



Food Service Management Company Contract Bid Process Guide for School Sponsors

**Cost Reimbursable and Fixed Price Contracts
School Year 2024-2025**

Food Service Contracts Information

- **To obtain copies of the current school year contract prototypes or renewal documents, send an email to MDE-FSMC-Vended@michigan.gov**
- Link to Food Service Contracts website: [MDE, Food and Nutrition Programs, Food Service Contracts](#)
- For further reference, refer to the [Updated Guidance: Contracting with Food Service Management | Food and Nutrition Service \(usda.gov\)](#) posted on the Food Service Contracts website

Acronyms

- ADP – Average Daily Participation
- CACFP – Child and Adult Care Food Program
- CPI – Consumer Price Index
- FFVP – Fresh Fruit and Vegetable Program
- FSMC – Food Service Management Company
- MDE – Michigan Department of Education
- NSLP – National School Lunch Program
- RFP – Request for Proposal
- SBP – School Breakfast Program
- SFA – School Food Authority (sponsor)
- SFSP – Summer Food Service Program
- SNP – School Nutrition Programs
- USDA – United States Department of Agriculture

Contract Duration

- All contracts run from July 1st of the current year to June 30th of the following year.
- Per Federal regulations, contracts run for one year with the option of four one-year term renewals.
- It is recommended that bid proposal documents be sent to MDE several months prior to July 1st to give enough time for review and approval.

Cost Reimbursable vs. Fixed Price Contracts

Determine which Food Service Management Company (FSMC) contract is most appropriate for the sponsor:

- Cost Reimbursable contracts provide for the payment of allowable costs incurred by the FSMC while performing the contract. Companies are reimbursed at the value of the allowed expenses plus may also be paid a fixed management and administrative fee to perform these services.
- Fixed Price contracts provide a stated fixed price per meal without any upward or downward adjustment during the duration of the contract. This type of contract may allow FSMCs to adjust the fixed price per meal according to the Consumer Price Index as identified in the original solicitation.

In other words, the difference between your choice of contracts depends upon how you want to be charged for the services. For the cost reimbursable contracts, companies are reimbursed for all costs incurred during the contract. If food costs go up, the district's cost goes up. For fixed price contracts, companies are reimbursed for a fixed price per meal without any upward or downward adjustment. Whether food costs go up or down, the district continues to pay the same meal price amount for the duration of the contract.

Bid Proposal Packet

Four documents and several attachments make up the initial packet to MDE:

- ✓ Legal Notice (in Word format)
- ✓ Letter to FSMCs (in Word format)
- ✓ Request for Proposal (in Word format)
- ✓ Information Section (in Excel format)
- ✓ Applicable policies, menus, and year-end PAL report (in PDF format)

Bid proposal packets must be submitted to MDE for review at least three weeks in advance of the bid packet release date.

As a reminder:

- Do **not** advertise or distribute bid packet materials without MDE's prior review and written approval.
- Any revisions to approved bid documents must be approved by MDE again prior to distribution.

Legal Notice and Letter to FSMCs

After MDE approval:

- Publish the approved Legal Notice in a widely read newspaper seven to ten days in advance of the bid release date.
- Email the approved Letter to the companies as a group email with the Letter attached.
 - Send the Letter to AT LEAST ALL companies on MDE's courtesy list.
 - The sponsor may also send the Letter to any other entities not included on MDE's courtesy list.
 - Do not "blind copy" recipients; instead, include all email addresses in the "To" line of the email.
 - "CC" your contract analyst on all correspondence between the sponsor and the companies.

Pre-Bid Meeting

Pre-bid meetings are mandatory.

- The sponsor must provide a sign-in sheet for attendees of the pre-bid meeting and include in the final packet to MDE.
- The following may occur at the pre-bid meeting:
 - ✓ Review specifications
 - ✓ Answer questions as a group
 - ✓ Conduct a walk-through/tour of facilities
- Avoid all individual conversations with any company. All potential bidders must receive the same information at the same time and in the same manner.

Bid Evaluation Committee

Before going out to bid, a bid evaluation committee must be assigned to participate throughout the entire bid process.

- There is no minimum or set number of committee members required, but the same committee members must attend and participate in the entire bid process, such as during the pre-bid meeting, bidder presentations, and when evaluating the bids. **Avoid committees of only one person.**
- It is at the sponsor's discretion who will be involved on the committee or which roles committee members play during the process.
- Committee members must not have a personal financial interest in the bid award or have any other legal or financial conflict of interest.

Request for Proposal (RFP)

It is required that sponsors use the RFP prototype Word document provided by MDE.

