

# **HOSPITALITY SERVICES**

## **BUDGET 2016/2017**



March 10, 2016

Hospitality Services  
2016/2017 Budget

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**INTRODUCTION – Context for the 2016/2017 Fiscal Year**

Hospitality Services' primary responsibility is the delivery of high quality competitively priced food to approximately 5,000 students in residence and over 12,000 off-campus students under the meal card program (servicing an estimated 125,000 meals per week during the fall and winter semesters). Hospitality Services also operates the University Bookstore, Retail Services and Mail Services. Food and retail outlets are at 20 locations across campus and the department has made arrangements with 27 off-campus restaurants for the acceptance of the University's student card for food purchases. As an ancillary operation, Hospitality Services is responsible to fund all of its operating costs as well as capital projects and related financing costs. In addition, Hospitality Services contributes \$200,000 annually towards the financing of several academic buildings in support of the university's academic mission, contributes \$71,393 annually towards the Gryphon Centre.

As part of its budget process, Hospitality Services consults with students through the Hospitality Services Advisory Committee (HSAC) and Interhall Council. The financial sub-committee of Hospitality Services Advisory Committee starts meetings in September to review the current budget and assist in the development of the budget for the upcoming year. On February 24, 2016 the 2016/17 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 9, 2016.

**Hospitality Services  
Comparative Financial Indicators**

	2011/12	2012/13	2013/14	2014/15	Forecast 2015/16	Budget 2016/17
Enrolment – University Degree Programs (FTE's)	21,542	21,644	21,548	21,545	20,771	20,500
Faculty & Staff (Regular Budgeted Positions)	2,946	2,951	2,965	2,963	2,890	2,900
Residence Meal Plans	4,150	3,956	3,803	3,794	3,833	3,900
Off Campus Meal Plans	19,873	21,674	21,950	22,297	22,962	22,900
Total Revenue (in thousands of dollars)	\$34,936	\$33,959	\$33,274	\$33,983	\$34,388	\$35,119
Cost of Goods Sold % (1)	39.40%	37.90%	37.62%	36.17%	37.09%	36.90%
CPI Food (Ontario)	4.00%	1.60%	1.10%	3.50%	3.70%	3.70%
Labour %	36.87%	38.90%	39.83%	39.96%	38.44%	38.38%
Capital Expenditures (in thousands of dollars)	\$553	\$2,021	\$349	\$1,244	\$3,503	\$950
Internal Loan Balance (in thousands of dollars)	\$2,790	\$3,415	\$2,892	\$2,718	\$5,881	\$5,162
# Full Time Employees	153	143	140	143	139	137
Central Charge (in thousands of dollars)	\$2,265	\$2,306	\$2,348	\$2,392	\$2,414	\$2,456
Square Foot	99,250	99,250	99,525	99,525	99,525	99,525
Central Charge Per Square Foot	\$22.82	\$23.23	\$23.59	\$24.03	\$24.26	\$24.68

(1) Total revenues divided by product purchases

The budget and operational objectives this year include the following:

