

HOSPITALITY SERVICES



BUDGET 2017/2018

February 1, 2017



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INTRODUCTION – Context for the 2017/2018 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 (serving an estimated 125,000 meals per week during the fall and winter semesters). Hospitality Services also operates the University Bookstore, Conference Services, Retail Services and Mail Services. Food and retail outlets are at 21 locations across campus and the department has made arrangements with 27 off-campus restaurants and 11 food trucks 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 \$72,464 annually towards the Gryphon Centre.

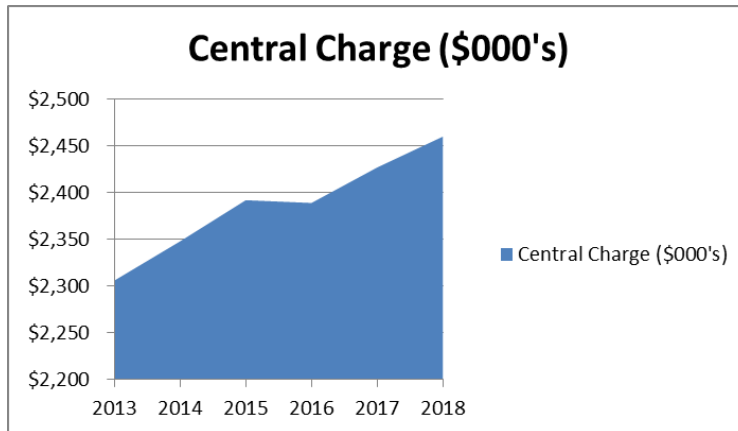
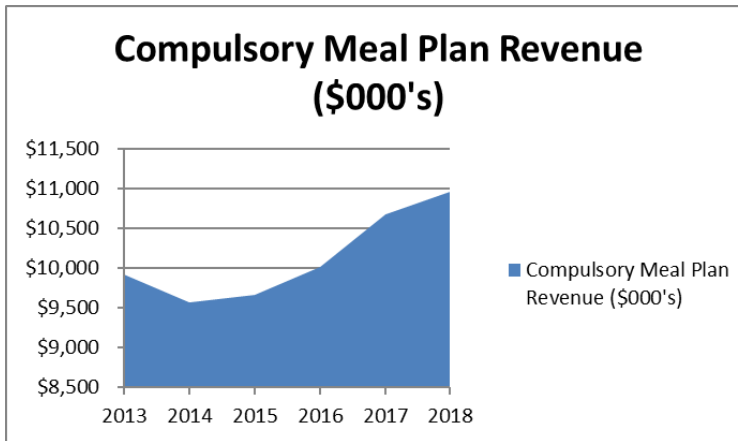
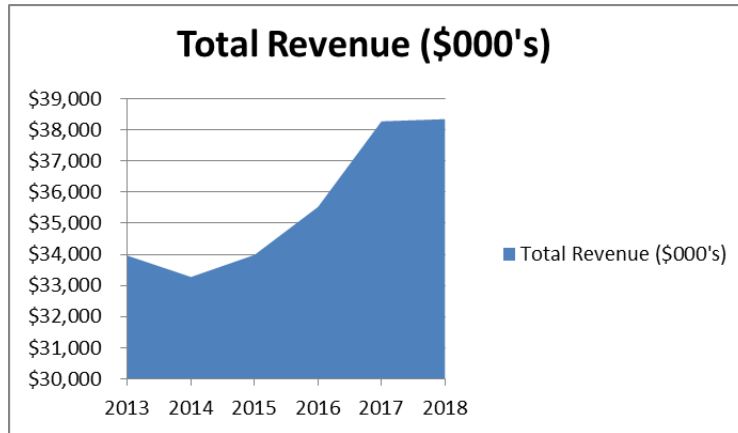
As part of its budget process, Hospitality Services consults with students through the Hospitality Services Advisory Committee (HSAC) and Interhall Council. The financial sub-committee of Hospitality Services Advisory Committee starts meetings in September to review the current budget and assist in the development of the budget for the upcoming year. On February 15, 2017 the 2017/18 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 8, 2017.

