSMC that wins the bid to increase participation because increased participation means increased administrative fees.

The contract will be awarded based on the lowest responsible bid proposal for the combined grand total of breakfast, lunch and snack cost reimbursement. Amounts shall reflect a maximum per meal cost for administrative fee and direct cost of operations (labor, food and miscellaneous expenses) for the different programs as defined herein.

▼ **SAMPLE** ▼

	Administrative Fee	+	Direct Cost	=	Total Meal Per	X	SFA Estimate of Meals and Equivalent Meals	=	Total District Cost
Breakfast	\$.15	+	.75	=	\$.90	X	45,000	=	\$ 40,500.00
Lunch	\$.15	+	1.15	=	\$ 1.30	X	325,000	=	\$422,500.00
Snack	\$.05	+	.35	=	\$.40	X	30,000	=	\$ 12,000.00
Grand Total								=	\$475,000.00

FSMC must write the Grand Total on the bid form, in the appropriate column. However, the FSMC must bill the SFA the individual total per meal price, for each type of meal.

Bid Option 3
Grand Total - \$475,000.00

10. Maximum Student Selling Prices for Breakfast and Lunch

We will not be establishing maximum selling prices for reimbursable breakfast and lunches served to students for the 2003-04 school year. However, when you establish your pricing structure, keep in mind that it is easier to make gradual increases in the meal charge than to raise prices dramatically:

- Significant price increases will often result in a decrease in participation levels;
- If you raise lunch prices, you should also raise a la carte prices accordingly so that the combined price of an entrée plus milk equals the lunch price;
- Reduce expenses and generate revenues from other sources instead of relying solely on increasing the lunch charge to cover your program expenses.
- The maximum charge for a reduced price lunch and breakfast is \$0.25.

- Adults must be charged, at a minimum, the reimbursement you receive for a free lunch meal plus \$0.1525 (the current rate for government commodities) plus tax. This charge is for the same meal and portion sizes as served to a child. Increased portion sizes, more costly food items and special services should be reflected in increased charges. The selling price for a student meal should not exceed what is charged to an adult.

Questions and Answers about Food Service Management Contracts

1. Who can help me prepare my bid specifications?

SFAs may contract with individuals or companies in order to obtain information from as many sources as possible to assist in preparing your bid specifications. However, an FSMC or other interested party may not participate in the procurement process by way of drafting the bid specifications, procedures or documents, if they intend to be a potential candidate for providing the service or product. This provision is intended to ensure that SFAs have sufficient flexibility in contracting matters, while maintaining an open and free competition.

2. How do I decide how much I can increase my bid price?

The FSMC can ask the SFA for an increase in the bid price for the new school year/term. However, if the SFA feels that there was not a significant increase in costs from last year to this year, they do not have to agree to an increase. Careful monitoring of the FSMC's operating statements, outlining expenses and income, will help make that determination. The SFA can increase the bid price for breakfast and/or lunch using the Consumer Price Index for Urban Consumers (CPI-U) as a guide and limit. You must use the May CPI-U for contracts ending in June, or the September CPI-U for contracts ending in October, etc. Education Law 305 states the percentage of increase in the bid price for breakfast and/or lunch **cannot exceed** the CPI-U for the twelve-month period immediately preceding the month in which the contract ends. However, you can negotiate an increase that is less than the CPI-U.

Call the U.S. Department of Labor, Bureau of Labor Statistics, for ***the Consumer Price Index for Urban Consumers in the New York-Northeastern, New Jersey*** area at (212) 337-2400. You will hear a recording listing the percentage of increase in the index. You may also get that information on the World Wide Web at <http://www.bls.gov/ro2>. Click on New York regional economy, scroll down to Consumer Price Index and review New York-Northeastern New Jersey-Long Island All Urban Consumers (U). See the "percentage change from year ago" column for recent CPI-U information. The CPI-U is usually available two weeks after the end of the month. For example, the May CPI-U is typically available the second week in June and the September CPI-U would be available the second week in October. Please check your math when applying the CPI-U to your current bid price. Most delays in processing extensions are the result of mathematical errors.

3. What should I do after my contract is signed and approved by the board?

Submit one (1) document with original signatures, plus two (2) copies to the address on the letterhead for approval. Use the enclosed 2003-04 management company contract checklist to make sure your contract is complete. This office should receive all completed contracts or extensions no later than ten (10) days before the first day of operation. **If a contract or extension is not received by October 1, 2003 reimbursement for those meals served will be withheld until an approval document is on file in this office.**

4. My FSMC did not sign the debarment and lobbying forms. Can I send my contract in for approval and send the forms later when I get them?