- Continue to develop strategies which contribute to the core academic mission.
- Food safety is a primary goal of Hospitality Services. A key component in achieving this goal is the semi-annual engagement of Steritech, an external food safety company, to conduct regular inspections of all food outlets on campus. These inspections are in addition to the Wellington-Dufferin-Guelph Public Health unit inspections of all food operations. Outcomes include the application of best practices to ensure the highest levels of food safety in all locations are maintained.
- Implement financial measures to deal with the impact of the continuing economic slowdown and changing internal and external environments on Hospitality Services. Review operations to ensure continued effective services and contributions to maintain fiscal health.
- Maintain Hospitality Services as one of the top ranked university Food Services in Canada.  
**Hospitality Services at the University of Guelph has been named the #1 university food service provider in Canada by a number of publications.**
- Ensure meal plans are competitively priced with major Ontario universities. Hospitality Services participates in product pricing surveys with other universities. This past year's survey positioned Hospitality Services at the mid-range of the price comparisons. Franchise operations are all priced within the price range dictated by the franchisors.
- Include in the proposed meal plans a price increase sufficient to cover both increased operating costs and the costs of new capital improvements to upgrade residence dining halls and general student food and retail outlets on campus.
- Increase the number and variety of menu choices available to customers. In 2016/2017 renovations are planned to update the Tim Hortons in Pages in the Bookstore; a new coffee shop in MacDonald Hall and two (2) shops upgraded in the University Centre.
- Hospitality Services is committed to contributing to a sustainable environment by updating and implementing a Local Sustainability Plan ([www.hospitality.uoguelph.ca](http://www.hospitality.uoguelph.ca)) on campus. The objective is to continue to be recognized as a leader for local sustainability practices in a Canadian university hospitality operation by becoming even more environmentally responsible while remaining financially viable and satisfying the needs of customers.
- Work with the Code of Conduct Committee to achieve policy mandate.
- Continue to develop innovative on-line services for students, faculty and staff. Hospitality Services is currently working with CCS on virtualization of servers.
- Continue to reposition the University Bookstore to embrace new technology and marketplace demands.
- Increase the number of off campus vendors that accept the meal plan.
- Introduce debit/credit payment stations in all Hospitality Services areas where feasible.

**A: BUDGET YEAR ASSUMPTIONS 2015 / 2016 (refer to Table A)**

**A.1 Major Budget Considerations and Assumptions:**

The 2016/2017 budget year will be a very challenging one for Hospitality Services primarily due to cost increases and the continued economic situation. Department sales continue to be challenged by increased competition both on and off-campus, an unfavourable exchange rate for international purchases (ie. produce), diminishing discretionary dollars and the continuing significant increase in variable costs. In addition, bus services to Toronto will continue to have a negative impact on revenues due to the reduction of students on campus especially on weekends. The Fall mid semester break will continue to have a negative affect on overall revenues. Although these factors have a negative impact on the generation of revenues and contribution margins, the continued stability in the overall student population should help offset these effects.

Meal Plan prices are to rise 3.0% on average to cover cost increases in variable product and labour costs plus contribute to higher fixed and capital costs.

Our budget planning also recognizes the significant impact of wage rate increases in all areas especially part-time due to the increase of the minimum wage. Hospitality Services will have to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2016/2017 renovations will focus on upgrading existing facilities in various locations on campus (see Appendix 1). All of these projects will be fully funded by Hospitality Services. This will include a upgrading the Tim Hortons in Pages in the Bookstore; a new coffee shop in MacDonald Hall and renovations to two (2) shops in the University Centre.

The department will have to continue its progressive approach to marketing, service and cost controls to maintain financial stability while containing costs for students.

**A.2 Revenue Assumptions Details:**

Food Services: Prices in the Food Services area are expected to increase by 3% reflecting the anticipated increase necessary to cover the basic rise in variable product, labour and fixed costs. On campus meal plan sales volumes are expected to remain at current levels. It is expected that food revenues from catering and conference sales will also remain unchanged.

Bookstore: Sales volumes are expected to decrease compared to 2015/2016 due to the reduced cost of digital textbooks and courseware. Textbook prices are set comparable to other university bookstores and are competitive with local on and off-campus bookstores. To ensure competitive prices, the Bookstore offers a "5%" guarantee whereby it matches, within a 5% variance any confirmed lower textbook price at a competitor's store. The bookstore differs from many local bookstores due to the large variety of textbooks it carries since it is mandated to sell all course-required material and optional course readings.

Retail Services: Total volumes are expected to increase compared to the previous year due to increased sales of clothing. Hospitality Services will continue to combine retail operations with existing food operations to reduce cost and improve efficiencies.

**A.3 Expenditure Assumptions Details:**

Cost of Materials: This is a blend of product costs in Food Services, Bookstore, Retail Services.

