

# **HOSPITALITY SERVICES**

## **BUDGET 2011/2012**



April 6, 2011

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Hospitality Services  
2011/2012 Budget

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**INTRODUCTION – Context for the 2011/2012 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's Bookstores, Retail Services, Design & Print Services, Conference Services and Mail Services. Food and retail outlets are at 22 locations across campus and the department has made arrangements with 15 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.

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 March 9, 2011 the 2011/12 Hospitality Services budget was presented for comment to HSAC with the committee recommending approval of the budget.

**Hospitality Services  
Comparative Financial Indicators**

	2006/2007	2007/2008	2008/2009	2009/2010	Forecast 2010/2011	Budget 2011/2012
Enrolment – University Degree Program FTE's)	18,286	18,290	18,664	19,772	20,651	20,880
Faculty & Staff (Regular Budgeted Positions)	2,922	2,974	3,029	2,985	3,000	3,000
Residence Meal Plans	3,725	3,769	3,865	3,772	4,038	4,000
Off Campus Meal Plans	12,195	15,652	13,030	15,305	17,692	17,850
Total Revenue (in thousands of dollars)	\$30,876	\$31,650	\$33,165	\$32,287	\$33,504	\$34,634
Cost of Goods Sold % (1)	43.16%	42.52%	41.05%	40.3%	41.7%	40.5%
CPI Food (Ontario)	2.2%	2.6%	3.8%	4.7%	1.5%	3.0%
Labour %	33.5%	34.6%	36.2%	36.2%	35.2%	35.9%
Capital Expenditures (in thousands of dollars)	\$965	\$956	\$1,255	\$1,249	\$1,680	\$1,350
Internal Loan Balance (in thousands of dollars)	\$2,932	\$2,975	\$3,876	\$3,213	\$3,445	\$3,391
# Full Time Employees	149	152	161	159	154	153
Central Charge (in thousands of dollars)	\$1,956	\$2,026	\$2,099	\$2,165	\$2,224	\$2,265
Square Foot	100,517	100,517	100,517	100,517	99,250	99,250
Central Charge Per Square Foot	\$19.46	\$20.16	\$20.88	\$21.54	\$22.41	\$22.82

(1) Total revenues divided by product purchases

The budget and operational objectives this year include the following:

- Food safety is a primary goal of Hospitality Services. A key component in achieving this goal is the annual engagement of Steritech, an external food safety company to conduct regular inspections of all food outlets on campus. Outcomes include the application of best practices to ensure the highest levels of food safety in all of our locations are maintained.
- Implement financial measures to deal with the impact of the continuing economic downturn on Hospitality Services.
- 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 for the eighth consecutive year by the Globe and Mail Report Card, a survey of over 35,000 university students.
- Ensure meal plan pricing is within the mid-range of major Ontario university competitors. Hospitality Services participates in pricing surveys with other universities to determine competitive position. 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 plan 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 2011/2012 a \$700,000 renovation is planned for Gryphs Sports Lounge kitchen in the Gryphon Centre. As well OVC Dining Hall servery will be renovated at a cost of \$100,000.
- Increase the number of ethnic menu choices available to customers.
- 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. Hospitality Services has received an A on the College Sustainability Report Card for the third year in a row (2008 - 2010 Sustainable Endowments Institute).
- Work with the Code of Conduct Committee to achieve policy mandate.
- Continue to develop innovative on-line services for students, faculty and staff. This will include an on-line gowning system for students attending convocation ceremonies.
- Reposition the University Bookstore to embrace new realities and technologies in the marketplace which will include selling digital course materials.

## **A: BUDGET YEAR ASSUMPTIONS 2011 / 2012 (refer to Table A)**

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

The 2011/2012 budget year will be a very challenging one for Hospitality Services primarily due to the continued poor economic situation. Department sales continue to be challenged by increased competition, both on and off-campus, diminishing discretionary dollars and the continuing significant increase in food and labour costs in many areas. In addition, increased bus services to Toronto will have a negative impact on revenues due to the reduction of students on campus especially on weekends. Although these factors continue to 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. Hospitality Services will have to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2011/2012 renovations will focus on upgrading existing facilities in various locations on campus. All of these projects will be fully funded by Hospitality Services. This will include a \$700,000 capital project to renovate Gryphs Sports Lounge kitchen to address service issues in this operation. This capital project will be financed by an internal University loan. Hospitality Services will also renovate OVC Dining Hall servery. A five (5) year capital plan is attached (see Appendix 1).

The department will have to continue its progressive approach to marketing, service and cost controls to meet the financial requirements of the institution 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 constant. It is expected that food sales from conference and catering sales will decrease due to the impact of the general economic downturn and departmental budget reductions on campus.

**Bookstore and Campus Junction:** Sales volumes are expected to remain constant compared to 2010/2011. 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 remain constant relative to the previous year. Total revenues will increase due to price increases which are based on total variable costs.

**Design & Print Services:** Prices in the Design & Print Services unit are not expected to increase.

### **A.3 Expenditure Assumptions Details:**

**Cost of Materials:** This is a blend of product costs in Food Services, Bookstore, Retail Services and Design & Print Services.

