

HOSPITALITY SERVICES

BUDGET 2013/2014



February 15, 2013

Table of Contents

| | Page # |
|--|---------------|
| Introduction..... | 1-2 |
| Budget Year Assumptions 2013/2014..... | 3-5 |
| Forecast 2012/2013..... | 6 |
| Table A 2013/2014 Operating Budget..... | 7 |
| Table B 2012/2013 Forecast to Budget Comparison..... | 8 |
| Appendix 1 – Five (5) Year Capital Plan..... | 9 |
| Schedule 1 – 2013/2014 Net Transfer..... | 10 |

Hospitality Services
2013/2014 Budget

INTRODUCTION – Context for the 2013/2014 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 Bookstore, Retail Services and Mail Services. Food and retail outlets are at 18 locations across campus and the department has made arrangements with 17 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 and contributes \$66,000 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 13, 2013 the 2013/14 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 6, 2013.

**Hospitality Services
Comparative Financial Indicators**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | Forecast 2012/2013 | Budget 2013/14 |
|---|--------------|--------------|--------------|----------|-----------------------|-------------------|
| Enrolment – University Degree Programs (FTE's) | 18,664 | 19,772 | 20,651 | 21,542 | 21,500 | 21,500 |
| Faculty & Staff (Regular Budgeted Positions) | 3,029 | 2,985 | 2,985 | 2,953 | 2,950 | 2,950 |
| Residence Meal Plans | 3,865 | 3,772 | 4,024 | 4,150 | 3,880 | 3,650 |
| Off Campus Meal Plans | 13,030 | 15,305 | 17,686 | 19,873 | 21,790 | 22,300 |
| Total Revenue (in thousands of dollars) | \$33,165 | \$32,287 | \$33,644 | \$34,936 | \$34,954 | \$34,729 |
| Cost of Goods Sold % (1) | 41.05% | 40.30% | 40.61% | 39.40% | 38.80% | 39.70% |
| CPI Food (Ontario) | 3.80% | 4.70% | 1.50% | 4.00% | 1.6% | 3.5% |
| Labour % | 36.20% | 36.20% | 36.42% | 36.87% | 38.60% | 38.30% |
| Capital Expenditures (in thousands of dollars) | \$1,255 | \$1,249 | \$1,528 | \$553 | \$1,983 | \$3,300 |
| Internal Loan Balance (in thousands of dollars) | \$3,876 | \$3,213 | \$2,514 | \$2,790 | \$3,415 | \$5,319 |
| # Full Time Employees | 161 | 159 | 154 | 153 | 143 | 143 |
| Central Charge (in thousands of dollars) | \$2,099 | \$2,165 | \$2,224 | \$2,265 | \$2,306 | \$2,348 |
| Square Foot | 100,517 | 100,517 | 99,250 | 99,250 | 99,250 | 99,525 |
| Central Charge Per Square Foot | \$20.88/sqft | \$21.54/sqft | \$22.41/sqft | \$22.82 | \$23.23 | \$23.59 |

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 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 downturn 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 for the tenth consecutive year by the Globe and Mail Report Card, a survey of over 30,000 university students.
- 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 2013/2014 a \$2,900,000 renovation is planned for Creelman Dining Hall and \$150,000 for a new Tim Hortons in the new Engineering building.
- Increase the number and variety of 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) 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 participated in a university initiative with the University of Guelph becoming the first Fair Trade campus at Ontario schools.
- Work with the Code of Conduct Committee to achieve policy mandate.
- Continue to develop innovative on-line services for students, faculty and staff. This year a new web ordering system will be implemented for catering.
- Continue to reposition the University Bookstore to embrace new realities and technologies in the marketplace which will include increasing digital course materials.