- Food Services: Product cost (a variable cost) is targeted at 32.9% of revenues. In addition to increasing prices, Hospitality Services will contain costs by implementing various purchasing strategies including expanding co-operative purchasing initiatives with other universities and bulk purchases. In addition product mixes will be adjusted and the local buying plan will continue. It should be noted that all changes will have no negative impact on quality or service.
- Bookstore/Retail Services: The retail method is used to determine the budgeted product cost. Specific product costs vary depending on the type of goods sold and range from 68.2% in the bookstore to 40.5% in the variety store located in East Residence. There is no major change expected in these rates from those experienced in 2015/2016.

Personnel: Salaries and benefit rates are consistent with overall University of Guelph assumptions.

Institutional Charges: University charges, which cover the costs of services provided by the University such as utilities and central services, are increasing 2%, mainly to assist with increases in central support services.

Operating Costs: Base 2016/2017 operating costs are expected to deal with high volume demands in this category including maintenance costs on aging equipment and facilities.

Renovations: Renovations necessary to address facility upgrades and deferred maintenance are planned for this year. Included are an updated Tim Hortons at Pages in the Bookstore; a new coffee shop in MacDonald Hall and two (2) shop upgrades in the University Centre.

Capital Equipment: Equipment purchases reflect normal scheduled plans to replace equipment that has outlasted its useful life.

Net Transfer: Transfers reflect Hospitality Services' contribution to assist in funding academic building costs incurred since the early 1990's, the Gryphon Centre and the MYP2. In addition, the transfer also includes capital financing payments to the University for major renovations in the Bookstore, Science Complex, Prairie Dining Hall, Mountain Dining Hall, Gryphs Sports Lounge, Library Starbucks and Creelman Hall capital projects (see Schedule 1).

Overall, the budget for 2016/2017 reflects a Net Income of \$26,000. This will be used to increase the unit's Accumulated Fund balance. This fund will provide a resource for unexpected negative contributions.

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**A.4 Residence Meal Plan Rates:**

Hospitality Services continues to offer students competitively priced meal plans while offering higher quality and wider variety of services.

The increase in meal plan rates reflects increased variable and fixed costs to Hospitality Services. The cost of the minimum meal plan will be \$3,795 for the academic year (2 semesters), a \$110 increase.

Residence Meal Plan Rates **per year (2 semesters)** are as follows:

	<u>2015/2016</u>	<u>2016/2017</u>	<u>\$ Increase</u>
Minimum Plan	3,685	3,795	110
Light Plan	4,275	4,405	130
Full Plan	4,805	4,950	145
Plus Plan	5,275	5,435	160
Varsity Plan	5,680	5,850	170

Comparative rates from other major universities are shown in the following table and reflect Guelph's competitive relative position.

Name of School	Plan Type	Mandatory Meal Plan Minimum Amount 2015/16	Forecasted % Increase 2016/17	Forecasted Meal Plan Minimum Amount 2016/17
Queen's University	Board Plan*	4,905	3.5%	5,077
Western University	Debit Plan	4,340	5%	4,557
Wilfrid Laurier University	Board Plan*	4,314	3%	4,443
University of Waterloo	Debit Plan	4,248	3%	4,375
University of Windsor	Debit Plan	4,150	2.5%	4,254
Trent University	Board Plan*	4,200	0	4,200
Lakehead University	Debit Plan	3,940	3%	4,058
Victoria University	Debit Plan	3,823	3.3%	3,949
<b>University of Guelph</b>	<b>Debit Plan</b>	<b>3,685</b>	<b>3%</b>	<b>3,795</b>
U of T at Mississauga	Debit Plan	3,699	0	3,699
Brock University	Board Plan*	3,600	0	3,600
Ryerson University	Debit Plan	3,451	**	
McMaster University	Debit Plan	3,424	5%	3,595
York University	Debit Plan	2,625	4.5%	2,743
Carleton University	Board Plan*	2,430	**	

\* A board plan is where a student gets a fixed number of meals per week ie. 19. A student can eat as much as they would like at each meal but cannot remove most foods from the dining hall. Due to the nature of this type of plan usually selection is limited. If a student misses a meal they lose it but are still charged for it. In addition students are normally restricted as to where they can use their board plan on campus with no access to off campus restaurants.