- **Food Services:** Product cost (a variable cost) is targeted at 35.3% 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 71.0% 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 2010/2011.
- **Design & Print Services:** Product cost is targeted at 54% of revenues consistent with the prior years.

**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 2011/2012 operating costs are expected to deal with high volume demands in this category including maintenance costs on aging equipment and facilities. Variable operating costs will increase due to revenue increases.

**Renovations:** Minor renovations necessary to address facility upgrades and deferred maintenance are planned for this year. OVC Dining Hall will be upgraded at a cost of \$100,000.

**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. In addition, the transfer also includes capital financing payments to the University for major renovations in the University Centre kitchen and food court, LA Dining Hall, Pages, the Express Centre, Science Complex, Bookstore, Prairie Dining Hall, Mountain Dining Hall and Gryphs Sports Lounge capital projects (see Schedule 1).

Overall, the budget for 2011/2012 reflects a Net Income of \$33,000. This will be used to increase the unit's Accumulated Fund balance.

**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 \$3,270 per normal academic year (2 semesters), a \$95 increase.

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

	<u>2010/11</u>	<u>2011/12</u>	<u>\$ Increase</u>
Minimum Plan	\$3,175	\$3,270	\$95
Light Plan	\$3,690	\$3,800	\$110
Full Plan	\$4,150	\$4,275	\$125
Plus Plan	\$4,550	\$4,685	\$135
Varsity Plan	\$4,900	\$5,050	\$150

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

<b>Name of School</b>	<b>Plan Type</b>	<b>Mandatory Meal Plan Minimum Amount 2010/11</b>	<b>Forecasted % Increase 2011/12</b>	<b>Forecasted Meal Plan Minimum Amount 2011/12</b>
Queen's University	Board Plan*	\$4,014	4.0%	\$4,174
University of Western Ontario	Debit Plan	\$3,612	5.0%	\$3,792
University of Waterloo	Debit Plan	\$3,530	3%	\$3,635
University of Windsor	Debit Plan	\$3,514	3.0%	\$3,619
Brock University	Board Plan*	\$3,500	2%	\$3,605
U of Toronto at Mississauga	Debit Plan	\$3,424	2.3%	\$3,502
Lakehead University	Debit Plan	\$3,223	4.0%	\$3,351
University of Guelph	Debit Plan	\$3,175	3.0%	\$3,270
U of T – Victoria Campus	Debit Plan	\$3,175	n/a	\$3,175**
Wilfrid Laurier University	Debit Plan	\$3,140	0%	\$3,140
York University	Debit Plan	\$3,000	0%	\$3,000
Ryerson University	Debit Plan	\$2,865	4.5%	\$2,993
McMaster University	Debit Plan	\$2,675	4.0%	\$2,785
Carleton University	Board Plan*	\$2,175	3%	\$2,240
Trent University	Board Plan*	\$1,190	n/a	\$1,190**

\* 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 normally students are restricted as to where they can use their board plan on campus with no access to off campus restaurants.

\*\* 2011/2012 rates were not available at this time

**B: FORECAST 2010/2011: (refer to Table B)**

Currently, Hospitality Services is forecasting a net increase in fund balance of \$36,000 compared to a net increase of \$28,000 originally budgeted.

**Revenues:**

Overall, revenues have increased due to an increase of first year students on campus. The Bookstore revenues have decreased due to the increase in e-course materials. Retail Services has increased due to more aggressive marketing. Design & Print sales dropped due to reduced courseware volume in the Bookstore.

**Expenses:**

Cost of materials have increased relative to total revenues largely due to volume increases.

Personnel costs have increased overall due to volume increases, increased wage rates for employees, department wide AODA training and a snow day in February.

Operating costs have increased due to additional variable costs which include supplies, smallwares, royalties, equipment and maintenance charges.

Certain renovations were deferred in order to accommodate increased variable operating costs.

There were no other significant variances to the budget. Table B summarizes the financial forecast compared to budget for the 2010/2011 fiscal year.



Hospitality Services  
2011/2012 Budget

Table A

University of Guelph  
Hospitality Services  
2011/2012 Operating Budget  
In Thousands \$

	2009/2010 Actual		2010/2011 Forecast		2011/2012 Budget	
Revenue						
Food Services	22,329	69%	23,296	70%	24,142	70%
Bookstore	6,506	20%	6,679	20%	6,879	20%
Retail Services	2,568	8%	2,701	8%	2,785	8%
University Design and Print	884	3%	828	2%	828	2%
Total Revenue	<u>32,287</u>	<u>100%</u>	<u>33,504</u>	<u>100%</u>	<u>34,634</u>	<u>100%</u>
Expenses						
Cost of Materials	13,010	40%	13,959	42%	14,113	41%
Personnel	11,692	36%	11,795	35%	12,426	36%
Institutional Charges	1,904	6%	1,961	6%	2,000	6%
Operating	4,310	13%	3,810	12%	4,190	12%
Travel	41	0%	52	0%	52	0%
Renovations	56	0%	330	1%	250	1%
Capital Equipment	159	1%	435	1%	400	1%
Total Expenses	<u>31,172</u>	<u>97%</u>	<u>32,342</u>	<u>97%</u>	<u>33,431</u>	<u>97%</u>
Income (Expenses) Before Transfers	<u>1,115</u>	<u>3%</u>	<u>1,162</u>	<u>3%</u>	<u>1,203</u>	<u>3%</u>
Net Transfer (Schedule 1)	(1,090)	-3%	(1,126)	-3%	(1,170)	-3%
Increase (Decrease) in Fund Balance	<u>25</u>	<u>0%</u>	<u>36</u>	<u>0%</u>	<u>33</u>	<u>0%</u>
Unappropriated Fund Balance	<u>33</u>		<u>58</u>		<u>94</u>	
Fund Balance	<u><u>58</u></u>		<u><u>94</u></u>		<u><u>127</u></u>	

