

# **HOSPITALITY SERVICES**

## **BUDGET 2014/2015**



Revised February 28, 2014

Hospitality Services  
2014/2015 Budget

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**INTRODUCTION – Context for the 2014/2015 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, Retail Services and Mail 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 and contributes \$68,000 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 12, 2014 the 2014/15 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 5, 2014.

**Hospitality Services  
Comparative Financial Indicators**

	2009/10	2010/11	2011/12	2012/13	Budget 2013/14	Forecast 2013/2014
Enrolment – University Degree Programs (FTE's)	19,772	20,651	21,542	21,644	21,600	21,600
Faculty & Staff (Regular Budgeted Positions)	2,985	2,985	2,953	2,951	2,873	2,873
Residence Meal Plans	3,772	4,024	4,150	3,956	3,900	3,803
Off Campus Meal Plans	15,305	17,686	19,873	21,674	21,000	20,616
Total Revenue (in thousands of dollars)	\$32,287	\$33,644	\$34,936	\$33,959	\$34,372	\$33,581
Cost of Goods Sold % (1)	40.30%	40.61%	39.40%	37.90%	37.50%	37.20%
CPI Food (Ontario)	4.70%	1.50%	4.00%	1.60%	1.50%	1.10%
Labour %	36.20%	36.42%	36.87%	38.90%	38.70%	39.20%
Capital Expenditures (in thousands of dollars)	\$1,249	\$1,528	\$553	\$2,021	\$3,325	\$495
Internal Loan Balance (in thousands of dollars)	\$3,213	\$2,514	\$2,790	\$3,415	\$4,845	\$2,891
# Full Time Employees	159	154	153	143	136	140
Central Charge (in thousands of dollars)	\$2,165	\$2,224	\$2,265	\$2,306	\$2,391	\$2,348
Square Foot	100,517	99,250	99,250	99,250	99,525	99,525
Central Charge Per Square Foot	\$21.54	\$22.41	\$22.82	\$23.23	\$24.02	\$23.59

(1) Total revenues divided by product purchases

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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 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 for ten consecutive years 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 2014/2015 a \$300,000 renovation is planned to build a new Starbucks in the Library and \$150,000 for upgrades in L/A Pit.
- 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](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.
- 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 new AODA Level 2 compliant websites will be implemented.
- Continue to reposition the University Bookstore to embrace new technologies in the marketplace which includes offering course materials in seven (7) different media formats.
- The Book Barn in OVC will be closed due to redundancy and all offerings will be relocated to the main University Bookstore including web order availability.

**A: BUDGET YEAR ASSUMPTIONS 2014 / 2015 (refer to Table A)**

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

The 2014/2015 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 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. The introduction of a Fall mid semester break in 2014 will also 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 2014/2015 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 the university's library.

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 increase due to the reopening of Lambton Hall after renovations. 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 decrease compared to 2013/2014 due to increases in used book sales, digital media and the closure of MacDonald Hall. 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 a reduction in first year students in East campus residences.

**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 2013/2014.

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 Starbucks operation will be built in the Library.

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 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 2014/2015 reflects a Net Income of \$23,000. 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 \$3,575 per normal academic year (2 semesters), a \$105 increase.

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

	<u>2013/14</u>	<u>2014/15</u>	<u>\$ Increase</u>
Minimum Plan	3,470	3,575	105
Light Plan	4,030	4,150	120
Full Plan	4,530	4,665	135
Plus Plan	4,970	5,120	150
Varsity Plan	5,355	5,515	160

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 2013/14	Forecasted % Increase 2014/15	Forecasted Meal Plan Minimum Amount 2014/15
Queen's University	Board Plan*	4,535	4%	4,716
Western University	Debit Plan	4,040	5%	4,242
University of Waterloo	Debit Plan	4,080	3%	4,202
Wilfrid Laurier University	Board Plan*	4,000	3%	4,120
University of Windsor	Debit Plan	3,910	2%	3,988
Brock University	Board Plan*	3,600	4%	3,750
Lakehead University	Debit Plan	3,615	2%	3,687
U of T at Mississauga	Debit Plan	3,639	.03%	3,649
Victoria University	Debit Plan	3,535	3%	3,641
<b>University of Guelph</b>	<b>Debit Plan</b>	<b>3,470</b>	<b>3%</b>	<b>3,575</b>
Ryerson University	Debit Plan	3,207	3%	3,303
McMaster University	Debit Plan	2,940	4.6%	3,075
Trent University	Board Plan*	2,936	3%	3,024
York University	Debit Plan	2,500	0%	2,500
Carleton University	Board Plan*	2,376	2.3%	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 normally students are restricted as to where they can use their board plan on campus with no access to off campus restaurants.

**B: FORECAST 2013/2014: (refer to Table B)**

Currently, Hospitality Services is forecasting a net increase in fund balance of \$19,000 compared to a net increase of \$15,000 originally budgeted.

**Revenues:**

Food Service revenues have decreased due to the closing of Lambton Hall residence for the 2013/14 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 Lambton Hall closure. Total revenues also decreased due to two (2) snow days in December 2013 which impacted all retail sales.

**Expenses:**

Cost of materials have decreased due to volume decreases. Personnel costs have decreased overall due to lower sales volumes. 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 2013/2014 fiscal year.