A: BUDGET YEAR ASSUMPTIONS 2013 / 2014 (refer to Table A)

A.1 Major Budget Considerations and Assumptions:

The 2013/2014 budget year will be a very challenging one for Hospitality Services primarily due to cost increases and the continued poor economic situation. Department sales continue to be challenged by a reduction of residence population on campus, increased competition, both on and off-campus, diminishing discretionary dollars and the continuing significant increase in variable costs. In addition, increased bus services to Toronto will continue to 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 2.9% 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. Hospitality Services will have to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2013/2014 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 upgrades to Creelman Hall dining and servery areas.

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 fall due to the closure of Lambton Hall for the upcoming year for renovations resulting in a reduction of 420 beds on campus. It is expected that food revenues from catering and conference sales will decrease due to the impact of the general economic downturn, the closing of Creelman Hall for four (4) months for renovations and departmental budget reductions for hospitality on campus.

Bookstore and Campus Junction: Sales volumes are expected to remain constant compared to 2012/2013. 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 relative to the previous year due to new merchandise lines (ie. University of Guelph 50th Anniversary clothing). Total revenues will increase due to price increases which are based on total variable costs.

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 34.5% 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 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 2012/2013.

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 2013/2014 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 Tim Hortons in Engineering at a cost of \$150,000 and Creelman Dining Hall will be upgraded at a cost of \$2,900,000. The Creelman Hall renovation includes the upgrade of the dining room and servery areas.

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

Overall, the budget for 2013/2014 reflects a Net Income of \$15,000. This will be used to increase the unit's Accumulated Fund balance. This fund will provide a resource for unexpected negative contributions.

Hospitality Services
2013/2014 Budget

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 \$3,470 per normal academic year (2 semesters), a \$100 increase.

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

| | <u>2012/13</u> | <u>2013/14</u> | <u>\$ Increase</u> |
|--------------|----------------|----------------|--------------------|
| Minimum Plan | 3,370 | 3,470 | 100 |
| Light Plan | 3,915 | 4,030 | 115 |
| Full Plan | 4,400 | 4,530 | 130 |
| Plus Plan | 4,825 | 4,970 | 145 |
| Varsity Plan | 5,200 | 5,355 | 155 |

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 2012/13 | Forecasted % Increase 2013/14 | Forecasted Meal Plan Minimum Amount 2013/14 |
|-----------------------------|-------------------|--|-------------------------------|---|
| Queen's University | Board Plan* | 4,361 | 4% | 4,535 |
| University of Waterloo | Debit Plan | 3,955 | 3% | 4,073 |
| U of T – Victoria Campus | Debit Plan | 3,943 | 2.75% | 4,051 |
| Western University | Debit Plan | 3,930 | 3% | 4,048 |
| Wilfrid Laurier University | Debit Plan | 3,885 | 4% | 4,040 |
| University of Windsor | Debit Plan | 3,800 | 4% | 3,952 |
| Lakehead University | Debit Plan | 3,580 | 2% | 3,652 |
| U of T at Mississauga | Debit Plan | 3,549 | 2.5% | 3,638 |
| Brock University | Board Plan* | 3,600 | 0% | 3,600 |
| University of Guelph | Debit Plan | 3,370 | 2.9% | 3,470 |
| Ryerson University | Debit Plan | 3,128 | 5% | 3,284 |
| Trent University | Board Plan* | 3,083 | n/a | 3,083** |
| McMaster University | Debit Plan | 2,860 | 2.8% | 2,940 |
| York University | Debit Plan | 2,500 | 0 | 2,500 |
| Carleton University | Board Plan* | 2,307 | 3% | 2,376 |

* 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.

** 2012/2013 rates were not available at this time

B: FORECAST 2012/2013: (refer to Table B)

Currently, Hospitality Services is forecasting a net increase in fund balance of \$11,000 compared to a net increase of \$20,000 originally budgeted.

Revenues:

Food Service revenues have decreased due to an unexpected reduction in first year students resulting in a loss of approximately 270 on campus meal plans relative to our assumptions. The Bookstore revenues have also decreased due to the decrease in first year students. University Design & Print was permanently closed July 2012.

Expenses:

Cost of materials have decreased due to volume decreases.

