ENVISION STRATEGIES

WESTERN WASHINGTON UNIVERSITY

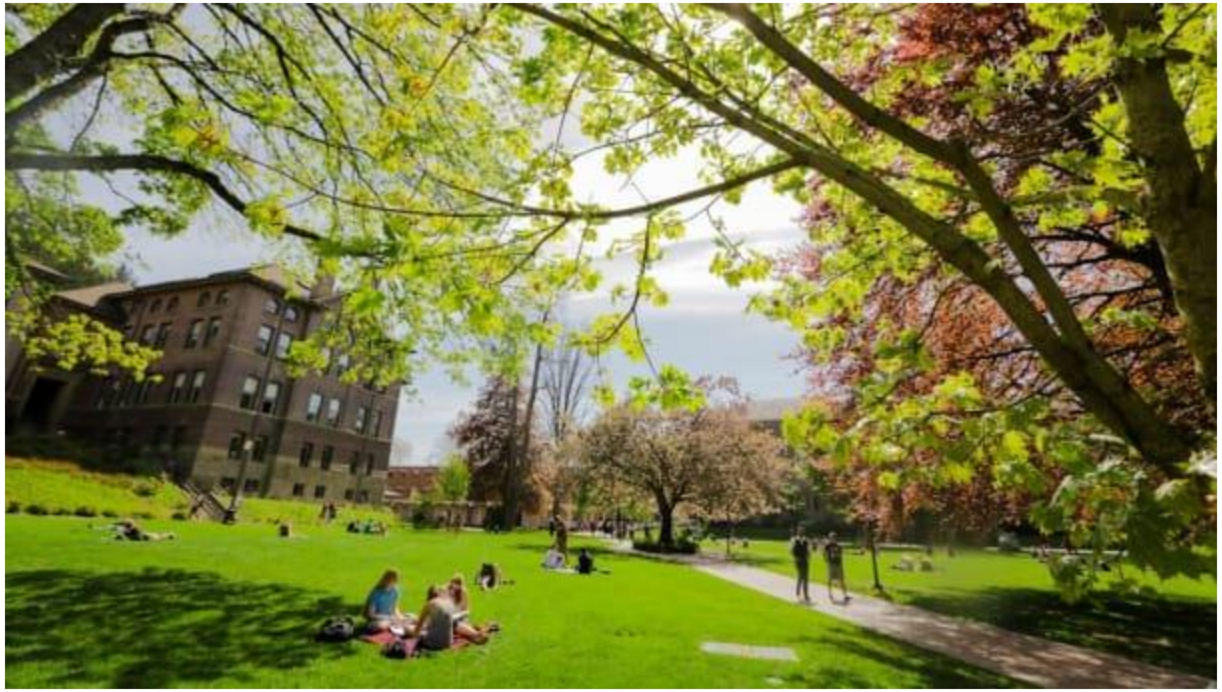
# Campus Dining Services Operator Model Analysis

*Final Report*

September 16, 2019

# Table of Contents





# Executive Summary

While serving as the dining consultants on the Housing & Dining Development Assessment (lead by Ayers Saint Gross architects), Envision Strategies conducted an in-depth analysis of transitioning to a self-operated dining program vs. retaining an outsourced model at WWU. As part of this process, Envision met with student representatives, dining services, University Residences and members of university administrative departments that could be impacted by a move to self-operation.

Key motivations for considering a move to self-operation, as articulated by campus constituents, include:

- Greater alignment with the mission and values of the University
- Potential for reduced costs, assuming the presence of a corporate for-profit entity increases costs
- More flexibility to utilize local suppliers and businesses
- An internal department may be more responsive to sustainability goals
- Possibility of better integration of the staff with campus culture
- Opportunity to provide better training and development opportunities for student employees

Conversely, some concerns about self-operation were also expressed:

- Costs could increase, especially on the staffing side due to the higher cost of benefits paid to WWU staff
- Increased burden on administrative departments, several of which evidenced a short supply of staff
- Converting contractor staff to the university payroll may bring another bargaining unit onto campus, and could open the door to expanding the union to include professional staff and temp/student workers
- Dining is technology-intensive, and the University's IT resources are already overtaxed
- Risks to WWU include reputational (if not executed well) and liability (food safety, etc.)