Hospitality Services  
2011/2012 Budget

Table B

University of Guelph  
Hospitality Services  
2010/2011 Forecast To Budget Comparison  
In Thousands \$

	2010/2011 Forecast		2010/2011 Budget		2010/2011 Variance
<b>Revenue</b>					
Food Services	23,296	70%	22,807	69%	489
Bookstore	6,679	20%	6,861	21%	(182)
Retail Services	2,701	8%	2,595	8%	106
University Design and Print	828	2%	904	2%	(76)
<b>Total Revenue</b>	<b>33,504</b>	<b>100%</b>	<b>33,167</b>	<b>100%</b>	<b>337</b>
<b>Expenses</b>					
Cost of Materials	13,959	42%	13,899	42%	(60)
Personnel	11,795	35%	11,571	35%	(224)
Institutional Charges	1,961	6%	1,961	6%	0
Operating	3,810	12%	3,703	11%	(107)
Travel	52	0%	52	0%	0
Renovations	330	1%	375	1%	45
Capital Equipment	435	1%	450	1%	15
<b>Total Expenses</b>	<b>32,342</b>	<b>97%</b>	<b>32,011</b>	<b>96%</b>	<b>(331)</b>
<b>Income (Expenses) Before Transfers</b>	<b>1,162</b>	<b>3%</b>	<b>1,156</b>	<b>4%</b>	<b>6</b>
<b>Net Transfer</b>	<b>(1,126)</b>	<b>-3%</b>	<b>(1,128)</b>	<b>-3%</b>	<b>2</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>36</b>	<b>0%</b>	<b>28</b>	<b>1%</b>	<b>8</b>
<b>Unappropriated Fund Balance</b>	<b>58</b>		<b>58</b>		<b>0</b>
<b>Fund Balance</b>	<b>94</b>		<b>86</b>		<b>8</b>

Hospitality Services  
2011/2012 Budget

Schedule 1

Hospitality Services  
Net Transfers  
in thousand \$

	Actual 2009/10	Forecast 2010/11	Budget 2011/12
Summary:			
Internal Loans (Principal & Interest)			
Level 0 (2002-2012)	79	79	79
Centre Six (2003-2013)	79	79	79
Centre Six (2004-2014)	119	119	119
Lennox Addington (2006-2013)	236	236	236
Pages (2006-2011)	50	50	
Express Centre (2006-2011)	43	43	15
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)		30	121
Gryphs Sports Lounge (2011-2021)			30
Total Loans	850	880	923
Interfund Transfer (services provided)	-30	-30	-30
Special Contribution (for academic buildings)	261	263	265
Internal Finance Charge	9	13	12
Net Transfers	<u>1,090</u>	<u>1,126</u>	<u>1,170</u>

Hospitality Services  
2011/2012 Budget

Appendix 1

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

Unit	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<u>Cash Operations - Food &amp; Retail Services</u>					
Coffee Carts				\$ 50,000	
Centre 6	\$ 50,000	\$ 70,000		\$ 100,000	\$ 50,000
Level 0	\$ 50,000	\$ 30,000		\$ 75,000	
Eastside					\$ 75,000
OVC Cafeteria	\$ 100,000				
*Gryphs Lounge	\$ 700,000				
MACKS					\$ 25,000
Community Services		\$ 25,000		\$ 75,000	\$ 75,000
<b>Total Cash Operations - Food Services</b>	<b>\$ 900,000</b>	<b>\$ 125,000</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 225,000</b>
<u>Residence Food Services</u>					
*Creelman	\$ 50,000		\$ 1,500,000	\$ 50,000	\$ 50,000
L/A Pit		\$ 350,000			
*Mountain Prairie				\$ 50,000	\$ 50,000
<b>Total Residence Food Services</b>	<b>\$ 50,000</b>	<b>\$ 350,000</b>	<b>\$ 1,500,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

<b>Total Capital Plan</b>	<b>\$ 950,000</b>	<b>\$ 475,000</b>	<b>\$ 1,500,000</b>	<b>\$ 400,000</b>	<b>\$ 325,000</b>
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Financed from Operations	\$ 250,000	\$ 475,000	\$ 300,000	\$ 400,000	\$ 325,000
Financed from Internal Loans	\$ 700,000		\$ 1,200,000		

\*internally financed projects