No. The debarment statement and lobbying certification forms must be completed and signed by the FSMC and submitted with the bid specification/agreement forms and extension form. You must complete this form each year when extending your contract. Please return the original and two copies of the extension form and the accompanying certification forms for approval.

5. Can I have my FSMC submit the lunch and breakfast reimbursement claims on-line, review the applications and update the master lists of eligible students?

- No. Federal regulations prohibit a FSMC representative from signing or submitting on-line program agreements and reimbursement claim forms, however FSMC personnel may prepare claims for the SFA's review and approval.
- An FSMC representative cannot be the reviewing, verification or hearing official for the free or reduced price applications.
- SFA personnel can update the master list of eligible students and provide them to FSMC personnel (i.e., cashiers) with the understanding that the master list contains confidential information and should not be shared with anyone.

6. How can I determine the monetary value of the donated commodities my SFA receives?

Monitor commodity orders, pick up slips and inventory sheets to ensure that donated commodities are being used solely for your child nutrition programs. If you have questions regarding donated commodities, call the Office of General Services at (518) 474-5122. Remember the SFA is held financially responsible for the distribution and use of government commodities.

7. Who should be responsible for handling the program money?

The SFA must account for all money received from the sale of lunches and/or breakfasts to students and adults, a la carte sales and reimbursement for meals served. These funds must be kept in an account in the name of the SFA only. Funds can be kept in the general fund of the SFA, but they must be accounted for separately. FSMC personnel may deposit monies in the SFA account, but the FSMC should turn in the deposit slip within a reasonable period (i.e., less than one hour).

8. Are there any other monitoring responsibilities the SFA has when contracting with an FSMC?

Review and audit the invoices and monthly operating statements from the FSMC. The invoices received must adhere to the selected format described in the contract between the SFA and FSMC. Payments to the FSMC must also be made on a timely basis, as described in the contract. Invoices for the Type I, III, and IV contracts should list direct expenses and administrative/service fees separately. Direct expenses should be itemized by categories for food, labor, and miscellaneous costs. Invoices for the Type II contract should report, at a minimum, the number of reimbursable lunch and breakfast meals, plus equivalent meals, multiplied by the bid price. These invoices should also report the dollar amount of a la carte sales and the conversion to equivalent meals by the factor listed in the contract.

The FSMC's monthly operating statements must be received by the SFA no later than 10 days following the calendar month in which services were rendered. All reported expenditures must be legitimate, allowable costs that are incurred solely for the SFA's on-site operations, not corporate or administrative costs. These allowable direct costs must be supported by source documentation (i.e., food and supply invoices, payroll records, receipts for equipment rental, mileage logs, etc.).

Payment to the FSMC is limited to the extent of annual program income. Program income is defined as: monies generated by the sale of meals to children, accrued State and federal reimbursement and student and adult a la carte sales, less the annual guaranteed return to district, if applicable. Prior years school lunch fund balances are not considered program income. General fund subsidies are only considered program income if it is stipulated in the contract/ bid specification, prior to letting bids. Contracts that provide for a return to the SFA or a break-even program require the FSMC to operate within annual program income. If the FSMC's expenses exceed the bid price or annual program income, or both, the FSMC must absorb the loss.

9. Does an SFA have to have a nutrition committee?

Yes. An SFA must establish an advisory board comprised of parents, students, and teachers. The advisory board should meet with a representative of the FSMC to assist with menu development. The advisory board can also review the menus to confirm that meal standards outlined in the bid specification are being accomplished in the cafeteria.

Also, enclosed for your information are Fact Sheets that give you basic information at a glance. Please review the fact sheets for more information on properly completing your bid specifications.

FACT SHEET 1 THE CONTRACT

School districts are encouraged to include their own specifications and/or redefine certain clauses in the sample contract, before submitting the contract to prospective bidders.