# Executive Summary

The consultants' analysis shows that a self-operated dining program at WWU could certainly provide advantages in:

- Mission alignment – no conflict with corporate or profit priorities
- Social Justice &  Employment Practices – eliminates association (as tenuous as it may be) with prison food service issues, brings employees under same rules as other University staff
- Complete flexibility to chose suppliers and business partners – no corporate purchasing agreements to comply with (although the State of Washington may impose some restrictions)
- Greater potential for more committed and integrated management team and dining staff – employees may gain an improved sense of pride and security being on the university payroll, and may be more satisfied with University policies and training programs.
- Potential for more seamless integration with other university initiatives, including sustainability, affordability, diversity, inclusion and communications.

However, there is a compelling case for remaining outsourced:

- Staffing costs are projected increase 31 – 36% under self-operation, due to increased benefits costs, some rate adjustments (in alignment with State rates) and added administrative support.
- Unless all administrative duties currently performed by Aramark's regional and corporate offices are taken on by new dining staff, several university departments will need to staff up to support the program.
- A significant investment in time (12 mo.) and funds ($1.4 million) will be required to transition the program
- WWU will need to fund recommended facility updates internally (estimated at $11 - $12 million)
- As a result, the return to University Residences are projected to decline by $840,000 - $1.23MM per year.

# I. Introduction

## A. Purpose of the Study

In anticipation of the 2021 expiration of the current dining services operating agreement between Western Washington University ("WWU") and Aramark, the University determined that this would be an opportune time to understand the implications of taking the program self-op before it is time to rebid the contract. The University requested a limited-scope consultation pertaining to the merits and drawbacks of contracted versus self-operated food service delivery.

Various student groups have expressed concern about the outsourcing of dining at WWU and the alignment of this model with social justice and fair employment values. As such, the University felt that it is important that this process provide a fair, impartial comparison of the advantages, disadvantages and impacts of remaining outsourced vs. moving to self-op. The study should address the core question of "What is the most responsible approach for the University", relative to:

- Mission alignment
- The Strategic Plan
- Student needs
- Fiscal responsibility

# II. Stakeholder Review Themes

A critical component of the assessment was engagement with a diverse representation of campus constituents. The Envision Strategies team of two consultants conducted a series of interviews and focus groups, including:

- Student Representatives
- Human Resources
- Procurement
- Accounting
- Information Technology
- University Communications and Marketing
- Student Employment

The focus of these conversations was to understand the concerns, questions and implications of moving to a self-operated dining model from the perspective of various stakeholders. A summary of the key themes expressed by each is provided on the following pages. The consultants also interviewed members of the Aramark management team to gain an understanding of the operational requirements of the dining program and the resources required to manage the program.

The consultant's visit schedule is provided in Appendix A.

# II. Stakeholder Review Themes / Student Representatives

- Sustainability
  - Students have been working with Aramark to increase local/sustainable purchases
  - Real Food Challenge – not on track to meet goal of 25% by 2020, but Aramark has been trying
  - Want to see this grow, wonder if going self-op will make it easier to partner with local farms and businesses
- Affordability
  - Institutional model seems expensive and wasteful – would this change under self-op?
  - Meal plans are restrictive and expensive – not sure this is Aramark's doing
  - Bring in more local businesses to provide competition and bring costs down (like Vendor's Row)
  - Most of the objections to Aramark are from off-campus students, whereas most of the financial burden for dining is on residential students
  - Don't want to switch to self-op if it will cost students more
  - Need to keep food insecurity initiatives in place: pantry, Swipe Out Hunger.
- Social Justice / Employment Practices
  - Some feel Aramark does not share WWU values, is not aligned with culture
  - Concerns about how dining employees are treated
  - Also concern about Aramark's involvement with prisons and reports of poor treatment of employees there
  - Retaining student jobs is very important – changing to self-op must not impact this
- Transparency – students expect more
  - Food sourcing – is Aramark doing everything they can to support RFC?
  - Employment practices – both on campus and corporate-wide
  - Costs and finances – why does it cost so much? Why is food from local vendors so much less?