\*\* 2016/2017 rates were not available at this time

**B: FORECAST 2015/2016: (refer to Table B)**

Currently, Hospitality Services is forecasting a net increase in fund balance of \$23,000 compared to a net increase of \$27,000 originally budgeted.

**Revenues:**

Food Service revenues have increased due to the increase in first year meal plans. The Bookstore revenues have decreased due to the increase in used books and the increase in digital media for textbooks and courseware. Retail Services sales have increased due to an increase in clothing.

**Expenses:**

Cost of materials have increased due to higher sales volumes. Personnel costs have increased overall due to increases in wages and higher sales volumes. Travel costs have increased due to the increase in US exchange rates. Renovations have decreased due to project timing. Capital Equipment costs have increased due to equipment purchases for Starbucks in L/A that was outside of project renovation costs. Net transfers have decreased due to the delayed closing of construction projects.

There were no other significant variances to the budget. Table B summarizes the financial forecast compared to budget for the 2015/2016 fiscal year.



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Table A

University of Guelph  
Hospitality Services  
2016/2017 Operating Budget  
In Thousands \$

	2014/2015 Actual		2015/2016 Forecast		2016/2017 Budget	
Revenue						
Food Services	24,982	74%	25,594	74%	26,235	75%
Bookstore	6,182	18%	6,124	18%	6,021	17%
Retail Services	2,819	8%	2,670	8%	2,863	8%
<b>Total Revenue</b>	<b>33,983</b>	<b>100%</b>	<b>34,388</b>	<b>100%</b>	<b>35,119</b>	<b>100%</b>
Expenses						
Cost of Materials	12,292	36%	12,755	37%	12,960	37%
Personnel	13,581	40%	13,320	39%	13,477	39%
Institutional Charges	2,123	6%	2,106	6%	2,148	6%
Operating	4,132	12%	4,188	12%	4,388	12%
Travel	58	0%	68	0%	60	0%
Renovations	558	2%	364	1%	460	2%
Capital Equipment	436	1%	575	2%	490	1%
<b>Total Expenses</b>	<b>33,180</b>	<b>97%</b>	<b>33,376</b>	<b>97%</b>	<b>33,983</b>	<b>97%</b>
Income (Expenses) Before Transfers	803	3%	1,012	3%	1,136	3%
Net Transfer (Schedule 1)	(790)	-3%	(989)	-3%	(1,110)	-3%
<b>Increase (Decrease) in Fund Balance</b>	<b>13</b>	<b>0%</b>	<b>23</b>	<b>0%</b>	<b>26</b>	<b>0%</b>
Unappropriated Fund Balance	160		173		196	
<b>Fund Balance</b>	<b>173</b>		<b>196</b>		<b>222</b>	

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Table B

University of Guelph  
Hospitality Services  
2015/2016 Forecast To Budget Comparison  
In Thousands \$

	2015/2016 Forecast		2015/2016 Budget		2015/2016 Variance
Revenue					
Food Services	25,594	74%	25,165	74%	429
Bookstore	6,124	18%	6,539	19%	(415)
Retail Services	<u>2,670</u>	<u>8%</u>	<u>2,495</u>	<u>7%</u>	<u>175</u>
Total Revenue	<u>34,388</u>	<u>100%</u>	<u>34,199</u>	<u>100%</u>	<u>189</u>
Expenses					
Cost of Materials	12,755	37%	12,682	37%	(73)
Personnel	13,320	39%	13,130	39%	(190)
Institutional Charges	2,106	6%	2,165	6%	59
Operating	4,188	12%	4,184	12%	(4)
Travel	68	0%	50	0%	(18)
Renovations	364	1%	515	2%	151
Capital Equipment	<u>575</u>	<u>2%</u>	<u>275</u>	<u>1%</u>	<u>(300)</u>
Total Expenses	<u>33,376</u>	<u>97%</u>	<u>33,001</u>	<u>97%</u>	<u>(375)</u>
Income (Expenses) Before Transfers	<u>1,012</u>	<u>3%</u>	<u>1,198</u>	<u>3%</u>	<u>(186)</u>
Net Transfer	(989)	-3%	(1,171)	-3%	182
Increase (Decrease) in Fund Balance	<u>23</u>	<u>0%</u>	<u>27</u>	<u>0%</u>	<u>(4)</u>
Unappropriated Fund Balance	<u>173</u>		<u>173</u>		<u>-</u>
Fund Balance	<u><u>196</u></u>		<u><u>200</u></u>		<u><u>(4)</u></u>