- A Certain areas in the contract are mandated by federal regulations 7CFR 210.16. The following items must be a part of the bid specification:
- (1) Twenty-one day cycle menu - **This is the most important aspect of the bid specifications.** Menus must include all food items that should be available on a daily or weekly basis in each school. Menus are the basis for estimating costs and formulating bids. Federal regulations require menus included in the bid be followed for the first twenty-one (21) days of service. The standards and style of service must be followed for the life of the contract.
 - (2) Procurement Specifications - should list type, style and quality standards for items found in menus. For example: curly fries or crinkle cut fries.
 - (3) Bid Form-
 - Bid must be a fixed fee
 - Award is to the lowest responsible bidder, responsibility to be determined by the board of education.
 - (4) Performance Security
 - Must be at least 10 percent of annual projected operating cost.
 - (5) Sixty-day termination clause
 - Either party may terminate contract *for cause*, with sixty days written notice. We recommend the notice be sent by certified mail, return receipt requested.
 - (6) Prospective bidders must complete the non-collusive statement.
 - (7) Prospective bidders must complete the financial Budget Projection. It should be reviewed to determine if the information is reasonable and accurate and to assist in determining the responsibility of the bidders.
 - (8) Penalty Clause - See Term, Termination clause in the Agreement section of the contract.
 - (9) Authorized signatures of both parties. - The corporate affidavit gives authority to the FSMC personnel listed on the affidavit to sign the contract. The school board president's or executive director's signature is required on the contract and extension.
- B Any time the words FSMC/SFA appear in the specifications the District must make a choice as to which party is responsible for the task.

THE CONTRACT REVIEW PROCESS IS AS FOLLOWS:

- C For assistance, submit revised specifications to me for review at least **two weeks** before advertising for bids.
 - I. If specifications are satisfactory:
 - (1) The district is notified, via telephone.
 - (2) Follow contracting procedure outlined.
 - II. If specifications are not satisfactory:
 - (1) Contact with the district will define problem areas.
 - (2) District should revise material as indicated.

Note: Simultaneously with, or after the award of contract, alterations of the specifications that would permit an unfair advantage or favoritism are prohibited.

**FACT SHEET 2
CONTRACT TYPE I
AWARD BASIS - ADMINISTRATIVE SERVICE FEE**

The contract must be awarded on a fixed fee basis. The Food Service Management Company (FSMC) cannot receive payment from the school food authority (SFA) for the cost plus a percentage of the cost, or a percentage of the income from the program.

The Type I contract is awarded based on an annual administrative fee or a per meal administrative fee. The administrative fee is defined as all other costs, except, food, labor, and miscellaneous expenses as defined below. The administrative fee is the only source of profit for the FSMC.

When using a Type I contract, The Department's Office of Counsel has ruled that the Governing Board of the SFA must purchase all food and non-food items in accordance with General Municipal Law §103 and Part 114 of the Regulations of the Commissioner of Education (8 NYCRR Part 114). Competitive bidding for all food and non-food items is a way of confirming that the FSMC takes advantage of the best price the marketplace has to offer.

1. The SFA and FSMC can cooperatively develop the bid specifications.
2. The SFA must advertise bids in the official paper, or newspaper with general circulation in the community.
3. The SFA must open and read bids in the place and time advertised.
4. The FSMC can submit a bid to supply any food or non-food item.
5. Title to all purchased foods remains with the FSMC.

We recommend the SFA indicate food service management bids will be accepted on either an annual fee or a per meal fee basis, before bidding. However, should the district decide to accept both annual and per meal bids, the per meal bids will be annualized and the award based on the annual fee.

To assist school administrators, the following definitions have been developed and should be referred to when questions arise concerning payments obligated under the Type I FSMC contract:

Allowable Direct Costs are those costs, which are incurred solely for the SFA on-site operation as defined herein:

Labor is defined as and limited to on-site employees responsible for the management, preparation, service, and clean up of meals.

Food is defined as and limited to those items purchased for use in the preparation and service of student, a la carte, adult, and special event meals as specified.

Miscellaneous Expenses are defined as paper supplies (including decorations), equipment rental, cleaning materials, commodity handling and warehousing charges, travel as required for effective program management, and as agreed upon by the SFA* (see below), uniforms, menu paper, printing, taxes, licenses, laundry, insurance and other costs as contractually obligated herein.

*Travel as required for effective program management and as agreed upon by the SFA:

1. Travel as required:
 - Travel of the manager from one building in the district to another.
 - Travel to regional meetings.
2. Travel as agreed upon:
 - Travel to special meetings.
 - Travel of regional chef, dietician, etc. if the SFA deems such visits necessary for efficient operation.

