



University of Guelph

HOSPITALITY SERVICES

BUDGET 2010/2011

April 8, 2010

Hospitality Services
2010/2011 Budget

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Hospitality Services
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INTRODUCTION – Context for the 2010/2011 Fiscal Year

Hospitality Services' primary responsibility is the delivery of high quality competitively priced food to approximately 5,000 students in residence and over 10,000 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 10 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 February 24, 2010 the 2010/11 Hospitality Services budget was presented for comment to HSAC. These comments were provided on March 10, 2010 and the committee recommended approval of the budget.

**Hospitality Services
Comparative Financial Indicators**

	2005/06	2006/07	2007/08	2008/09	Forecast 2009/2010	Budget 2010/2011
U of G Enrolment - University Degree Programs (FTE's)	17,653	17,538	18,286	18,298	18,664	18,600
U of G Total Faculty & Staff (Regular Budgeted Positions)	2,952	2,902	2,922	2,963	3,029	3,000
Residence Meal Plans	3,454	3,725	3,769	3,888	3,810	3,800
Off Campus Meal Plans	8,596	12,195	15,652	13,030	10,156	11,926
Total Revenue (in thousands of dollars)	\$28,560	\$30,876	\$31,650	\$33,165	\$32,509	\$33,167
Cost of Goods Sold % (1)	42.40%	43.16%	42.52%	41.05%	42.02%	41.90%
CPI Food (Ontario-Calendar Year)	3.00%	2.20%	2.60%	3.80%	4.70%	3.00%
Labour %	34.90%	33.50%	34.60%	36.20%	35.00%	34.40%
Capital Expenditures (in thousands of dollars)	\$528	\$673	\$1,253	\$1,578	\$416	\$1,775
Internal Loan Balance (in thousands of dollars)	\$2,926	\$2,932	\$2,975	\$3,876	\$3,214	\$3,464
# Full Time Employees	150	149	152	161	159	156
Central Charge (in thousands of dollars)	\$1,896	\$1,956	\$2,026	\$2,099	\$2,166	\$2,225
Square Foot	100,517	100,517	100,517	100,517	100,517	99,050
Central Charge Per Square Foot	\$18.87/sqft	\$19.46/sqft	\$20.16/sqft	\$20.88/sqft	\$21.54/sqft	\$22.46/sqft

(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 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 seventh consecutive year by the Globe and Mail Report Card , a survey of over 38,000 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 2010/2011 a \$325,000 renovation is planned for Starbucks in the University Centre. As well Mountain Dining Hall will be renovated at a cost of \$950,000.
- Increase the number of ethnic menu choices available to customers. A new made to order sushi operation is scheduled to open in the University Centre in the Fall 2010.
- 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 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 second year in a row (2008 & 2009 Sustainable Endowments Institute).
- Work with the Code of Conduct on Ethical Purchasing Committee to achieve policy mandate.
- Continue to develop innovative on-line services for students, faculty and staff. This will include an electronic billing system for payment of faculty and staff express card accounts.
- Reposition the University Bookstore to embrace new realities and technologies in the marketplace.

A: BUDGET YEAR ASSUMPTIONS 2010 / 2011 (refer to Table A)

A.1 Major Budget Considerations and Assumptions:

The 2010/2011 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, 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 part-time wage rate increases (provincial minimum wage legislation) of up to 7.9%. Hospitality Services will have to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2010/2011 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 \$325,000 capital project to build a new Starbucks Coffee shop to address service issues at the existing Starbucks operation (this project was deferred from 2009/2010). Hospitality Services will also renovate Mountain Dining Hall kitchen and servery which have not been updated since 1986. This capital project will be financed by an internal University loan. 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. Food sales from conference and catering sales are expected to 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 2009/2010 . 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 texts and optional course readings.

Retail Services: Revenues will increase due to 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 35.4% of revenues, an increase of approximately 0.1% compared to last year. 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 a 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 72.5% 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 2009/2010.
- **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. Part-time rates will increase up to 7.9%.

Institutional Charges: University charges, which cover the costs of services provided by the University such as utilities and central services, are increasing 3%, mainly to assist with increases in central support services.