- Additions or changes to the prototype documents are allowed but must be in **bolded red font** so they are clear for MDE review.
- **Fully review and read all sections of the entire RFP.**
- Consulting with legal counsel to ensure the sponsor's interests are covered is recommended.

Contract Terms

The Contract Terms section of the RFP discusses the renegotiation of fees in subsequent years of the contract.

- Renegotiated fees must not exceed the current CPI rate or a flat percentage rate as determined by the sponsor and noted in this section.
- At the renewal stage, the lesser of the two rates will be the percentage the fees may increase that year.
 - ✓ Note: Inserting 0% for the flat percentage rate is allowed, but this is not necessarily best practice and may affect a potential bidder's response to the solicitation. FSMCs rely on this minimal increase to account for increases in operational and administrative costs, such as gas and food. The sponsor should consider how much it can afford as an increase each year of the contract.

Manager/Employees

- Select all options that apply and delete those that do not apply in these two sections for managers and employees.
- If the sponsor will be sharing a manager with another sponsor, both must go out to bid together on the same cycle. (If sharing a manager, identify that in this section and note how many hours and the percentage of time the manager will work at each district.)
- Multiple plans (such as Plan A, Plan B, etc.) are acceptable (it is sometimes better for a school board to have multiple plans to choose from than to have to go back and start the process all over again).
 - Each bid plan must have a separate bid sheet in the Information Section.

Guaranteed Return

- If the sponsor requests a guaranteed return, insert a dollar amount in this section - it is okay to enter “break even” or “no loss.”
- The guaranteed return amount offered in a bidder’s proposal must NOT exceed the amount noted in the RFP.
 - Such overresponsive bids must be rejected by the sponsor.
- **Pay special attention to any addendum included in the proposals.**
 - MDE does not approve addenda on the sponsor’s behalf.
 - The sponsor **MUST** review, understand, revise, reject, or accept any addendum.
 - Sponsors should consult with legal counsel regarding any addendum.

Professional Standards

Questions regarding the implementation of the Professional Standards Final Rule should be directed to the School Nutrition Programs office (517-241-5374) or click this link: [Professional Standards Overview](#).

Invoice Reconciliations

- MDE conducts random audits to verify that invoice reconciliations are completed and accurate.
- Prior to yearly renewal approval by MDE, the sponsor must sign an Acknowledgement for Contract Renewals document acknowledging that invoice reconciliations are being conducted internally.

Information Section

The Information Section is an Excel document with pre-filled formulas in many areas and the totals transfer to other areas throughout the document.

The following slides outline specific tabs within the Information Section.

Policies

The sponsor must attach the following in PDF format:

- ✓ Procurement Policy to include:
 - Written Code of Conduct and Conflict of Interest
 - Sponsor's small purchase threshold
 - Bid protest procedures
- ✓ Meal Charge Policy, which may address humanitarian/alternate meals
- ✓ Bad Debt Policy

Policies and Ethical Standards

Ethical standards must be addressed in a sponsor's Written Code of Conduct and Conflict of Interest policies.

- No real or apparent outside influence or conflict of interest can be present during the procurement of goods and services.
 - This expectation starts **before** any potential bidders are contacted and **continues throughout** the procurement process.
 - Examples include assisting with creating procurement documents, visiting schools for tours or individual appointments, presenting to school boards or other committees, etc.

Ethical Practices & Reminders

All procurements must be fair and openly competitive.

- ✓ Sponsors must decline “overresponsive” offers that may include unallowable cost items such as scholarships, incentives, gifts, travel packages, football signs, vacations, kitchen equipment, special events, etc.
- ✓ Note: Benefits such as discounts, rebates, or credit back to the nonprofit school food service account is allowed but must be properly documented.

Bid Protest Policy or Procedure

Per Federal procurement procedures, the sponsor is responsible for the settlement of all contractual and administrative issues arising out of its procurement. Issues may include, but are not limited to, source evaluation, disputes, protests, and claims. The scope of a protest includes the bid process, **not** the evaluations or scoring used in determining the bid award.

Due to local control in Michigan, sponsors may utilize their own policies.

- Bid protest policies are usually included in a sponsor's Procurement Policy.
- They address review practices/processes to be followed and have an established timeline.

Bid protests go directly to the sponsor for resolution and are overseen by the sponsor.

- Determinations are to be provided in writing and results shared with all bidders.
- If the bid protest is found to be valid, bidders are notified, and action is taken to address the finding.

Menus

Include sample menus for each meal type served (breakfast, lunch, snack, supper) for each site where meals are served.

- ✓ Menu samples must show **21 days** of meals and **include specific milk choices**.
 - It is okay to use rotating weekly schedules (but indicate that on the menu).
 - Must specify at least **two** milk choices.
- ✓ **Remove all food service logos and names of staff/directors.**
- ✓ Include the a la carte menu and pricing sheet for each site where a la carte is available.

