

# **HOSPITALITY SERVICES**

## **BUDGET 2012/2013**



March 13, 2012

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Hospitality Services  
2012/2013 Budget

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**INTRODUCTION – Context for the 2012/2013 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 18 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 15, 2012 the 2012/13 Hospitality Services budget was presented for comments to HSAC with the committee recommending approval of the budget on March 7, 2012.

**Hospitality Services  
Comparative Financial Indicators**

	2007/08	2008/09	2009/10	Actual 2010/11	Forecast 2011/2012	Budget 2012/13
Enrolment – University Degree Programs (FTE's)	18,290	18,664	19,772	20,651	21,549	21,500
Faculty & Staff (Regular Budgeted Positions)	2,974	3,029	2,985	2,985	2,944	2,900
Residence Meal Plans	3,769	3,865	3,772	4,024	4,173	4,100
Off Campus Meal Plans	15,652	13,030	15,305	17,686	19,916	19,900
Total Revenue (in thousands of dollars)	\$31,650	\$33,165	\$32,287	\$33,644	\$ 35,168	\$36,105
Cost of Goods Sold % (1)	42.52%	41.05%	40.30%	40.61%	40.40%	39.87%
CPI Food (Ontario)	2.60%	3.80%	4.70%	1.50%	4.0%	2.3%
Labour %	34.60%	36.20%	36.20%	36.42%	36.34%	36.57%
Capital Expenditures (in thousands of dollars)	\$956	\$1,255	\$1,249	\$1,528	\$ 1,380	\$575
Internal Loan Balance (in thousands of dollars)	\$2,975	\$3,876	\$3,213	\$2,514	\$ 3,141	\$2,425
# Full Time Employees	152	161	159	154	153	153
Central Charge (in thousands of dollars)	\$2,026	\$2,099	\$2,165	\$2,224	\$ 2,265	\$2,306
Square Foot	100,517	100,517	100,517	99,250	99,250	99,250
Central Charge Per Square Foot	\$20.16/sqft	\$20.88/sqft	\$21.54/sqft	\$22.41/sqft	\$22.82/sqft	\$23.24/sqft

(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 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 of our locations are maintained.
- Implement financial measures to deal with the impact of the continuing economic downturn 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 ninth consecutive year by the Globe and Mail Report Card, a survey of over 35,000 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 2012/2013 a \$250,000 renovation is planned for OVC Dining Hall and a \$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](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 fourth year in a row (2008 - 2011 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 app that customers can use to access on-line services.
- 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 2012 / 2013 (refer to Table A)**

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

The 2012/2013 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 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 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 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 particular part-time rates will increase due to the new union in Hospitality Services representing part-time employees. Hospitality Services will have to manage this area carefully to achieve the budget and maintain quality and service levels.

In 2012/2013 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 upgrades in OVC and Engineering with no major changes to the five (5) year capital plan (see Appendix 1).

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 constant. It is expected that food revenues from conference and catering sales will decrease due to the impact of the general economic downturn and departmental budget reductions for hospitality on campus.

Bookstore and Campus Junction: Sales volumes are expected to remain constant compared to 2011/2012. 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. Convocation sales of guest tickets and gown rentals will continue to increase revenues.

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 due to local competition and a shrinking market. A review is currently underway to determine the continued financial viability of these services.

**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 33.8% 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 2011/2012.
- Design & Print Services: Product cost is targeted at 59% of revenues consistent with the prior years.

Personnel: Salaries and benefit rates are consistent with overall University of Guelph assumptions. In addition, the full impact of the new part-time union in Foodservices will start in 2012/13.

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 2012/2013 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. In addition, Hospitality Services will continue to have increased costs by taking on a larger role with convocation through the sale of guest tickets and gown rentals.

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 \$250,000 and Engineering at a cost of \$150,000. These renovations include the redesign of the areas and equipment replacement.

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, 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 2012/2013 reflects a Net Income of \$20,000. This will be used to increase the unit's Accumulated Fund balance. This fund will provide a resource for unexpected negative contributions.

Hospitality Services  
2012/2013 Budget

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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 \$3,270 per normal academic year (2 semesters), a \$100 increase.

