

# **HOSPITALITY SERVICES**

## **BUDGET 2015/2016**



Revised March 3, 2015

Hospitality Services  
2015/2016 Budget

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**INTRODUCTION – Context for the 2015/2016 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 and Retail Services. Food and retail outlets are at 19 locations across campus and the department has made arrangements with 25 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 \$69,993 annually towards the Gryphon Centre and is contributing \$73,238 through MYP2.

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 11, 2015 the 2015/16 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 4, 2015.

<b>Hospitality Services</b>						
<b>Comparative Financial Indicators</b>						
	2010/11	2011/12	2012/13	2013/14	Forecast 2014/15	Budget 2015/16
Enrolment – University Degree Programs (FTE's)	20,651	21,542	21,644	21,548	20,291	20,000
Faculty & Staff (Regular Budgeted Positions)	2,944	2,946	2,951	2,965	2,943	2,900
Residence Meal Plans	4,024	4,150	3,956	3,803	3,794	3,794
Off Campus Meal Plans	17,686	19,873	21,674	21, 950	23,032	23,090
Total Revenue (in thousands of dollars)	\$33,644	\$34,936	\$33,959	\$33,274	\$33,937	\$34,199
Cost of Goods Sold % (1)	40.61%	39.40%	37.90%	37.62%	37.05%	37.08%
CPI Food (Ontario)	1.50%	4.00%	1.60%	1.10%	3.50%	3.50%
Labour %	36.42%	36.87%	38.90%	39.83%	38.57%	38.39%
Capital Expenditures (in thousands of dollars)	\$1,528	\$553	\$2,021	\$349	\$1,101	\$3,300
Internal Loan Balance (in thousands of dollars)	\$2,514	\$2,790	\$3,415	\$2,892	\$2,394	\$4,330
# Full Time Employees	154	153	143	140	143	140
Central Charge (in thousands of dollars)	\$2,224	\$2,265	\$2,306	\$2,348	\$2,392	\$2,508
Square Foot	99,250	99,250	99,250	99,525	99,525	99,525
Central Charge Per Square Foot	\$22.41	\$22.82	\$23.23	\$23.59	\$24.03	\$25.20

(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 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 the Globe & Mail.**
- 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. In 2015/2016 a \$400,000 renovation is planned to build a new Starbucks in the L/A Café, \$110,000 for a required upgrade to Tim Hortons in the Gryphon Centre.
- Increase the number and variety of menu choices available to customers. An Indian/Thai Shop will be added in the University Centre.
- Hospitality Services is committed to contributing to a sustainable environment by updating and implementing a [Local Sustainability Plan](#) 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 a virtualization of all 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.

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

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

The 2015/2016 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 departmental budget cuts, a reduction of first year residence population on campus, 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 2015/2016 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 new Starbucks in L/A Café and a Tim Hortons in the Gryphon 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 decrease due to the impact of departmental budget reductions as units reduce discretionary spending.

Bookstore and Campus Junction: Sales volumes are expected to increase compared to 2014/2015 due to increases in giftware. 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 decrease relative to the previous year due to the closing of the Variety Store in the University Centre. 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 33.2% 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 67.0% in the bookstore to 50% in the variety store located in East Residence. There is no major change expected in these rates from those experienced in 2014/2015.

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 2015/2016 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. A new Starbucks operation will be built in L/A Café and Tim Hortons will be updated in the Gryphon 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 Science Complex, Bookstore, Prairie Dining Hall, Mountain Dining Hall, Gryphs Sports Lounge and Creelman Hall capital projects (see Schedule 1).

Overall, the budget for 2014/2015 reflects a Net Income of \$27,321. 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 \$3,685 for the academic year (2 semesters), a \$110 increase.