Sample complete menus with associated meal component tools can be found at:
<http://education.ohio.gov/Topics/Other-Resources/Food-and-Nutrition/Resources-and-Tools-for-Food-and-Nutrition/Menus-that-Move>

Food Specifications and Meal Patterns

Enter specific requirements for the sponsor regarding meals, food items, times, etc.

Bid Point Calculator

The Bid Point Calculator is the tool used by the sponsor to evaluate the bids submitted by bidders.

The company with the highest points, after price and non-price criteria are evaluated, should be awarded the contract.

- Tab 4 gives suggested non-price criteria and sub-criteria for sponsors to enter on the Bid Point Calculator.
 - Sponsors are not required to use these suggestions. They are only provided as examples.
- Tab 5 is a sample Bid Point Calculator as it should look upon submission as part of the bid packet.
 - This sample is provided as guidance for formatting the Bid Point Calculator.

Please note:

- If the sponsor intends to use **taste tests** or menu sampling as a part of its decision, this **must** be included as a part of the non-price criteria on the Bid Point Calculator.
 - Ask MDE for further taste testing guidelines.
- If the sponsor plans to hold presentations and/or interviews with bidders as part of the evaluation process, this must also be included as a part of the non-price criteria on the Bid Point Calculator.

Equipment Inventory List

List food service equipment in column A and mark whether the item is considered expendable or non-expendable, and whether it belongs to the sponsor or is provided by the FSMC.

- Expendable refers to items that can only be used one time.
- Non-expendable refers to items that can be reused.

Contracts/Vended Agreements

List contracted meals sold to other sites or schools (such as a head start, daycare, juvenile detention center, or other school via a sponsor-to-sponsor agreement or vended meal contract).

Building Demographics

Enter the name and address for each school building that serves meals, as well as grade levels, enrollment, and beginning/ending service times.

Services by Location

Enter the name of each school building that serves meals and check all applicable services provided at each site.

- A site cannot be both Full Serve and Offer vs. Serve for a specific meal type.
- Lunch for grades 9-12 must be Offer vs. Serve.

Current Operations – Labor Worksheet

Enter each job position by building, noting current hourly rate, daily hours worked, number of days paid per year, yearly unemployment compensation amount, and mark if a sponsor or FSMC employee.

- ✓ Make sure employees for ALL child nutrition programs are recorded (CACFP, SFSP, and SNP).
- ✓ At the bottom of the page, note the total annual substitute pay amount, if any.

Current Operations – Fringe Benefit Cost Worksheet

Enter each job position, noting any applicable yearly fringe benefit costs.

- In the “Other” column, note paid time off pay, holiday pay, and sick pay.

USDA Foods

- 1) Attach the most recent year-end PAL report (SY 22-23) obtained from your consortia's website:
 - GLC: www.hpsusdafoods.org
 - SPARC: www.michigansparc.com
 - MOR: <http://veorders.vaneerden.com/>
- 2) Identify next school year's (SY 24-25) consortia election made on the current Child Nutrition Programs coordinated application (SY 23-24).
- 3) Enter the SY 22-23 annual delivery fee amount.
 - Obtain the annual delivery fee amount from the invoices (tallying up each month to equal the yearly fee) or ask the consortia for that information.
- 4) Describe any major changes that took place between SY 22-23 and SY 23-24 that might impact USDA Food Entitlement Usage.
 - For example, did the special dietary needs change or did the enrollment decrease significantly?

Cost Responsibility Details

Indicate the areas of responsibility for both the sponsor and FSMC.

- ✓ Note that it is possible for both the sponsor and FSMC to be responsible for some items.
- ✓ Items marked as the responsibility of the FSMC must match bid items listed on the Projected Costs tab.

Projected Costs

This tab should reflect all costs associated with the food service program, whether they are paid directly by the sponsor or by the FSMC.

- At the top of the page, fill in how many days of service these costs are based on.
- Describe expenses included for Contracted Services, Utilities, Indirect Costs, and any amount included on the “Other” line. Notes can be added to the bottom of the page if needed.
- The total cost for the Manager’s Salary and Benefits line can be noted as “Bid Item” rather than listing a dollar amount; however, all other applicable lines must include a dollar amount.
- For any cost paid directly by the sponsor, include it on this page and note that it is not a bid item.

Projected Revenue Information

Sponsor will complete only the yellow highlighted sections.

MDE will complete all other areas on this tab using claim reporting data for October 2023 for SNP/CACFP (or another month as determined for better accuracy) and June/July/August 2023 for SFSP.

Proposed Operations – Labor Worksheet

The bidder completes this page as part of the bid proposal to indicate proposed labor.