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Table A

University of Guelph  
Hospitality Services  
2014/2015 Operating Budget  
In Thousands \$

	2012/2013 Actual		2013/2014 Forecast		2014/2015 Budget	
Revenue						
Food Services	24,875	72%	23,755	71%	24,927	73%
Bookstore	6,917	20%	6,903	21%	6,740	20%
Retail Services	2,693	8%	2,923	8%	2,705	8%
University Design and Print	130	0%	0	0%	0	0%
<b>Total Revenue</b>	<b>34,615</b>	<b>100%</b>	<b>33,581</b>	<b>100%</b>	<b>34,372</b>	<b>100%</b>
Expenses						
Cost of Materials	13,152	38%	13,097	39%	12,903	38%
Personnel	13,484	39%	13,110	39%	13,313	39%
Institutional Charges	2,040	6%	2,081	6%	2,123	6%
Operating	3,993	12%	3,804	12%	4,100	12%
Travel	44	0%	46	0%	48	0%
Renovations	276	1%	50	0%	450	1%
Capital Equipment	432	1%	480	1%	325	1%
<b>Total Expenses</b>	<b>33,421</b>	<b>97%</b>	<b>32,668</b>	<b>97%</b>	<b>33,262</b>	<b>97%</b>
Income (Expenses) Before Transfers	1,194	3%	913	3%	1,110	3%
Net Transfer (Schedule 1)	(1,176)	-3%	(894)	-3%	(1,087)	-3%
Increase (Decrease) in Fund Balance	18	0%	19	0%	23	0%
Unappropriated Fund Balance	132		150		169	
Fund Balance	150		169		192	

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Table B

University of Guelph  
Hospitality Services  
2013/2014 Forecast To Budget Comparison  
In Thousands \$

	2013/2014 Forecast		2013/2014 Budget		2013/2014 Variance
Revenue					
Food Services	23,755	71%	24,431	71%	(676)
Bookstore	6,903	21%	7,100	21%	(197)
Retail Services	2,923	8%	2,978	8%	(55)
Total Revenue	33,581	100%	34,509	100%	(928)
Expenses					
Cost of Materials	13,097	39%	13,691	40%	594
Personnel	13,110	39%	13,211	38%	101
Institutional Charges	2,081	6%	2,081	6%	-
Operating	3,804	12%	4,088	12%	284
Travel	46	0%	52	0%	6
Renovations	50	0%	150	0%	100
Capital Equipment	480	1%	250	1%	(230)
Total Expenses	32,668	97%	33,523	97%	855
Income (Expenses) Before Transfers	913	3%	986	3%	(73)
Net Transfer	(894)	-3%	(971)	-3%	77
Increase (Decrease) in Fund Balance	19	0%	15	0%	4
Unappropriated Fund Balance	150		150		-
Fund Balance	169		165		4

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Appendix 1

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

Unit	2014/15	2015/16	2016/17	2017/18	2018/19
<u>Cash Operations - Food &amp; Retail Services</u>					
Bookstore	\$ 50,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Pages		\$ 75,000	\$ 75,000		
FACS (CME)		100,000			
Eastside					\$ 25,000
Centre Six	\$ 50,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 200,000
Daily Grind		\$ 50,000	\$ 25,000		
Level 0	\$ 75,000	\$ 75,000	\$ 100,000	\$ 100,000	\$ 100,000
Gryphs Sports Lounge			\$ 75,000		
Gryphs Sport Shop			\$ 50,000		\$ 50,000
Community Services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Express Centre				\$ 50,000	\$ 50,000
Library	\$ 300,000				
Science Complex				\$ 50,000	
Vending		\$ 50,000		\$ 50,000	
<b>Total Cash Operations - Food Services</b>	<b>\$ 525,000</b>	<b>\$ 550,000</b>	<b>\$ 550,000</b>	<b>\$ 500,000</b>	<b>\$ 550,000</b>
<u>Residence Food Services</u>					
Creelman	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Mountain	\$ 25,000	\$ 50,000	\$ 50,000	\$ 75,000	\$ 75,000
Prairie			\$ 50,000	\$ 50,000	\$ 50,000
L/A	\$ 150,000	\$ 50,000			
<b>Total Residence Food Services</b>	<b>\$ 250,000</b>	<b>\$ 175,000</b>	<b>\$ 175,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
<b>Total Capital Plan</b>	<b>\$ 775,000</b>	<b>\$ 725,000</b>	<b>\$ 725,000</b>	<b>\$ 700,000</b>	<b>\$ 750,000</b>
Financed from Operations	\$ 775,000	\$ 725,000	\$ 725,000	\$ 700,000	\$ 750,000

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Schedule 1

Hospitality Services  
Net Transfer  
in thousand \$

	<u>Actual</u> <u>2012/2013</u>	<u>Forecast</u> <u>2013/2014</u>	<u>Budget</u> <u>2014/2015</u>
Summary:			
Internal Loans (Principal & Interest)			
Centre Six (2003-2013)	79		
Centre Six (2004-2014)	119	119	
Lennox Addington (2006-2013)	177		
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)			309
	<hr/>	<hr/>	<hr/>
Total Loans	904	648	838
Interfund Transfer (services provided)	(30)	(2)	
Expense Transfer	70		
Special Contribution (for academic buildings)	266	268	269
Internal Finance Charge	(35)	(20)	(20)
	<hr/>	<hr/>	<hr/>
Net Transfers	1,175	894	1,087