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Appendix 1

Five Year Capital Plan  
Years/Dollars (000's)

Unit	2016/17	2017/18	2018/19	2019/20	2020/21
<u>Cash Operations - Food &amp; Retail Services</u>					
Bookstore	\$ 75,000		\$ 75,000	\$ 50,000	\$ 85,000
Pages	\$ 160,000				
FACS (CME)	145,000				
Centre Six		\$ 300,000	\$ 150,000	\$ 150,000	\$ 150,000
Daily Grind	\$ 50,000				\$ 75,000
Level 0	\$ 285,000	\$ 200,000	\$ 125,000	\$ 380,000	\$ 100,000
Gryphs Sports Lounge					\$ 50,000
Gryphs Sport Shop		\$ 150,000			
Community Services			\$ 50,000	\$ 50,000	\$ 50,000
OVC	\$ 60,000	\$ 95,000			
Express Centre				\$ 120,000	\$ 85,000
Library					\$ 50,000
Science Complex			\$ 50,000		
Vending				\$ 50,000	\$ 50,000
<b>Total Cash Operations - Food Services</b>	<b>\$ 775,000</b>	<b>\$ 745,000</b>	<b>\$ 450,000</b>	<b>\$ 800,000</b>	<b>\$ 695,000</b>
<u>Residence Food Services</u>					
Creelman			\$ 300,000	\$ 125,000	\$ 125,000
Mountain	\$ 175,000	\$ 200,000			\$ 100,000
Prairie			\$ 150,000		
<b>Total Residence Food Services</b>	<b>\$ 175,000</b>	<b>\$ 200,000</b>	<b>\$ 450,000</b>	<b>\$ 125,000</b>	<b>\$ 225,000</b>
<b>Total Capital Plan</b>	<b>\$ 950,000</b>	<b>\$ 945,000</b>	<b>\$ 900,000</b>	<b>\$ 925,000</b>	<b>\$ 920,000</b>

Financed from Operations	\$ 950,000	\$ 945,000	\$ 900,000	\$ 925,000	\$ 920,000
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Schedule 1

Hospitality Services  
Net Transfer  
in thousand \$

	<u>Actual</u> <u>2014/2015</u>	<u>Forecast</u> <u>2015/2016</u>	<u>Budget</u> <u>2016/2017</u>
Summary:			
Internal Loans (Principal & Interest)			
Bookstore (2007-2018)	62	62	62
Science Complex (2008-2018)	51	51	51
Prairie Dining Hall (2009-2019)	131	131	131
Mountain Dining Hall (2010-2020)	128	128	128
Gryphs Sports Lounge (2012-2022)	157	157	157
Library Starbucks (2015 -2025)		28	28
Creelman Hall (2015-2025)		<u>166</u>	<u>285</u>
 Total Loans	 529	 723	 842
 Special Contribution (for academic buildings)	 267	 269	 271
Institutional Contribution (MYP2)		7	7
Internal Finance Charge	<u>(6)</u>	<u>(10)</u>	<u>(10)</u>
 Net Transfers	 <u><u>790</u></u>	 <u><u>989</u></u>	 <u><u>1,110</u></u>