Type of Contracts Advantages and Disadvantages Summary

Type of Contract	Advantages and Disadvantages
Fixed Price and Fixed Fee Price	▪ Protects against escalating costs ▪ Provides a stated price ▪ No upward or downward adjustment for the duration of the contract, including all renewal periods ▪ Firm prices and do not change ▪ Price will generally be higher ▪ Provides maximum incentives for vendor efficiency ▪ Least administrative burden on the contracting parties ▪ Competitive sealed solicitations (i.e., IFB) must result in a fixed price contract ▪ May contain an economic price adjustment tied to an appropriate index
Cost Reimbursable	▪ Reimburses the vendor for costs incurred under the contract ▪ Does not provide for any other payment ▪ Allowable costs will be paid from the nonprofit school nutrition account to the vendor net of all discounts, rebates, and other applicable credits accruing to or received by the vendor ▪ Requires vendors to provide sufficient information to permit the SFA to identify allowable and unallowable costs and the amount of all such discounts, rebates, and credits on invoices and bills presented for payment to the SFA; Vendor required to identify those costs ▪ Use when uncertainties involved in a contract's performance will not allow costs to be estimated with enough accuracy to use fixed contract pricing ▪ Frequently occur in the SNP as cost plus fixed fee contracts ▪ Must require the return of rebates, discounts, and other applicable credits ▪ Must include provisions ▪ SFA can only pay allowable costs ▪ Documentation of these costs and discounts, rebates, and other applicable credits will be required to be available for review by the SFA, state agency, or FNS ▪ Failure to comply with program regulations could require a district to utilize general funds to cover some or all of the costs of the contract

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Cost Plus Fixed Fee	▪ Provides for the reimbursement of allowable costs plus the payment of a fixed fee to the vendor ▪ Use when market conditions are such vendors are unwilling to commit to a fixed price for an extended period ▪ Provides for upward and downward revision of the stated contract price upon the occurrence of specified occurrence of specified contingencies (i.e., cost indexes of labor or material) ▪ Must be specifically identified ▪ Fees are clearly defined in the contract and incidentals, such as promotion allowances, cash discounts, label allowances, rebates, applicable credits, and freight rates ▪ Fees discussed and agreed upon before signing the contract ▪ Clearly state that price adjustments should reflect both increases and decreases (e.g., fuel prices drastically increase price goes up and when fuel prices decrease price goes down). ▪ RFPs can result in either a fixed price or cost reimbursable contract. ▪ Vendor provides supporting documentation for auditing purposes upon request from the SFA staff ▪ Cost must be adequately documented for the vendor to receive reimbursement. ▪ Include fees that are fixed, documented, and cannot fluctuate based on volume. ▪ Fixed fee component of the cost plus fixed fee contract does not represent the costs associated with the item and/or service being purchased. The fixed fee component of the cost plus fixed fee represents the vendor's related costs (i.e., storage and distribution, delivery of the products, and the vendor's profit for performing the services). ▪ Provisions for changes to the fixed fee component must be identified in both the solicitation and the contract. ▪ Provides the vendor with only minimum incentives to control costs ▪ Work required presents too great a risk to vendor

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Type of Contract	Advantages and Disadvantages
Maximum Allowable Costs (Fixed Price Contract with Prospective Price Redetermination)	▪ A maximum allowable cost contract (fixed price contract with prospective price redetermination) provides for a fixed price for the initial contract period and prospective price redetermination at stated times during the contract or for subsequent periods of performance. ▪ Fixed fee designed to cover all operational costs and any additional fees of the contract ▪ Fixed fee is reconciled at the end of the year against actual cost ▪ School is reimbursed any amount that was overpaid or is cleared of any amount that was over the fixed fee. ▪ USDA considers this type of contract to be a cost reimbursable contract because price is not actually fixed and fluctuates. ▪ Contain the required language regarding the return of discounts, rebates, and other applicable credits ▪ Initial fixed price is for the longest period possible, and price changes are based on measurable standards or indices. Indices are essentially published price guides and should be clearly identified in the solicitation and contract and also should be verifiable (e.g., publicly accessible).