Note: *Allowable direct cost of operations is defined as labor, food and miscellaneous expenses. All program expenses not otherwise defined in the contract will be assumed by the FSMC under the administrative fee.*

**FACT SHEET 3
CONTRACT TYPE II
AWARD BASIS - MAXIMUM PER MEAL COST**

The **Type II** contract is awarded based on a maximum per meal payment to the Food Service Management Company (FSMC) for direct costs (food, labor and miscellaneous expenses) and administrative fee. The maximum per meal fee is composed of:

- (1) The administrative fee and
- (2) The direct cost of operations (food, labor, miscellaneous expenses) per meal.

(For Example)

Administrative Fee	\$.10
Direct Cost of Operations	+ <u>1.05</u>
Maximum Per Meal Cost	\$1.15*

*** The \$1.15 figure (in the example) that would be the bid price written in on the bid form by the FSMC.**

Although the maximum per meal cost is the bid price, the per meal payment to the FSMC is contingent upon the following:

- Annual direct cost of operations, as audited and approved by district personnel

and

- Limited to the extent of program income.

Note: *At no time during the contract period can the per meal payment to the FSMC exceed the contract terms (the number of meals plus *equivalent meals multiplied by the maximum per meal cost figure).*

*Equivalent meals are calculated by dividing the a la carte sales figure by the equivalent meals conversion factor set by the Department.

Special attention should be paid to the content of the menu to be used for bidding the maximum per meal cost contract. The menu, as bid, must be used for the first 21 days of service and sets the quality standards for future menus. Bidders use the information contained on the menu to calculate the food cost. It would be difficult for the FSMC to expand the food service program selections after the bid was awarded.

In an effort to assist school administrators the following definitions have been developed. These definitions should be referred to when questions arise concerning payments obligated under the Type II FSMC contract.

Allowable Direct Costs are those costs that are incurred solely for the SFA's on-site operation as defined herein:

Labor is defined as and limited to on-site employees responsible for the management, preparation, service, and clean up of meals.

Food is defined as and limited to those items purchased for use in the preparation and service of student, a la carte, adult, and special event meals as specified.

Miscellaneous Expenses are defined as paper supplies (including decorations), equipment rental, cleaning materials, commodity handling and warehousing charges, travel as required for effective program management, and as agreed upon by the SFA (*see below), uniforms, menu paper and printing, taxes and licenses, laundry, insurance and other costs as contractually obligated herein.

*Travel as required for effective program management and as agreed upon by the School Food Authority:

1. Travel as required:
 - Travel of the manager from one building to another in the district.
 - Travel to State sponsored meetings.
2. Travel as agreed upon:
 - Travel to special meetings.
 - Travel of regional chef, dietician, etc. if the SFA deems such visits necessary for the efficient operation of the program.

Note: *Allowable direct cost of operations is defined as labor, food and miscellaneous expenses. The FSMC Contractor under the Administrative Service Fee will assume all program expenses not otherwise defined in the contract.*

Administrative Service Fee is defined as all other costs except food, labor, and miscellaneous costs as defined herein.

Special Functions:

We recommend the SFA include in the bid specifications any special function services, such as sports banquets, Board of Education (BOE) luncheons, etc., the FSMC will be asked to provide. We also recommend billing for these special functions separately so that school lunch funds are not involved. The SFA would provide the amount specified for these services from the General Fund.

Any non contractual (not specified in the original bid) special function, or catered event that is outside the child nutrition program operation, and is provided by the food service contractor, must be billed outside the contract. The district has an obligation to reimburse the FSMC out of the General Fund account for the cost of these services. Payments received by the contractor for these services cannot be reflected as "a la carte sales" when calculating equivalent meals under the Type II contract. For more information about payment under the Type II contract, see Fact Sheet 3 A.

Extending Contracts

Upon contract renewal, the increase in the bid price (extension price) is limited to any increase in the NY, Northeastern New Jersey Consumer Price Index (CPI-U) for all urban consumers for the twelve month period immediately proceeding the month in which the contract terminates. The CPI-U is available from the United States Department of Labor The Bureau of Labor Statistics at (212) 337-2400 or on the world wide web at <http://www.bls.gov/ro2> The justification for any increase should be provided by the FSMC.

