



Office of Elementary, Middle, Secondary and Continuing Education
Charles A. Szuberla, Jr., Coordinator
Office of Facilities, Management and Information Services
Child Nutrition Program Administration
Room 55 Albany, NY 12234-0055
Tel. (518) 473-8781 Fax (518) 473-0018

**CONTRACTING FOR SCHOOL FOOD SERVICE
FACT SHEET 4
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 School Food Authority 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 4 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.

For further information or clarification, contact Sharon M. Smith at (518) 473-8781.