Proposed Operations – Fringe Benefit Cost Worksheet

The bidder completes this page as part of the bid proposal to indicate proposed fringe benefit costs.

Bid Sheet – Cost Reimbursable Contract

Bid Sheets are used to outline specific items FSMCs will be bidding on.

The cells for meals/units will auto-fill; do not enter numbers.

- Check each line item the bidder must include in its bid.
 - Items checked as bid items must match information noted on the Cost Responsibility tab and the Projected Costs tab.
- For the Cost Reimbursable contract, there are two different types of Bid Sheets (both types may be completed if desired):
 1. Without Advance Payment
 2. With Advance Payment
- Include extra Bid Sheets for additional plans and note the plan name at the top of each sheet (such as Plan A, Plan B, etc.).

Bid Sheet – Fixed Price Contract

The cells for the meals/units will auto-fill; do not enter numbers.

- The bidder completes all other applicable cells, including the proposed rates.
- Include extra bid sheets for additional plans and note the plan name at the top of each sheet (such as Plan A, Plan B, etc.).

After the Bid Due Date

After bid proposals are received, the bid evaluation committee will:

- ✓ Document that the proposals were received on time.
- ✓ Note that each proposal includes a bid bond, if applicable.
- ✓ Evaluate the responsiveness of each bid proposal.
- ✓ Evaluate the responsibility of the bidders.

Note: If the sponsor rejects a bid for any reason (for example, if a bid is late or not responsive), the sponsor **must have documentation** to support the rejection.

Unallowable Provisions and Overly Responsive Items

No bid proposal may be overly responsive and include unallowable cost items such as scholarships, incentives, gifts, travel packages, football signs, vacations, kitchen equipment, special events, or other overly responsive items.

- ✓ These types of items are outside of the scope of the solicitation and create a conflict of interest.
- ✓ They must **not** be included in the evaluation and scoring to determine contract award.
- ✓ If included, these types of overly responsive items **may disqualify** and render a company's bid proposal ineligible for contract award.

After the Bid Due Date – Bid Point Calculator and Award

The bid evaluation committee will use the Bid Point Calculator to evaluate price and non-price criteria for all bidders.

- The bidder with the maximum number of points should be awarded the contract.
- Depending upon the outcome of the point totals, it is possible that the award may not be made to the lowest priced bidder.

After the Bid Due Date – Interviews and Presentations

The sponsor may hold bidder interviews and/or allow presentations after bids are received and evaluated for responsiveness.

- An invitation must be extended to ALL responsive bidders.
- All elements must be kept equal, including the same bid evaluation committee members present, length of time of presentations, and questions asked of companies.
- **This must be included on the Bid Point Calculator as a non-price criteria item.**

Final Bid Packet – Checklist Letter to MDE

Before awarding the contract to the successful bidder, complete and sign the checklist letter for submission to MDE.

- ✓ Make sure the name of the newspaper and publish date is included on the copy of the legal ad.
- ✓ Upload the electronic PDF version of the entire bid proposal submitted by the bidder and forward via email to MDE.
- ✓ Send all versions of the addendum (if applicable) and be sure to also **submit written confirmation** that the **sponsor has reviewed and approved the final version of the addendum.**
- ✓ **Final approval must be given by MDE prior to awarding the contract to the successful bidder.**

Know it, Monitor it, Communicate it!

➤ **Know the contract**

- Read and understand what is included in the contract.

➤ **Monitor the service**

- Check that meals served match menus, are reimbursable, and meet food quality standards.
- Check invoices to ensure accuracy and that costs are allowable.

➤ **Communicate with the FSMC**

- Question discrepancies.
- Ensure terms are met.
- Resolve issues and complaints.
- Enforce the contract.

Monitor the Service

Monitoring the contract is essential to ensure:

- ✓ The service procured is the service received.
- ✓ Compliance with Federal law.
- ✓ Sponsor receives the full value of USDA food credits.
- ✓ Sponsor receives the full value of purchase discounts and rebates (cost-reimbursable contracts only).

The sponsor's diligence in monitoring the contract helps:

- ✓ Demonstrate program integrity.
- ✓ Demonstrate fiscal responsibility.
- ✓ Protect the sponsor's interests.

Pay Invoices on Time

Timely payment to the FSMC for reimbursable meals and compliant service is critical to the success of the program just as much as it is to the FSMC's successful operation.

- Consistent failure to pay the FSMC on time may negatively impact its ability to provide successful service to the district or even elsewhere.

Communication is Key!

The sponsor and the FSMC owe it to one another to **regularly and clearly communicate** about service. Both parties should notify each other of service issues, work on resolutions, and discuss what is working well and what isn't. This will help everyone achieve success and ensure an effective contract.