FACT SHEET 3 A
CALCULATING VENDOR PAYMENT UNDER THE TYPE II CONTRACT

The award of bid under the Type II contract is to the lowest responsible bidder. The board of education or director of a non-public school determines bidder responsibility. The maximum per meal fee is composed of:

1. The administrative fee, per meal

and
2. The direct cost of operations, consisting of food, labor and miscellaneous expenses per meal.

(For Example)

Administrative Service Fee	\$.10
Direct Cost of Operations	<u>+1.05</u>
Maximum Per Meal Cost	\$1.15

Payment to the vendor is:

Limited to:

1. The extent of program income.
2. Contract terms - meals and equivalent meals multiplied by the bid price.

Contingent upon:

1. The direct cost of operations for food, labor, and miscellaneous expenses as defined in the contract and as audited and approved.
2. Administrative fee (quoted per meal fee multiplied by meals served).

For all examples:

Meal pattern meals served in one month	13,000
Equivalent meals served in one-month	<u>+ 7,000</u>
Total meals =	20,000

Per meal bid price comprised of:

Direct operating costs	\$1.05
Administrative Fee	<u>+.10</u>
	\$1.15

2. Maximum allowable monthly payment under contract terms:
 20,000 (total meals) x \$1.15 (bid price) = \$23,000

Example 1

Actual costs for one month

Food	\$13,000	
Labor	8,500	
Misc.	2,500	
Adm. Fee	<u>2,000</u>	(\$.10 x 20,000 meals)
Total	\$26,000	

A. Actual Costs = \$26,000

B. Maximum Payment = \$23,000 (Meals x bid price)

Payment to the vendor should be the lesser of A or B

Payment to vendor for this example is B = \$23,000

Example 2

Actual Costs for one month

Food	10,000	
Labor	7,000	
Misc.	2,000	
Adm. Fee	<u>2,000</u>	(\$.10 x 20,000 meals)
Total	\$21,000	

A. Actual Costs = \$21,000

B. Maximum Payment = \$23,000 (Meals x Bid Price)

Payment to the vendor should be the lesser of A or B

Payment to vendor in this example is A = \$21,000

Reminder:

Although the district is billed on a weekly or monthly basis, the contract bid is based on the full school year. Therefore, the SFA should review the FSMC's financial records at least twice a school year to determine if payments to the FSMC are within contract limits. Payments to the FSMC may not be carried over from one contract year to another.

FACT SHEET 4
CONTRACT TYPE III
AWARD BASIS - ADMINISTRATIVE SERVICE FEE

The contract must be awarded on a fixed fee basis. The Food Service Management Company (FSMC) **cannot** receive payment from the school food authority (SFA) for the cost plus a percentage of the cost, or a percentage of the income from the program.

The **Type III** contract is awarded based on an annual administrative fee or a per meal administrative fee. The administrative fee is defined as all other costs, **except**, food, labor, and miscellaneous expenses as defined below. The administrative fee is the only source of profit for the FSMC.

When using a Type III contract, the Department's Office of Counsel has ruled that the Governing Board of the SFA must purchase all food and non-food items in accordance with General Municipal Law §103 and Part 114 of the Regulations of the Commissioner of Education (8 NYCRR Part 114). Competitive bidding for all food and non-food items is a way of confirming that the FSMC takes advantage of the best price the marketplace has to offer.

1. The SFA and FSMC can cooperatively develop the bid specifications.
2. The SFA must advertise bids in the official paper, or newspaper with general circulation in the community.
3. The SFA must open and read bids in the place and time advertised.
4. The FSMC can submit a bid to supply any food or non-food item.
5. Title to all purchased foods remains with the FSMC.

We recommend the SFA indicate food service management bids will be accepted on either an annual fee or a per meal fee basis, prior to bidding. However, should the district decide to accept both annual and per meal bids, the per meal bids will be annualized and the award based on the annual fee.

To assist school administrators, the following definitions have been developed. These definitions should be referred to when questions arise concerning payments obligated under the Type III FSMC contract.

Allowable Direct Costs are those costs, which are incurred solely for the SFA's on-site operation as defined herein:

Labor is defined as and limited to on-site employees responsible for the management, preparation, service, and clean up of meals.

Food is defined as and limited to those items purchased for use in the preparation and service of student, a la carte, adult, and special event meals as specified.

Miscellaneous Expenses are defined as paper supplies (including decorations), equipment rental, cleaning materials, commodity handling and warehousing charges, travel as required for effective program management, and as agreed upon by the SFA*, uniforms, menu paper, printing, taxes, licenses, laundry, insurance and other costs as contractually obligated herein.