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

	<u>2014/15</u>	<u>2015/2016</u>	<u>\$ Increase</u>
Minimum Plan	3,575	3,685	110
Light Plan	4,150	4,275	125
Full Plan	4,665	4,805	140
Plus Plan	5,120	5,275	155
Varsity Plan	5,515	5,680	165

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 2014/15	Forecasted % Increase 2015/16	Forecasted Meal Plan Minimum Amount 2015/16
Queen's University	Board Plan*	4,716	4%	4,905
Western University	Debit Plan	4,242	5%	4,454
Wilfrid Laurier University	Board Plan*	4,190	3.5%	4,337
University of Waterloo	Debit Plan	4,202	3%	4,328
University of Windsor	Debit Plan	3,988	3%	4,108
Lakehead University	Debit Plan	3,824	3%	3,939
Brock University	Board Plan*	3,750	0%	3,750
U of T at Mississauga	Debit Plan	3,649	1.5%	3,704
Trent University	Board Plan*	3,600	2.5%	3,690
<b>University of Guelph</b>	<b>Debit Plan</b>	<b>3,575</b>	<b>3%</b>	<b>3,685</b>
Victoria University	Debit Plan	3,641	n/a	3,641**
Ryerson University	Debit Plan	3,303	4.5%	3,451
McMaster University	Debit Plan	3,075	4.4%	3,210
York University	Debit Plan	2,500	5%	2,625
Carleton University	Board Plan*	2,430	n/a	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.

\*\* 2015/2016 rates were not available at this time

**B: FORECAST 2014/2015: (refer to Table B)**

Currently, Hospitality Services is forecasting a net increase in fund balance of \$19,107 compared to a net increase of \$23,372 originally budgeted.

**Revenues:**

Food Service revenues have decreased due to the closing of MacDonald Hall residence in the 2014/15 budget year. The Bookstore revenues have also decreased due to the increase in used books, increase in digital media for courseware and the impact of the MacDonald Hall closure. Retail Services sales have decreased due to a reduction of residence students.

**Expenses:**

Cost of materials have decreased due to volume decreases. Personnel costs have decreased overall due to lower sales volumes. Renovations have increased due to project timing and unexpected changes. 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 2014/2015 fiscal year.



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Table A

University of Guelph  
Hospitality Services  
2015/2016 Operating Budget  
In Thousands \$

	2013/2014 Actual		2014/2015 Forecast		2015/2016 Budget	
Revenue						
Food Services	24,337	73%	24,870	73%	25,165	74%
Bookstore	6,296	19%	6,383	19%	6,539	19%
Retail Services	2,641	8%	2,684	8%	2,495	7%
<b>Total Revenue</b>	<b>33,274</b>	<b>100%</b>	<b>33,937</b>	<b>100%</b>	<b>34,199</b>	<b>100%</b>
Expenses						
Cost of Materials	12,521	38%	12,572	37%	12,682	37%
Personnel	13,254	40%	13,091	39%	13,130	39%
Institutional Charges	2,081	6%	2,123	6%	2,165	6%
Operating	4,130	12%	4,092	12%	4,184	12%
Travel	52	0%	48	0%	50	0%
Renovations	29	0%	786	2%	515	2%
Capital Equipment	320	1%	315	1%	275	1%
<b>Total Expenses</b>	<b>32,387</b>	<b>97%</b>	<b>33,027</b>	<b>97%</b>	<b>33,001</b>	<b>97%</b>
Income (Expenses) Before Transfers	887	3%	910	3%	1,198	3%
Net Transfer (Schedule 1)	(878)	-3%	(891)	-3%	(1,171)	-3%
Increase (Decrease) in Fund Balance	9	0%	19	0%	27	0%
Unappropriated Fund Balance	150		159		178	
Fund Balance	159		178		205	

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Table B

University of Guelph  
Hospitality Services  
2014/2015 Forecast To Budget Comparison  
In Thousands \$