# II. Stakeholder Review Themes / Human Resources

- WWU HR currently providing very little support to Dining
- Workload implications for HR if transition to self-op:
  - Recruitment/hiring
  - Onboarding/orientation
  - Payroll and benefits administration
  - Embedded "consultant" model: HR would hire a person (or people) that would be dedicated to dining and would work within the dining department
  - Not clear if they would be on HR's payroll and billed to dining, reimbursed through ASA fee, or off of HR's budget altogether
- Concerns/Considerations:
  - Difference in WWU benefits vs. Aramark – likely an increase in cost
  - Potential to introduce another bargaining unit to campus
  - Potential to expand union to professional staff and temp/student workers
  - Initial onboarding of dining staff will require extensive resources and a dedicated project manager
  - Transition schedule should include sufficient time for negotiation of new CBA, possibly as long as 18 months.
- Student Employment
  - Currently 2,800 students employed by WWU; self-op could add another 400 - 450.
  - Advantages - student development would be encouraged and facilitated:
    - University orientation and training
    - Can apply for other positions around campus
    - Can progress to be student supervisors
  - Risks/Considerations:
    - Max 19 hours/week during academic year (Aramark may allow more)
    - Sick leave benefit
    - Additional WWU staffing required to manage

# II. Stakeholder Review Themes / Procurement

- WWU Procurement handles the following related to dining on campus:
  - Capital equipment purchases
  - Equipment maintenance contract
  - Vendor's Row contracts
  - Vending*
  - Beverage/pouring rights contract*
- Bookstore handles all its purchasing, but must comply with State purchasing regulations; dining would probably be the same.
- Advantage: potential to maximize University buying agreements to contribute to volume
- Disadvantage: Substantial workload to manage all of the additional contracts; Procurement does not have the capacity to take this on as currently staffed. Estimate minimum 1 FTE for an embedded purchasing agent.
- Consideration: WWU focus on local sourcing; may require another FTE to manage this.

* Note: These services are provided by a third party vendor, are not part of the dining program, and therefore, do not factor into the dining operating model evaluation.

# II. Stakeholder Review Themes / Accounting

- WWU's bookstore is self-operated and handles its own POS, but the general ledger is on Banner. Dining may be treated in a similar way, but may need to acquire a dining-specific GL module as Banner may not have this capability.
- Meal plan revenue currently collected by WWU; Aramark invoices UR for related costs.
- Aramark collects and accounts for all cash/credit sales.
- Catering (Internal Departmental Charges) invoiced and accounted for by Aramark.
- WWU Accounting manages debt service
- Aramark generates operating statements with internal accounting staff on their system. UR also has an internal accounting person that oversees dining finances.
- Some additional staff will be required under self-op, but Accounting believes most of this will fall within Dining or UR.
- As an auxiliary service department, Dining cannot receive state support – must pay all expenses, payroll, etc. out of revenues.
- Central services, such as accounting, procurement, etc. are provided to auxiliary service departments and reimbursed through an ASA (Administrative Services Assessment) of 5.775% of revenues.
- Embedded staff performing functions specific to that department would be paid out of departmental revenues under self-op; do not anticipate ASA charges would change.

# II. Stakeholder Review Themes / Information Technology

- Currently, Aramark owns and maintains all customer-facing and back office systems.
  - IT staff internal to Aramark both on campus and corporate
  - Works well with WWU IT
- WWU IT support includes:
  - Management of student payment for meal plans
  - Odyssey (CBORD) implementation on campus network, but could be cloud-based
  - Interface to look up student account information
- Self-op considerations:
  - IT would consider onboarding dining a “project” and would assign a Project Manager
  - Currently at 150% capacity and can’t take on any new projects until 2020
  - Would require an additional .5 - .75 FTE to onboard
  - In addition, 1 – 2 FTE to take over operation/maintenance currently internal to Aramark
  - Potential to add to growing list of specialized applications, which IT is trying to control/consolidate as becoming unsustainable to manage – could work against this goal.
  - Accomplishing PCI compliance if self-op is complicated and will require additional resources
  - IT is already understaffed for current demand; concern department may not get needed resources to support transition to self-op.

# II. Stakeholder Review Themes / University Communications & Marketing

- University Communications & Marketing (UCM) currently providing very little support to Dining
    - Aramark marketing coordinated through UR
    - UCM only gets involved if there is a media event to manage the messaging
- Current cultural approach to campus dining is that is "Aramark runs dining, and WWU oversees it." Arm's length relationship.
- Self-op impacts and considerations:
    - No impact on UCM staffing – all would be within Dining or UR; however, anticipate UCM would need to support transition and have an ongoing coordination role.
    - Advantages: values alignment, control, more students on WWU payroll
    - Risks: reputational (if not executed well), affordability (if ends up being more expensive), liability (food safety, etc.)