*Travel as required for effective program management and as agreed upon by the SFA:

1. Travel as required:
 - Travel of the manager from one building in the district to another.
 - Travel to State sponsored meetings.

2. Travel as agreed upon:
 - Travel to special meetings.
 - Travel of regional chef, dietician, etc. if the SFA deems such visits necessary for efficient operation.

Note: *Allowable direct cost of operations is defined as labor, food and miscellaneous expenses. All program expenses not otherwise defined in the contract will be assumed by the FSMC under the administrative fee.*

**FACT SHEET 5
CONTRACT TYPE IV
AWARD BASIS - MAXIMUM PER PERSON, PER DAY COST**

The **Type IV** contract is awarded on the basis of a maximum per person, per day cost to the Food Service Management Company (FSMC) for direct costs (food, labor and miscellaneous expenses) and administrative fee. Because day students would not receive three meals per day, this contract should be used by residential child care institutions (RCCIs) that have a majority of their students residing on the premises. The maximum per person fee is composed of:

- (1) The administrative fee and
- (2) The direct cost of operations (food, labor and miscellaneous expenses) per person per day.

(For Example)

Administrative Fee		\$.50
Direct Cost of Operations	+	<u>6.25</u>
Maximum Per Meal Cost		\$6.75*

*** The \$6.75 figure (in this example) is the bid price the FSMC would write on the bid form.**

Although the maximum per meal cost is the bid price, payment to the FSMC is contingent upon the following:

Annual direct cost of operations, as audited and approved by district personnel.

Menus used for breakfast and lunch must be for twenty-one (21) days, meet the requirements of the programs and include student choices in the selections. Include all items that should be available to students at their meal service. Also, you should include a dinner and snack menu for 21 days and any special functions the school food authority (SFA) would like the FSMC to perform. For example, picnic lunches, award dinners, and holiday celebrations should be spelled out in the specifications. The menu must be used by the FSMC for the first 21 days of service. It sets the quality standards for future menus. Bidders use the information contained on the menu to calculate the food cost. It would be difficult for the FSMC to expand the food service program selections after the bid was awarded.

In an effort to assist school administrators the following definitions have been developed. These definitions should be referred to when questions arise concerning payments obligated under the Type IV FSMC contract:

Allowable Direct Costs are those costs that are incurred solely for the SFA's on-site operation as defined herein:

Labor is defined as and limited to on-site employees responsible for the management, preparation, service and clean up of meals.

Food is defined as and limited to those items purchased for use in the preparation and service of student, a la carte, adult, and special event meals as specified.

Miscellaneous Expenses are defined as paper supplies (including decorations), equipment rental, cleaning materials, commodity handling and warehousing charges, travel as required for

effective program management, and as agreed upon by the SFA* (see below), uniforms, menu paper, printing, taxes, licenses, laundry, insurance and other costs as contractually obligated herein.

*Travel as required for effective program management and as agreed upon by the SFA:

1. Travel as required:
 - Travel of the manager from one building in the district to another.
 - Travel to State sponsored meetings.

2. Travel as agreed upon:
 - Travel to special meetings.
 - Travel of regional chef, dietician, etc. if the SFA deems such visits necessary for efficient operation.

Note: *Allowable direct cost of operations is defined as labor, food and miscellaneous expenses. All program expenses not otherwise defined in the contract will be assumed by the FSMC under the Administrative Service Fee.*

Administrative Service Fee is defined as all other costs except food, labor, and miscellaneous costs as defined herein.

Special Functions:

We recommend the SFA include in the bid specifications any special function services, such as sports banquets, Board of Education luncheons, etc., the FSMC will be asked to provide.

Any non-contractual (not specified in the original bid) special function, or catered event that is outside the child nutrition program operation, and is provided by the food service contractor, must be billed outside the contract. The district has an obligation to reimburse the FSMC out of the General Fund account, not the school lunch account, for the cost of these services.

Extending Contracts

Upon contract renewal, the increase in the bid price (extension price) is limited to any increase in the NY, Northeastern New Jersey Consumer Price Index (CPI-U) for all urban consumers for the twelve month period immediately proceeding the month in which the contract terminates. The CPI-U is available from the United States Department of Labor The Bureau of Labor Statistics at (212) 337-2400 or on the world wide web at <http://www.bls.gov/ro2> . The justification for any increase should be provided by the FSMC.