	2014/2015 Forecast		2014/2015 Budget		2014/2015 Variance
Revenue					
Food Services	24,870	73%	24,927	73%	(57)
Bookstore	6,383	19%	6,740	19%	(357)
Retail Services	<u>2,684</u>	<u>8%</u>	<u>2,705</u>	<u>8%</u>	<u>(21)</u>
Total Revenue	<u>33,937</u>	<u>100%</u>	<u>34,372</u>	<u>100%</u>	<u>(435)</u>
Expenses					
Cost of Materials	12,572	37%	12,903	38%	331
Personnel	13,091	39%	13,313	39%	222
Institutional Charges	2,123	6%	2,123	6%	-
Operating	4,092	12%	4,100	12%	8
Travel	48	0%	48	0%	-
Renovations	786	2%	450	1%	(336)
Capital Equipment	<u>315</u>	<u>1%</u>	<u>325</u>	<u>1%</u>	<u>10</u>
Total Expenses	<u>33,027</u>	<u>97%</u>	<u>33,262</u>	<u>97%</u>	<u>235</u>
Income (Expenses) Before Transfers	<u>910</u>	<u>3%</u>	<u>1,110</u>	<u>3%</u>	<u>(200)</u>
Net Transfer	(891)	-3%	(1,087)	-3%	196
Increase (Decrease) in Fund Balance	<u>19</u>	<u>0%</u>	<u>23</u>	<u>0%</u>	<u>(4)</u>
Unappropriated Fund Balance	<u>159</u>		<u>159</u>		<u>-</u>
Fund Balance	<u>178</u>		<u>182</u>		<u>(4)</u>

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Appendix 1

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

Unit	2015/16	2016/17	2017/18	2018/19	2019/2020
<b>Cash Operations - Food &amp; Retail Services</b>					
Bookstore		\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Pages		\$ 120,000			
FACS (CME)		\$ 120,000			
Eastside					
Centre Six	\$ 260,000	\$ 100,000	\$ 125,000	\$ 200,000	\$ 150,000
Daily Grind	\$ 15,000	\$ 50,000			\$ 100,000
Level 0		\$ 75,000	\$ 100,000	\$ 100,000	\$ 100,000
Gryphs Sports Lounge		\$ 50,000			
Gryphs Sport Shop	\$ 110,000				
Community Services		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Express Centre			\$ 50,000	\$ 50,000	\$ 50,000
Drew Hall					\$ 25,000
Library					
Science Complex				\$ 25,000	
Vending			\$ 50,000		\$ 50,000
<b>Total Cash Operations - Food Services</b>	<b>\$ 385,000</b>	<b>\$ 640,000</b>	<b>\$ 450,000</b>	<b>\$ 500,000</b>	<b>\$ 600,000</b>
<b>Residence Food Services</b>					
Creelman		\$ 75,000	\$ 150,000	\$ 75,000	\$ 75,000
Mountain		\$ 35,000	\$ 75,000	\$ 75,000	\$ 50,000
Prairie		\$ 25,000	\$ 75,000	\$ 75,000	
L/A	\$ 405,000				
<b>Total Residence Food Services</b>	<b>\$ 405,000</b>	<b>\$ 135,000</b>	<b>\$ 300,000</b>	<b>\$ 225,000</b>	<b>\$ 125,000</b>
<b>Total Capital Plan</b>	<b>\$ 790,000</b>	<b>\$ 775,000</b>	<b>\$ 750,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>

Financed from Operations                      \$ 790,000    \$ 775,000    \$ 750,000    \$ 725,000            725,000

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Schedule 1

Hospitality Services  
Net Transfer  
in thousand \$

	<u>Actual</u> <u>2013/2014</u>	<u>Forecast</u> <u>2014/2015</u>	<u>Budget</u> <u>2015/2016</u>
Summary:			
Internal Loans (Principal & Interest)			
Centre Six (2004-2014)	119		
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
Creelman Hall (2014-2024)	<u>        </u>	<u>103</u>	<u>309</u>
 Total Loans	 648	 632	 838
 Interfund Transfer (services provided)	 (2)		
Interfund Transfer (from operations)	(11)		
Special Contribution	267	269	343
Internal Finance Charge	<u>(24)</u>	<u>(10)</u>	<u>(10)</u>
 Net Transfers	 <u><u>878</u></u>	 <u><u>891</u></u>	 <u><u>1,171</u></u>