Personnel costs have increased overall due to increased wage rates for employees particularly for the new part-time union plus the cost of restructuring of Design & Print Services.

Operating costs have decreased due to a reduction in variable costs because of lower volumes.

There were no other significant variances to the budget. Table B summarizes the financial forecast compared to budget for the 2012/2013 fiscal year.

Hospitality Services
2013/2014 Budget

Table A

University of Guelph
Hospitality Services
2013/2014 Operating Budget
In Thousands \$

| | 2011/2012 Actual | | 2012/2013 Forecast | | 2013/2014 Budget | |
|-------------------------------------|---------------------|-------------|-----------------------|-------------|---------------------|-------------|
| Revenue | | | | | | |
| Food Services | 24,256 | 70% | 24,816 | 71% | 24,431 | 71% |
| Bookstore | 7,060 | 20% | 7,098 | 20% | 7,100 | 20% |
| Retail Services | 2,794 | 8% | 2,855 | 8% | 2,978 | 9% |
| University Design and Print | 826 | 2% | 130 | 1% | 0 | 0% |
| Total Revenue | <u>34,936</u> | <u>100%</u> | <u>34,899</u> | <u>100%</u> | <u>34,509</u> | <u>100%</u> |
| Expenses | | | | | | |
| Cost of Materials | 13,648 | 39% | 13,615 | 39% | 13,691 | 40% |
| Personnel | 12,913 | 38% | 13,506 | 39% | 13,211 | 38% |
| Institutional Charges | 2,000 | 6% | 2,040 | 6% | 2,081 | 6% |
| Operating | 4,638 | 13% | 3,936 | 11% | 4,088 | 12% |
| Travel | 49 | 0% | 52 | 0% | 52 | 0% |
| Renovations | 72 | 0% | 285 | 1% | 150 | 0% |
| Capital Equipment | 481 | 1% | 325 | 1% | 250 | 1% |
| Total Expenses | <u>33,801</u> | <u>97%</u> | <u>33,759</u> | <u>97%</u> | <u>33,523</u> | <u>97%</u> |
| Income (Expenses) Before Transfers | <u>1,135</u> | <u>3%</u> | <u>1,140</u> | <u>3%</u> | <u>986</u> | <u>3%</u> |
| Net Transfer (Schedule 1) | (1,117) | -3% | (1,129) | -3% | (971) | -3% |
| Increase (Decrease) in Fund Balance | <u>18</u> | <u>0%</u> | <u>11</u> | <u>0%</u> | <u>15</u> | <u>0%</u> |
| Unappropriated Fund Balance | <u>115</u> | | <u>133</u> | | <u>133</u> | |
| Fund Balance | <u>133</u> | | <u>144</u> | | <u>148</u> | |

Hospitality Services
2013/2014 Budget

Table B

University of Guelph
Hospitality Services
2012/2013 Forecast To Budget Comparison
In Thousands \$

| | 2012/2013 Forecast | | 2012/2013 Budget | | 2012/2013 Variance |
|-------------------------------------|-----------------------|-------------|---------------------|-------------|-----------------------|
| | | | | | |
| Revenue | | | | | |
| Food Services | 24,816 | 71% | 25,105 | 70% | (289) |
| Bookstore | 7,098 | 20% | 7,351 | 20% | (253) |
| Retail Services | 2,855 | 8% | 2,859 | 8% | (4) |
| University Design and Print | 130 | 1% | 715 | 2% | (585) |
| Total Revenue | 34,899 | 100% | 36,030 | 100% | (1,131) |
| Expenses | | | | | |
| Cost of Materials | 13,615 | 39% | 14,349 | 40% | 734 |
| Personnel | 13,506 | 39% | 13,204 | 36% | (302) |
| Institutional Charges | 2,040 | 6% | 2,040 | 6% | - |
| Operating | 3,936 | 11% | 4,646 | 13% | 710 |
| Travel | 52 | 0% | 52 | 0% | - |
| Renovations | 285 | 1% | 250 | 1% | (35) |
| Capital Equipment | 325 | 1% | 325 | 1% | - |
| Total Expenses | 33,759 | 97% | 34,866 | 97% | 1,107 |
| Income (Expenses) Before Transfers | 1,140 | 3% | 1,164 | 3% | (24) |
| Net Transfer | (1,129) | -3% | (1,144) | -3% | 15 |
| Increase (Decrease) in Fund Balance | 11 | 0% | 20 | 0% | (9) |
| Unappropriated Fund Balance | 133 | | 133 | | - |
| Fund Balance | 144 | | 153 | | (9) |