Operating Costs: Base 2010/2011 operating costs are expected to deal with high volume demands in this category including maintenance costs on aging equipment and facilities. Operating costs will decrease due to small equipment purchases for Starbucks and Mountain that will be included in their renovation costs.

Renovations: Minor renovations necessary to address facility upgrades and deferred maintenance are planned for this year. Starbucks will be upgraded in the University Centre at a cost of \$325,000.

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 in 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 and Mountain Dining Hall capital projects (see Schedule 1).

Overall, the budget for 2010/2011 reflects a Net Income of \$28,000. This will be used to increase the unit's Accumulated Fund balance.

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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 \$3,175 per academic year (2 semesters), a \$95 increase.

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

	<u>2009/10</u>	<u>2010/11</u>	<u>\$ Increase</u>
Minimum Plan	\$3,080	\$3,175	\$95
Light Plan	\$3,580	\$3,690	\$110
Full Plan	\$4,030	\$4,150	\$120
Plus Plan	\$4,410	\$4,550	\$140
Varsity Plan	\$4,760	\$4,900	\$140

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 2009/2010	Forecasted % Increase 2010/2011	Forecasted Meal Plan Minimum Amount 2010/2011
Queens University	*Board Plan	3,860	4.0%	4,014
Brock University	*Board Plan	3,750	n/a	±3,750
Carleton University	*Board Plan	3,497	n/a	±3,497
University of Western Ontario	Debit Plan	3,480	3.8%	3,612
University of Waterloo	Debit Plan	3,420	3.0%	3,530
University of Windsor	Debit Plan	3,350	3.0%	3,450
U of Toronto at Mississauga	Debit Plan	3,295	3.9%	3,424
Lakehead University	Debit Plan	3,160	2.0%	3,223
U of T - Victoria Campus	Debit Plan	2,995	6.0%	3,175
University of Guelph	Debit Plan	3,080	3.0%	3,175
Wilfrid Laurier University	Debit Plan	3,079	2.0%	3,140
Ryerson University	Debit Plan	2,725	4.5%	2,848
McMaster University	Debit Plan	2,575	2.5%	2,640
Trent University	*Board Plan	2,509	n/a	±2,509
York University	Debit Plan	2,500	n/a	±2,500

* 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.

± 2010/2011 rates were not available at this time

B: FORECAST 2009/2010: (refer to Table B)

Currently, Hospitality Services is forecasting a net increase in fund balance of \$21,000 compared to a net increase of \$14,000 originally budgeted.

Revenues:

Overall, revenues remained constant with the exception of a reduction in meal plan revenues due to a decrease in campus residence students. The Bookstore revenues fell because of an increase in used book sales and general economic pressures on students. Design & Print sales dropped due to reduced courseware volume in the Bookstore.

Expenses:

Cost of materials have decreased relative to total revenues due to a reduction in volume.

Personnel costs have increased overall due to volume decreases

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.

Net transfers have increased due to the capital project (Prairie Hall) which was completed in 2009/2010.

There were no other significant variances to the budget. Table B summarizes the financial forecast compared to budget for the 2009/2010 fiscal year.

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Table A

University of Guelph
Hospitality Services
2010/2011 Operating Budget
In Thousands \$

	2008/2009 Actual		2009/2010 Forecast		2010/2011 Budget	
Revenue						
Food Services	22,766	68%	22,389	68%	22,807	68%
Bookstore	6,978	22%	6,727	22%	6,861	22%
Retail Services	2,482	7%	2,489	7%	2,595	7%
University Design and Print	1,089	3%	904	3%	904	3%
Total Revenue	<u>33,315</u>	<u>100%</u>	<u>32,509</u>	<u>100%</u>	<u>33,167</u>	<u>100%</u>
Expenses						
Cost of Materials	13,614	41%	13,660	42%	13,899	42%
Personnel	11,999	36%	11,383	35%	11,571	34%
Institutional Charges	1,840	6%	1,904	6%	1,961	6%
Operating	4,268	13%	3,983	12%	3,703	11%
Travel	36	0%	50	0%	52	0%
Renovations	35	0%	56	0%	375	1%
Capital Equipment	544	1%	360	1%	450	1%
Total Expenses	<u>32,336</u>	<u>97%</u>	<u>31,396</u>	<u>96%</u>	<u>32,011</u>	<u>96%</u>
Income (Expenses) Before Transfers	<u>979</u>	<u>3%</u>	<u>1,113</u>	<u>4%</u>	<u>1,156</u>	<u>4%</u>
Net Transfer (Schedule 1)	(953)	-3%	(1,092)	-3%	(1,128)	-3%
Increase (Decrease) in Fund Balance	<u>26</u>	<u>0%</u>	<u>21</u>	<u>0%</u>	<u>28</u>	<u>1%</u>
Unappropriated Fund Balance	<u>6</u>		<u>32</u>		<u>53</u>	
Fund Balance	<u><u>32</u></u>		<u><u>53</u></u>		<u><u>81</u></u>	