Hospitality Services
Comparative Financial Indicators

	2012/13	2013/14	2014/15	2015/16	Forecast 2016/17	Budget 2017/18
Enrolment – University Degree Programs (FTE's)	21,644	21,548	21,545	20,771	21,252	21,250
Faculty & Staff (Regular Budgeted Positions)	2,951	2,965	2,963	2,993	2,885	2,885
Residence Meal Plans	3,956	3,803	3,794	3,842	4,148	4,150
Off Campus Meal Plans	21,674	21,950	22,297	21,481	17,551	17,500
Total Revenue (\$000's)	\$ 33,959	\$ 33,274	\$ 33,983	\$ 35,527	\$ 38,280	\$ 38,352
Compulsory Meal Plan Revenue (\$000's)	\$ 9,918	\$ 9,573	\$ 9,665	\$ 10,012	\$ 10,680	\$ 10,960
Cost of Goods Sold % (1)	37.90%	37.62%	36.17%	37.70%	36.70%	37.20%
CPI Food (Ontario)	1.60%	1.10%	3.50%	3.70%	1.60%	2.00%
Labour %	38.90%	39.83%	39.96%	38.60%	36.10%	37.20%
Capital Expenditures (\$000's)	\$ 2,021	\$ 349	\$ 1,244	\$ 809	\$ 1,290	\$ 960
Internal Loan Balance (\$000's)	\$ 3,415	\$ 2,892	\$ 2,718	\$ 4,682	\$ 3,963	\$ 3,224
# Full Time Employees	143	140	143	139	145	145
Central Charge (\$000's)	\$ 2,306	\$ 2,348	\$ 2,392	\$ 2,389	\$ 2,427	\$ 2,460
Square Foot	99,250	99,525	99,525	99,525	99,525	99,525
Central Charge Per Square Foot	\$23.23	\$23.59	\$24.03	\$24.00	\$24.39	\$24.72

(1) Total revenues divided by product purchases

Comparative Growth Charts 2013 - 2018



The budget and operational objectives this year include the following:

- Continue to develop strategies which contribute to the core academic mission.
- Build stronger relationships with other Departments in the University to strengthen partnership opportunities.
- 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 impact 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 in the mid-range of participating schools. 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 2017/2018 renovations are planned to update the Tim Hortons in the Gryphon Centre; a new walk-in refrigerator/freezer in the UC Food Court and renovations to Subway. Mountain Hall Café will also get a facelift.
- Hospitality Services is committed to contributing to a sustainable environment by updating and implementing a Local Sustainability Plan (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 operations 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 staff.
- Continue to develop and implement strategies in the University Bookstore to embrace new technology and marketplace demands.
- Increase the number of off campus vendors that accept the meal plan.

A: BUDGET YEAR ASSUMPTIONS 2017 / 2018 (refer to Appendix A)

A.1 Major Budget Considerations and Assumptions:

The 2017/2018 budget year will be a challenging 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 foreign purchases (ie. Produce, text books), a diminishing discretionary dollar and the continuing significant increase in variable costs add to the complexity of meeting our budget goals. In addition, bus services to Toronto will continue to have a negative impact on revenues due to the reduction of students on campus on weekends. Although these factors have a negative impact on the generation of revenue and contribution margins, the continued stability in the overall student population should help offset these effects.

Meal Plan prices are to rise 2.6% on average to cover increases in fixed and variable costs.

The significant impact of wage rate increases is a key factor for our budget. This is particularly true for part-time wages which have jumped significantly over the past three years. Hospitality Services will continue to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2017/2018 renovations will focus on upgrading existing facilities in various locations on campus (see Appendix C). All of these projects will be fully funded by Hospitality Services.

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 2.6% 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 remain the same compared to 2016/2017. However, the continued move to digital text will continue which erodes the margins for the Bookstore. 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 33.5% 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 2016/2017.

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 1.5%, mainly to assist with increases in central support services.

Operating Costs: Base 2017/2018 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, required franchise store refreshes and deferred maintenance are planned for this year. Included are: Tim Hortons in the Gryphon Centre; a new walk-in refrigerator/freezer, Starbucks and Subway in the University Centre; Mountain Hall Café.