# III. Operating Model Analysis / Mission Alignment

## Overview

There is little reason to believe that the level of "responsiveness" evidenced by an operator is necessarily related to the management model being utilized by the Institution. Presumably, in each scenario, it is in the operator's best interests to be as responsive as possible to the needs of the community. Having said this, there is no question that the degree of control available to the Institution is highest with self-operation, in that the Institution can choose to implement programmatic features to the program without regard to the financial profitability of those changes.

No matter how dedicated and personally committed a management company is to the Institution, the ultimate mission of the on-site management team is to return a profit to the parent company and thus their shareholders. This reality can, and often does, create a conflict with the Institution's mission, which is to provide an environment for students that encourages and enhances academic achievement and social advancement. A commonly occurring example is the conflict that often arises over providing extended hours of operation for food service. This is a scenario that is often unprofitable for an operator, but can provide a much needed amenity and service to the students.

When operated competently, by its very nature, a self-operated dining program tends to be better aligned with the mission of the Institution. This is not to say that there is no potential for conflict with regard to the level of service provided versus the cost to provide the service. The reality is that a self-operated dining program must also make a significant effort to partner with other members of the campus community. Generally speaking, this is more likely to happen in a self-operated model than in a contract management model.

# III. Operating Model Analysis / Mission Alignment

WWU Considerations

Mission Statement: Western Washington University is a public comprehensive institution dedicated to serving the people of the state of Washington. Together our students, staff, and faculty are committed to making a positive impact in the state and the world with a shared focus on academic excellence and inclusive achievement.

Strategic Plan – four goals:

1. Western will provide a transformational education grounded in the liberal arts and sciences and based on innovative scholarship, research, and creative activity.
2. Western will advance a deeper understanding of and engagement with place.
3. Western will foster a caring and supportive environment where all members are respected and treated fairly.
4. Western will pursue justice and equity in its policies, practices, and impacts.

WWU stakeholders' perception appears to be that the outsourced dining partner, Aramark, is viewed and acts as an independent agency, separated from the WWU community. This is somewhat inherent in the corporate structure and culture of any contract operator, but seems especially true at WWU where both campus constituents and Aramark personnel evidence that this division makes it difficult for dining to be fully aligned with WWU's mission. A self-operated program can be established with a mission statement that is in full alignment with the University's, but it is also possible to change the relationship with a business partner to incentivize if not require them to align priorities, budgets and practices to be more supportive of the University's strategic goals.

# III. Operating Model Analysis / Daily Operations

## Management

Food Service management companies have an edge in attracting young management talent because of corporate training programs and wide advancement opportunities. However, the best talent in these companies tends to advance to positions of increased responsibility rapidly, and it is not unusual for individual members of an institution's management team to remain in place for only 2-3 years. The "Big 3" management companies in campus dining – Aramark, Sodexo and Chartwells – all indicate that, due to growth, the biggest challenge they face in their organizations is the ability to field consistently high quality management teams. And one of the biggest challenges for universities in the contract management model is retaining a strong on-site management team once it is established.

In a self-operated scenario, the recruiting, selection, and retention of top quality management rests with the institution. Larger sized, self-operated programs, by their very nature can attract top quality management, and many highly competent self-operated program directors got their start with a contractor. Anecdotally, an often cited reason these directors give for making the shift to self-operation is the level of creative flexibility they can exercise in comparison to the world of contract management which, by definition, is profit driven and can be somewhat rigid in structure. This is one of the reasons that food service directors of self-operated programs tend to make long term commitments to the institution, improving prospects for management continuity. This is an excellent benefit of self-operation, so long as the institution takes care in selecting the right managers to start with. In the end, regardless of the operating scenario, any dining service program is only as good as its on-site management team.

<u>WWU Considerations:</u> The current Aramark team has been relatively stable and key personnel have been in place for longer than most accounts. This can be considered a benefit, but cannot be counted on in the future. Also, there is some evidence that regional and corporate resources, especially those that can impact innovation and problem-solving, have not been applied to WWU in a consistent and responsive manner in the past. In this respect, the University and the local dining team have not been receiving the full benefit of the corporate relationship.