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

	<u>2011/12</u>	<u>2012/13</u>	<u>\$ Increase</u>
Minimum Plan	3,270	3,370	100
Light Plan	3,800	3,915	115
Full Plan	4,275	4,400	125
Plus Plan	4,685	4,825	140
Varsity Plan	5,050	5,200	150

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 2011/12	Forecasted % Increase 2012/13	Forecasted Meal Plan Minimum Amount 2012/13
Queen's University	Board Plan*	4,174	4.5%	4,361
University of Waterloo	Debit Plan	3,840	3%	3,955
University of Western Ontario	Debit Plan	3,815	3%	3,930
University of Windsor	Debit Plan	3,620	4%	3,765
U of Toronto at Mississauga	Debit Plan	3,459	2.6%	3,549
Lakehead University	Debit Plan	3,351	3%	3,451
University of Guelph	Debit Plan	3,270	3.06%	3,370
Brock University	Board Plan*	3,300	1.5%	3,350
U of T – Victoria Campus	Debit Plan	3,213	4%	3,342
Wilfrid Laurier University	Debit Plan	3,090	3%	3,182
Ryerson University	Debit Plan	2,994	4.5%	3,129
Trent University	Board Plan*	3,083	n/a	3,083**
McMaster University	Debit Plan	2,785	2%	2,840
York University	Debit Plan	3,000	-17%	2,500
Carleton University	Board Plan*	2,240	3%	2,307

\* 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 2011/2012: (refer to Table B)**

Currently, Hospitality Services is forecasting a net increase in fund balance of \$25,000 compared to a net increase of \$33,000 originally budgeted.

**Revenues:**

Food Service revenues have increased due to an increase of total number of students on campus. The Bookstore revenues have increased due to the increase in new and used books and revenues from convocation guest tickets and gown rentals. Design & Print sales dropped due to reduced courseware volume in the Bookstore. This area continues to be reviewed on a yearly basis to determine financial viability.

**Expenses:**

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

Personnel costs have increased overall due to volume increases and increased wage rates for employees particularly for the new part-time union.

Operating costs have increased due to additional variable costs which include supplies, smallwares, royalties, equipment and maintenance charges. In addition Hospitality Services incurred increased costs by taking on a larger role for convocation with responsibility for guest tickets and gown rentals.

Certain renovations were deferred to accommodate increased capital equipment and operating expenses.

There were no other significant variances to the budget. Table B summarizes the financial forecast compared to budget for the 2011/2012 fiscal year.

Hospitality Services  
2012/2013 Budget

Table A

University of Guelph  
Hospitality Services  
2012/2013 Operating Budget  
In Thousands \$

	2010/2011 Actual		2011/2012 Forecast		2012/2013 Budget	
Revenue						
Food Services	23,175	69%	24,547	70%	25,105	70%
Bookstore	6,911	21%	7,094	20%	7,351	20%
Retail Services	2,736	8%	2,759	8%	2,859	8%
University Design and Print	822	2%	768	2%	715	2%
<b>Total Revenue</b>	<b>33,644</b>	<b>100%</b>	<b>35,168</b>	<b>100%</b>	<b>36,030</b>	<b>100%</b>
Expenses						
Cost of Materials	13,556	40%	14,209	41%	14,349	40%
Personnel	12,379	37%	12,779	36%	13,204	36%
Institutional Charges	1,961	6%	2,000	6%	2,040	6%
Operating	4,011	12%	4,395	13%	4,646	13%
Travel	57	0%	52	0%	52	0%
Renovations	304	1%	53	0%	250	1%
Capital Equipment	239	1%	485	1%	325	1%
<b>Total Expenses</b>	<b>32,507</b>	<b>97%</b>	<b>33,973</b>	<b>97%</b>	<b>34,866</b>	<b>97%</b>
Income (Expenses) Before Transfers	1,137	3%	1,195	3%	1,164	3%
Net Transfer (Schedule 1)	-1,080	-3%	-1,170	-3%	-1,144	-3%
Increase (Decrease) in Fund Balance	57	0%	25	0%	20	0%
Unappropriated Fund Balance	57		114		139	
Fund Balance	114		139		159	

Hospitality Services  
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Table B

University of Guelph  
Hospitality Services  
2011/2012 Forecast To Budget Comparison  
In Thousands \$