Management Company Listing for 2003-04

Aladdin Food Management Services, Inc.

President
21 Armory Drive
Wheeling, WV 26003
(304) 242-6200

ALL SEASONS FOOD SERVICES, INC.

Dominic F. Spano
Food Service Specialist
Mount Pleasant Road
Canastota, NY 13032
(315) 697-3914

ARAMARK, CORP.

Denice Mitrousis
Regional Vice President
School Support Services
1101 Market Street 12th Floor
Philadelphia, PA 19107-2988
(215) 238-6269

CANAPÉ CONNECTIONS

A Division of Albany ARC
Dennis Dapolito
Food Services Manager
334 Krumkill Road
Slingerlands, NY 12159
(518) 459-0750

CHARTWELLS FOR COUNTIES OF: DUTCHESS,

NASSAU, ORANGE, PUTNAM, ROCKLAND,

SUFFOLK, SULLIVAN, ULSTER,

WESTCHESTER AND NEW YORK CITY

Joseph Grattan
Regional Sales Director
84 Susquehanna Avenue
Lincoln Park, NJ 07035
(973) 628-1340

CHARTWELLS

FOR ALL OTHER COUNTIES IN NYS

Stephen Berzansky
Regional Vice President
225 Water Street Suite 305
Plymouth, MA 02360

Culinary Management Corp.

Edward R. Bowers
President
P. O. Box 401
Woodbury, NY 11797-0401
(631) 692-0363

CULINART, INC

Steve Dawson
1979 Marcus Avenue Suite E 110
Lake Success, NY 11042
(516) 437-2700

CULINARY VENTURES, INC

Cathie M. Allen
Vice President School
Foodservice
320 Murray Street
Newark, NJ 07114
(973) 624-3200

FINE HOST CORPORATION/ARAMARK

Craig Balestras
Regional Vice President
85-7 Airpark Drive
Ronkonkoma, NY 11779
(631) 588-0341

FLIK INTERNATIONAL/COMPASS GROUP

Rick Emery
Regional Director
3 International Drive
Rye Brook, NY 10573
(914) 935-5300

FRONTIER FOODS

Arthur Christy
President
P.O. Box 903
West Seneca, NY 14224
(716) 674-4455

LACKMAN FOOD SERVICE

Thomas F. Lackman
President
303 Crossways Park Drive
Woodbury, NY 11797
(516) 364-2300

Northstar Food Service Management Co.

Mark Cramer
Vice President
47 Hanson Road
Basking Ridge, NJ 07920

NUTRITION, INC

Gerald P. Moore,
Vice President
202 South Third Street
West Newton, PA 15089
(412) 872-7887

Personal Touch Food Service, Inc.

David A. Cervi
Vice President
1180 Delaware Avenue
Buffalo, NY 14209
(716) 883-1998

PRESTIGE SERVICES, INC.

J. E. "Eddie" Hicks
President
743 Pierce Road
Clifton Park, NY 12065
(518) 877-7426 Ext. 11

Quality in House Catering, Inc.

John Seier
President
371 Sproutbrook Road
Garrison, NY 10524
(914) 737-1253

SODEXHO SCHOOL SERVICES

Christine Mangio
District Manager
P. O. Box 983
Amherst, NY 14226
(716) 832-3996

SODEXHO SCHOOL SERVICES

Kathy Molinaro
District Manager
49 Osborne Street
Danbury, CN 06810

WATSON SERVICES, INC

Ronald G. Ward
Vice President
75 Pierce's Road P.O. Box 2428
Newburgh, NY 12550
(845) 561-3000

Whitson's Food Service, Corp.

Doug Whitcomb
379 Oakwood Road
Huntington Station, NY 11746
(800) 813-5833

2003-04 BID SUMMARY FORM

School Food Authority: _____

Completed by: _____

Title: _____

Basis of Award (Check One)

- Maximum Per Meal Annual Administrative Fee Per Meal Administrative Fee

List the names of all companies submitting a sealed bid and the bid amount. Check off the basis of award. Submit this form with signed contract.

NAME OF COMPANY	AMOUNT OF BID	Contract Awarded to (Check)

If the SFA awarded the bid to a company that did not submit the lowest bid, please attach a signed copy of the Board of Education resolution/minutes awarding the food service contract.