# III. Operating Model Analysis / Daily Operations

## Ability to Provide Quality and Variety

Inevitably, regardless of the management model, food quality is dependent on the quality of on-site management, the skill sets of the culinary team, the application of an effective menu management system, and the quality of support facilities. Generally speaking, contract management's strength as a change agent lies primarily in situations where a self-operated program has invested few resources in the culinary integrity of the program.

<u>WWU Considerations:</u> Talent acquisition and overall product strategy are keys to a successful self-operated dining program. Implementing effective training programs, developing and testing menus, sourcing to ensure safe and high quality ingredients, setting expectations, and consistently measuring and monitoring customer satisfaction and quality are required to build and maintain high performance.

## Marketing and Revenue Growth

In general, proactive marketing of dining services is an area of weakness for many universities, regardless of whether they are self-operated or contract managed. The campus dining programs with the most progressive marketing programs tend to differentiate based on the application of dedicated resources rather than the management model per se. Hallmarks of an effective marketing strategy include the following:

- The application of professional, on-site marketing staff and the quality/depth of this team
- A marketing plan that responds to the diversity of target markets on campus
- A marketing budget that is adequate to implement the plan
- A comprehensive and sophisticated website that incorporates informational features, promotions and e-commerce opportunities

<u>WWU Considerations:</u> There are opportunities to integrate diversity and inclusion, health and wellness, sustainability, and other important priorities into the dining program's marketing strategy, whether contracted or self-op.

# III. Operating Model Analysis / Student Needs

## Sustainability

Management companies have extensive corporate resources that can support an institution's sustainability goals and initiatives; however, corporate purchasing policies and agreements can and often do work against goals for integrating local providers.

WWU Considerations: Sustainability is core to WWU's culture and students are very vocal about how important it is to them that the institution act as a leader in this area. In that regard, they expressed some disappointment with Aramark's lack of initiative and leadership in this area. Students feel the advances made in local purchasing, for instance, are the result of their advocacy rather than any proactive moves on the part of Dining Services. While it is possible that the corporate structure is hampering the local team's ability to be responsive, this could be remedied with adjustments to the contractual requirements and, potentially, realignment of budget allowances to support sustainability measures.

## Affordability

Most every institution is searching for ways to keep the cost of attendance down and this is particularly true in dining. A University with a self-operated program can decide to adjust the financial structure of it's program to support affordability measures without having to renegotiate a contract, and presumably, has full transparency into ways this could be accomplished. On the other hand, the corporate resources of a contractor can be applied to bring innovative solutions based on its experience working with other campuses around the country.

WWU Considerations: As with sustainability, affordability is important to the institution and students as well. In this regard, anything the dining program can do to reduce the cost of attendance, especially for those students who are stretching to attend in the first place, will directly support the strategic goals and better meet students' needs. However, several of the concerns around cost mentioned by students (meal plans, retail pricing) are not inherently solved by moving to a self-operated program, as these costs are driven by the overall structure of the program and the financial return expected by the University.

# III. Operating Model Analysis / Student Needs

## Social Justice / Employment Practices

Several students expressed concern about Aramark's reputation and practices at both the corporate level and locally on campus. For some, this may the most important reason to consider self-operation: the issue of prison food goes away and, presumably, treatment of employees is raised to the University's standards of fairness and care. Furthermore, an internal dining staff may feel a closer bond to the University and likewise, the campus community may be more inclusive towards them.

## Transparency

Under the current P & L (profit & loss) contract structure, Aramark assumes all responsibility for operating costs that exceed its revenue. Therefore, there is an implication of ownership that entitles the corporation to establish some level of confidentiality which limits the University's view into the details of its dining program. This relationship is not understood or appreciated by the students, and some believe a self-operated program would provide greater transparency. While this is possible, it is not necessarily true. The "transparency" students are seeking may not be driven by the contract, but in fact may be at odds with University financial reporting practices – in particular, around the pricing structure of the meal plans.

# III. Operating Model Analysis / Fiscal Responsibility

## Purchasing Power

The ability of management companies to negotiate national contracts with food and supply vendors results in advantageous cost structures. However, this purchasing leverage is typically not passed through to the client, as almost all management companies choose to retain rebates and discounts, rather than pass them through to the client.