Hospitality Services
2013/2014 Budget

Appendix 1

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

| Unit | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/18 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Cash Operations - Food & Retail Services</u> | | | | | |
| Bookstore | \$ 75,000 | | | \$ 75,000 | |
| FACS | | | | \$ 25,000 | |
| Eastside | | | | | \$ 25,000 |
| Centre Six | \$ 50,000 | \$ 100,000 | \$ 50,000 | \$ 125,000 | \$ 200,000 |
| Level 0 | \$ 75,000 | \$ 75,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| Gryphs Sports Shop/Tims | | | | | \$ 50,000 |
| Engineering | \$ 150,000 | | | | |
| Coffee Carts | | 50,000 | | | |
| Community Services | \$ 50,000 | 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| Express Centre | | 50,000 | | \$ 25,000 | |
| Library | | | \$ 200,000 | | |
| Vending | | | | \$ 25,000 | |
| Total Cash Operations - Food Services | \$ 400,000 | \$ 325,000 | \$ 350,000 | \$ 375,000 | \$ 375,000 |
| <u>Residence Food Services</u> | | | | | |
| Creelman | \$ 2,900,000 | \$ 50,000 | \$ 25,000 | \$ 50,000 | \$ 50,000 |
| Mountain | | | \$ 50,000 | | |
| Prairie | | \$50,000 | | | |
| Total Residence Food Services | \$ 2,900,000 | \$ 100,000 | \$ 75,000 | \$ 50,000 | \$ 50,000 |
| Total Capital Plan | \$ 3,300,000 | \$ 425,000 | \$ 425,000 | \$ 425,000 | \$ 425,000 |

| | | | | | |
|------------------------------|--------------|------------|------------|------------|---------|
| Financed from Operations | \$ 400,000 | \$ 425,000 | \$ 425,000 | \$ 425,000 | 425,000 |
| Financed from Internal Loans | \$ 2,900,000 | | | | |

*Creelman's dining room and servery will be renovated in the Summer of 2013/14.

Hospitality Services
2013/2014 Budget

Schedule 1

Hospitality Services
Net Transfer
in thousand \$

| | <u>Actual</u> <u>2011/2012</u> | <u>Forecast</u> <u>2012/2013</u> | <u>Budget</u> <u>2013/2014</u> |
|---|-----------------------------------|-------------------------------------|-----------------------------------|
| Summary: | | | |
| Internal Loans (Principal & Interest) | | | |
| Level 0 (2001-2012) | 79 | | |
| Centre Six (2003-2013) | 79 | 79 | |
| Centre Six (2004-2014) | 119 | 119 | 119 |
| Lennox Addington (2006-2013) | 236 | 177 | |
| Express Centre (2006 -2011) | 25 | | |
| 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 |
| Creelman Hall (2014-2024) | | | 97 |
| | <hr/> | <hr/> | <hr/> |
| Total Loans | 910 | 904 | 745 |
| Interfund Transfer (services provided) | (30) | (30) | (30) |
| Special Contribution (for academic buildings) | 265 | 266 | 267 |
| Internal Finance Charge (credit) | (28) | (12) | (12) |
| | <hr/> | <hr/> | <hr/> |
| Net Transfers | <u><u>1,117</u></u> | <u><u>1,128</u></u> | <u><u>970</u></u> |