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**CONTRACTING FOR SCHOOL FOOD SERVICE  
FACT SHEET 6  
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. They should 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 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 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.

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