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Table B

University of Guelph
Hospitality Services
2009/2010 Forecast To Budget Comparison
In Thousands \$

	2009/2010 Forecast		2009/2010 Budget		2009/2010 Variance
	_____	_____	_____	_____	_____
Revenue					
Food Services	22,389	68%	22,877	67%	(488)
Bookstore	6,727	22%	7,130	23%	(403)
Retail Services	2,489	8%	2,392	7%	97
University Design and Print	904	3%	1,006	3%	(102)
Total Revenue	<u>32,509</u>	<u>100%</u>	<u>33,405</u>	<u>100%</u>	<u>(896)</u>
Expenses					
Cost of Materials	13,660	42%	14,235	43%	575
Personnel	11,383	35%	11,547	35%	164
Institutional Charges	1,904	6%	1,904	6%	0
Operating	3,983	12%	3,785	11%	(198)
Travel	50	0%	52	0%	2
Renovations	56	0%	515	2%	459
Capital Equipment	360	1%	300	1%	(60)
Total Expenses	<u>31,396</u>	<u>97%</u>	<u>32,338</u>	<u>98%</u>	<u>942</u>
Income (Expenses) Before Transfers	<u>1,113</u>	<u>3%</u>	<u>1,067</u>	<u>2%</u>	<u>46</u>
Net Transfer	(1,092)	-3%	(1,053)	-2%	(39)
Increase (Decrease) in Fund Balance	<u>21</u>	<u>0%</u>	<u>14</u>	<u>0%</u>	<u>7</u>
Unappropriated Fund Balance	<u>33</u>		<u>33</u>		<u>0</u>
Fund Balance	<u>54</u>		<u>47</u>		<u>7</u>

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Schedule 1

Hospitality Services
Net Transfers
in thousand \$

	Actual 2008/09	Forecast 2009/10	Budget 2010/11
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	50
Express Centre (2006-2011)	43	43	43
Bookstore (2007-2018)	62	62	62
Science Complex (2008-2018)	44	51	51
Prairie Dining Hall (2009-2019)		131	131
Mountain Dining Hall (2010-2020)			30
Total Loans	712	850	880
Interfund Transfer (services provided)	-30	-30	-30
Special Contribution (for academic buildings)	259	262	263
Internal Finance Charge	12	10	15
Net Transfers	<u>953</u>	<u>1092</u>	<u>1128</u>

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Appendix 1

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

Unit	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
<u>Cash Operations - Food & Retail Services</u>					
OVC/Ani Sci. Coffee Cart	\$ 50				\$ 50
Centre 6	25		\$ 50	\$ 50	100
Level 0			75		75
Library	50				
Eastside			75		
OVC Cafeteria		\$ 160			
Gryphs Lounge		245			
Starbucks	325				
Community Services			50	\$ 25	75
Total Cash Operations - Food Services	\$ 450	\$ 405	\$ 250	\$ 75	\$ 300
<u>Residence Food Services</u>					
Creelman		\$ 70	\$ 50	\$ 900	\$ 50
L/A Pit			100		
*Mountain	\$ 950				
Prairie					50
Total Residence Food Services	\$ 950	\$ 70	\$ 150	\$ 900	\$ 100
Total Capital Plan	\$ 1,400	\$ 475	\$ 400	\$ 975	\$ 400

Financed from Operations	\$ 450	\$ 475	\$ 400	\$ 75	\$ 400
Financed from Internal Loans	\$ 950			\$ 900	

*internally financed projects