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 significant renovations in the Bookstore, Science Complex, Prairie Dining Hall, Mountain Dining Hall, Gryphs Sports Lounge, Library Starbucks and Creelman Hall capital projects (see Appendix D).

Overall, the budget for 2017/2018 reflects a Net Income of \$27,000. This will be used to increase the unit's Accumulated Fund balance. This fund will provide a resource for unexpected negative contributions.

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 \$3,895 for the academic year (2 semesters), a \$100 increase.

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

	<u>2016/2017</u>	<u>\$ Increase</u>	<u>2017/2018</u>
Minimum Plan	3,795	100	3,895
Light Plan	4,405	145	4,550
Full Plan	4,950	100	5,050
Plus Plan	5,435	115	5,550
Varsity Plan	5,850	50	5,900

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	Forecasted % Increase	Forecasted Meal Plan Minimum Amount
		Amount 2016/17	2017/18	2017/18
Queen's University	Board Plan*	5,077	3.5%	5,255
Wilfrid Laurier University	Board Plan*	4,850	4.0%	5,044
Western University	Debit Plan	4,752	3.0%	4,895
Carleton University	Board Plan*	4,800	0.0%	4,800
Lakehead University	Debit Plan	4,354	7.6%	4,685
University of Waterloo	Debit Plan	4,400	3.0%	4,532
University of Windsor	Debit Plan	4,316	3.0%	4,445
Trent University	Board Plan*	4,200	0.0%	4,200
McMaster University	Debit Plan	3,595	10.0%	3,955
Victoria University	Debit Plan	3,949	**	**
Brock University	Board Plan*	3,900	0.0%	3,900
University of Guelph	Debit Plan	3,795	2.6%	3,895
U of T at Mississauga	Debit Plan	3,699	3.0%	3,810
Ryerson University	Debit Plan	3,534	4.0%	3,675
York University	Debit Plan	2,750	5.0%	2,888

* A board plan is where a student gets a fixed number of meals per week. 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.

** 2017/2018 rates were not available at this time

B: FORECAST 2016/2017: (refer to Appendix B)

Currently, Hospitality Services is forecasting a net increase in fund balance of \$30,000 compared to a net increase of \$26,000 originally budgeted.

Revenues:

Food Service revenues have increased due to the increase in approximately 300 additional first year meal plans.

The Bookstore revenues remained stable.

Retail Services sales have increased due to an increase in clothing and merchandise sales in the Bookstore. Continued diversification of product offerings has strengthened revenue drivers in this area.

Expenses:

The variable cost of materials (food, labour, paper, cleaning supplies, marketing, etc.) have increased due to higher sales volumes.

Personnel costs have continued to increase overall due to recent increases in minimum wage. Hospitality Services employs approximately 750 part time workers.

Operating Expenses have increased significantly due to the replacement of small equipment, an increase in repairs, maintenance and the refurbishment of concepts. Higher traffic in food outlets creates wear and tear which must be continuously maintained (replacement of counters, equipment and finishes).

Renovations have decreased due to capital equipment purchases bought outside the scope of the Tim Hortons and Planet Bean projects. The equipment is proprietary and purchased directly from the source.

Capital Equipment costs have increased due to equipment purchased outside of project renovation costs and the ongoing replacement of aging equipment. Higher sales volumes decrease the useful life of equipment and therefore shorten the useful life of equipment.

There were no other significant variances to the budget. Appendix B summarizes the financial forecast compared to budget for the 2016/2017 fiscal year.

Appendix A

Operating Budget (\$000's)	2015/2016 Actual		2016/2017 Forecast		2017/2018 Budget	
Revenue						
Food Services	26,409	74%	28,830	75%	28,891	75%
Bookstore	6,204	17%	5,924	16%	6,084	16%
Retail Services	2,914	9%	3,526	9%	3,460	9%
Total Revenue	35,527	100%	38,280	100%	38,435	100%
Expenses						
Cost of Materials	13,408	38%	14,005	37%	14,287	37%
Personnel	11,380	32%	11,468	30%	11,851	31%
Benefits	2,326	7%	2,349	6%	2,427	6%
Institutional Charges	2,111	6%	2,148	6%	2,180	6%
Operating	4,383	12%	5,816	15%	5,534	14%
Travel	83	0%	60	0%	60	0%
Renovations	352	1%	400	1%	630	2%
Capital Equipment	457	1%	890	2%	330	1%
Net Transfers (Schedule 1)	1,005	3%	1,114	3%	1,109	3%
Total Expenditures	35,505	100%	38,250	100%	38,408	100%
Revenue Less Expense	22		30		27	
Unrestricted Net Assets Opening	173		195		225	
Unrestricted Net Assets - Closing	195		225		252	