	2011/2012 Forecast		2011/2012 Budget		2011/2012 Variance
Revenue					
Food Services	24,547	70%	24,142	70%	405
Bookstore	7,094	20%	6,879	20%	215
Retail Services	2,759	8%	2,785	8%	(26)
University Design and Print	<u>768</u>	<u>2%</u>	<u>828</u>	<u>2%</u>	<u>-60</u>
Total Revenue	<u>35,168</u>	<u>100%</u>	<u>34,634</u>	<u>100%</u>	<u>534</u>
Expenses					
Cost of Materials	14,209	41%	14,113	41%	(96)
Personnel	12,779	36%	12,426	36%	(353)
Institutional Charges	2,000	6%	2,000	6%	-
Operating	4,395	13%	4,190	12%	(205)
Travel	52	0%	52	0%	-
Renovations	53	0%	250	1%	197
Capital Equipment	<u>485</u>	<u>1%</u>	<u>400</u>	<u>1%</u>	<u>(85)</u>
Total Expenses	<u>33,973</u>	<u>97%</u>	<u>33,431</u>	<u>97%</u>	<u>(542)</u>
Income (Expenses) Before Transfers	<u>1,195</u>	<u>3%</u>	<u>1,203</u>	<u>3%</u>	<u>(8)</u>
Net Transfer	(1,170)	-3%	(1,170)	-3%	-
Increase (Decrease) in Fund Balance	<u>25</u>	<u>0%</u>	<u>33</u>	<u>0%</u>	<u>(8)</u>
Unappropriated Fund Balance	<u>114</u>		<u>114</u>		<u>-</u>
Fund Balance	<u>139</u>		<u>147</u>		<u>(8)</u>

Hospitality Services  
2012/2013 Budget

Unit	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<u>Cash Operations - Food &amp; Retail Services</u>					
Drew Hall				\$ 25,000	
Bookstore		\$ 75,000			\$ 75,000
Bookbarn				\$ 25,000	
FACS		\$ 50,000			\$ 25,000
Eastside				\$ 25,000	
Centre Six	\$ 25,000	\$ 10,000	\$ 100,000	\$ 75,000	\$ 125,000
Level 0	\$ 25,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 50,000
Gryphs Sports Shop/Tims		\$ 50,000			
OVC	\$ 250,000				
Coffee Carts		\$ 25,000	50,000		
Community Services		\$ 50,000	50,000	\$ 50,000	\$ 50,000
Express Centre			50,000		\$ 25,000
Engineering	\$ 150,000				
Science Complex				\$ 25,000	
Vending		\$ 50,000			\$ 25,000
<b>Total Cash Operations - Food Services</b>	<b>\$ 450,000</b>	<b>\$ 385,000</b>	<b>\$ 325,000</b>	<b>\$ 300,000</b>	<b>\$ 375,000</b>
<u>Residence Food Services</u>					
*Creelman	\$ 25,000	\$ 2,000,000	\$ 50,000	\$ 50,000	\$ 50,000
L/A Pit	\$ 100,000	\$ 25,000		\$ 25,000	
Mountain				\$ 50,000	
Prairie			\$50,000		
<b>Total Residence Food Services</b>	<b>\$ 125,000</b>	<b>\$ 2,025,000</b>	<b>\$ 100,000</b>	<b>\$ 125,000</b>	<b>\$ 50,000</b>
<b>Total Capital Plan</b>	<b>\$ 575,000</b>	<b>\$ 2,410,000</b>	<b>\$ 425,000</b>	<b>\$ 425,000</b>	<b>\$ 425,000</b>

Financed from Operations	\$ 575,000	\$ 410,000	\$ 425,000	\$ 425,000	\$ 425,000
Financed from Internal Loans		\$ 2,000,000			

\*internally financed projects

\*Creelman's dining room, servery and kitchen will be renovated in the Summer of 2013/14. This flagship unit has not been renovated for 22 years.

Hospitality Services  
2012/2013 Budget

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Schedule 1

Hospitality Services  
Net Transfer  
in thousand \$

	<u>Actual</u> 2010/2011	<u>Forecast</u> 2011/2012	<u>Budget</u> 2012/2013
Summary:			
Internal Loans (Principal & Interest)			
Level 0 (2001-2012)	79	79	
Centre Six (2003-2013)	79	79	53
Centre Six (2004-2014)	119	119	119
Lennox Addington (2006-2013)	236	236	177
Pages (2006-2011)	50		
Express Centre (2006 -2011)	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)		121	128
Gryphs Sports Lounge (2011-2021)		<u>30</u>	<u>175</u>
 Total Loans	 850	 923	 896
 Interfund Transfer (services provided)	 -30	 -30	 -30
Special Contribution (for academic buildings)	200	200	200
Contribution to the Gryphon Centre	63	65	66
Internal Finance Charge	<u>-4</u>	<u>12</u>	<u>12</u>
 Net Transfers	 <u><u>1,079</u></u>	 <u><u>1,170</u></u>	 <u><u>1,144</u></u>