

**Guidance for Calculating the Food Service Management Company (FSMC) Fee
Using the Index Rate**

SAMPLE CENTS PER MEAL CALCULATION

- ◆ **Cents per meal fee(s) SHOULD NOT exceed 4 places after the decimal point**
- ◆ **Truncate, do not round, after the decimal point**
- ◆ **The increase in the fee when subtracting the prior year from the current year and then calculating the percentage of increase from the base year CANNOT exceed the Index Rate percentage**

Base year fee: \$.0654/meal + meal equivalent

<p>1st renewal (2nd year) Index Rate: 1½ %</p> <p>Base Fee: \$.0654 x 1½ % = \$.000981</p> <p>\$.0654 + \$.000981 = <u>\$.066381</u></p> <p>2nd year FSMC fee: <u>\$.0663/</u> or <u>\$.06638/</u> meal and meal equivalent</p> <p>Percentage Increase- 1.38% or 1.49% (Both acceptable)</p> <p><i>CAUTION: if rounding up occurs and the 4 digit fee of \$.0664 is used the % will be 1.529% and will be <u>unacceptable.</u></i></p>
<p>2nd renewal (3rd year) Index Rate: 2½ %</p> <p>State Agency does not encourage more than 4 places after the decimal.</p> <p>The following examples are based on 4 places.</p> <p>Base fee: \$.0654 x 2½ % = \$.001635</p> <p>\$.0663 + .001635= <u>\$.067935</u></p> <p>3rd year FSMC fee: <u>\$.0679/</u>meal and meal equivalent</p> <p>Percentage Increase-2.44%</p>
<p>3rd renewal (4th year) Index Rate: 1%</p> <p>Base fee \$.0654 x 1% = \$.000654</p> <p>\$.0679 + .000654= <u>\$.068554</u></p> <p>4th year FSMC fee: <u>\$.0685/</u>meal and meal equivalent (truncated)</p> <p>* \$.0679 - \$.0685= \$.0006 \$.0006 divided by \$.0654= .91743</p> <p>Percentage Increase- .92%</p>

SAMPLE FLAT FEE CALCULATION

AFTER ADDING TOGETHER: FEE CAN BE ROUNDED TO THE NEXT WHOLE DOLLAR, HOWEVER THE INDEX RATE PERCENTAGE CANNOT BE EXCEEDED

Base year fee: **\$12,500**

<p>1st renewal: (2nd year) Index Rate: 1½ %</p> <p>Base fee \$12,500 x 1½ % = \$187.50 \$12,500.00 + \$187.50 = \$12687.50</p> <p>2nd year FSMC fee \$12,688.00</p>
<p>2nd renewal: (3rd year) Index Rate: 2½ %</p> <p>Base fee \$12,500 x 2½ % = \$312.50 \$12,688.00 + \$ 312.50 = \$13,000.50</p> <p>When rounding up the 3rd year FSMC fee would be: \$13,001.00 OR 2.504% : EXCEEDS 2.5%</p> <p>3rd year FSMC fee must be \$ 13000.50</p>
<p>3rd renewal: (4th year) Index Rate: 1%</p> <p>Base fee \$12,500 x 1% = \$125.00 \$13,000.50 + \$125.00 = \$13,125.50</p> <p>4th year FSMC fee \$13,125.50</p>

Points to Remember:

- The index rate percentage is applied to the **base year** fee(s)
- The calculated increase is added to the fee(s) of the **previous year**.
- When there are two fees the index rate percentage must be applied to **each fee separately**
- The index rate percentage **can not** be exceeded.
- **PUBLIC SCHOOLS:** Index rate is determined based on the index rate posted on the web site on the date of the Board meeting when the renewal is approved. The quarter that the rate covers is not applicable.
- **NON-PUBLIC SPONSORS:** Index rate is determined based on the index rate on the date that the addendum is executed (signed) by the LEA (N.J.S.A.18A:18A-42)
- Complete the Index rate/FSMC Worksheet (form # 272) available on line at: www.nj.gov/agriculture/applic/forms/#6
- Website to obtain the current index rate- Department of Community Affairs: http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl_docs/cur_index_rate.pdf
- New index rates go in to effect and are posted on the website at noon.