Appendix B

Forecast to Budget Comparison (\$000's)	2016/2017		2016/2017		2016/2017
	Forecast		Budget		Variance
Revenue					
Food Services	28,830	75%	26,235	75%	2,595
Bookstore	5,924	16%	6,021	17%	(97)
Retail Services	3,526	9%	2,863	8%	663
Total Revenue	38,280	100%	35,119	100%	3,161
Expenses					
Cost of Materials	14,005	37%	12,960	37%	(1,045)
Personnel	11,468	30%	11,185	39%	(283)
Benefits	2,349	6%	2,292	6%	(57)
Institutional Charges	2,148	6%	2,148	6%	-
Operating	5,816	15%	4,388	12%	(1,428)
Travel	60	0%	60	0%	-
Renovations	400	1%	460	1%	60
Capital Equipment	890	2%	490	1%	(400)
Net transfers	1,114	3%	1,110	3%	(4)
Total Expenditures	38,250	100%	35,093	100%	(3,157)
Revenue Less Expense	30		26		4
Unrestricted Net Assets-Opening	195		195		4
Unrestricted Net Assets-Closing	225		221		8

						Appendix C
Five Year Capital Plan						
Unit	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Total
Drew Hall	-	-	-	-	25,000	25,000
Bookstore	55,000	75,000	150,000	50,000	50,000	380,000
Pages	-	-	-	-	75,000	75,000
L/A	-	-	25,000	-	-	25,000
FACS (CME)	-	-	-	-	-	-
Eastside	-	75,000	-	-	-	75,000
Creelman	-	175,000	175,000	125,000	125,000	600,000
Centre 6	450,000	200,000	200,000	150,000	150,000	1,150,000
Daily Grind	-	-	-	75,000	-	75,000
Level 0	75,000	100,000	150,000	150,000	115,000	590,000
Gryphs Lounge	-	-	-	50,000	75,000	125,000
Gryphs Sports Shop/Tims	180,000	-	-	-	-	180,000
Prairie	-	150,000	-	-	-	150,000
Mountain	150,000	-	100,000	100,000	50,000	400,000
OVC	-	-	-	-	110,000	110,000
Engineering	-	-	-	-	-	-
Catering & Conference Services	-	50,000	50,000	50,000	50,000	200,000
Express Centre	50,000	100,000	100,000	100,000	100,000	450,000
Library	-	-	-	50,000	-	50,000
Science Complex	-	50,000	-	-	-	50,000
Vending	-	-	25,000	25,000	25,000	75,000
Total	960,000	975,000	975,000	925,000	950,000	4,785,000
Funding						
Operations	960,000	975,000	975,000	925,000	950,000	4,785,000
Internal Loan	-	-	-	-	-	-
						4,785,000
Renovations						
Capital Equipment	385,000	375,000	375,000	350,000	310,000	1,795,000
	575,000	600,000	600,000	575,000	640,000	2,990,000
						4,785,000

Appendix D

Net Transfers	<u>Actual 2015/2016</u>	<u>Forecast 2016/2017</u>	<u>Budget 2017/2018</u>
Internal Loans (Principal & Interest)			
Bookstore (2007-2018)	62	62	58
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	28
Creelman Hall (2015-2025)	168	286	286
Total Loans	<u>725</u>	<u>843</u>	<u>839</u>
Special Contribution (for academic buildings)	270	271	272
Institutional Contribution (MYP2)	8	8	8
Internal Finance Charge	2	-8	-10
Net Transfers	<u><u>1,005</u></u>	<u><u>1,114</u></u>	<u><u>1,109</u></u>