<u>WWU Considerations:</u> With several other public institutions in the State self-operating their dining programs, WWU may have an opportunity to learn best practices in procurement strategies, build vendor relationships, and join group purchasing organizations. A concerted effort will be necessary to source high quality, safe products, in conjunction with increasing local sourcing to align with the University's goals.

## Wage Rates and Benefits

It is commonly thought that a management company can provide labor at a reduced rate when compared to wages paid in a self-operated dining program. Comparisons conducted on a regular basis by Envision indicate that actually, wage rates for both hourly and management employees are often quite similar, and tend to be a function of the local economic environment and labor market.

With regard to benefits, the level of benefits paid by contract management companies can be as much as 35-50% less than those offered by a self-operated campus dining program, which can result in potential savings. Indeed, living wage initiatives are becoming increasingly common in the Institution arena.

<u>WWU Considerations:</u> State employee benefits and mandated wage scales may substantially increase overall dining labor cost in a self-operated model in comparison to a contract management structure. Another key factor will be decisions on student employee wage scales. Increases in State minimum wage rates will impact both models.

# III. Operating Model Analysis / Fiscal Responsibility

## Ability to Provide Capital

There is a persistent belief in the marketplace that management companies are a ready source of significant capital. Typically, contractors limit their capital investments to an amount equal to 5% of sales over the life of the contract. When contractors do make a capital investment, they expect to generate an internal rate of return in addition to commercial interest on the loan. Thus, this is a costly form of borrowing when compared to the type of bond financing that an institution can secure. Although a contractor may tell you that its capital contribution is interest free, the reality is that interest is built in somewhere else in the equation (i.e. in profits). There is generally no financial benefit to contractor provided capital unless the Institution’s capital funding needs and bond indebtedness preclude raising capital for reinvestment into the dining program.

<u>WWU Considerations:</u> As noted in the soon-to-be completed Housing & Dining Development Assessment report, significant investment in replacement and renovated dining facilities is recommended to provide sufficient capacities and replace outdated facilities. Typically, funds for equipment and furnishings (FF& E) are paid for through the dining program and construction costs are covered by institutional funding or debt. FF & E costs for the residential dining program alone were estimated at $11 - $12 million, and it is customary for these costs to be amortized over a 10-year period (whereas construction may be financed over 25 – 30 years). Assuming 10-year financing at 4% interest, the annual debt payment for Dining Services would be as much as $1.5 million. Given the even greater investment recommended to meet housing requirements, and the expectation that this would be financed largely by debt, the System’s previously “comfortable” debt coverage ratio may be reduced to near required minimum levels, thus making outsourced capital more appealing.

# III. Operating Model Analysis / Fiscal Responsibility

A comparison of projected operating costs and financial returns for a self-operated dining program vs. the current performance under a contracted model is provided on the following pages. Two alternative scenarios have been developed:

**Scenario A**

- Assumes the self-operated model includes staffing to replace all administrative support provided by Aramark regional and corporate staff. The only other WWU departmental staff resources needed would be during the transition to self-op (see transition costs estimate).
- Based on this, assumes the Administrative Services Assessment (ASA) remains at the current level as no additional University resources will be required to support Dining Services.

**Scenario B**

- Assumes the self-operated staffing model replicates the current Aramark on-campus staffing levels and that other University departments will provide sufficient support to replace regional/corporate resources.
- Based on this, the ASA is calculated on the value of total Dining Services revenues.

**Assumptions Used for Both Scenarios**

- Revenue is stable regardless of the operating model.
- Staffing costs per detailed estimated analysis shown in Appendix D.
- Cost of Goods Sold (Food) is stable; while contractor's purchasing contracts may drive lower costs, Volume Buying Discounts (rebates) are captured by contractor as profit and not passed on to WWU. Net effect is similar cost.
- No capital investment amortization (WWU can reinvest returns), commissions or legal/recruiting expense.
- Donations and In-Kind Contributions stable as costs for providing these already included in operating expenses.
- University Residences support for Current (Outsourced) is 10% of the Associate Director, Business and Information Systems for University Residences (Kurt Willis) + administrative support.
- Moving to a self-operated department requires the addition of new Auxiliary Services Director position; 40% of this position is assumed to be assigned to Dining Services.

# III. Operating Model Analysis / Fiscal Responsibility

## Comparative Analysis – Scenario A

- A listing of central office staff for Self-operated Scenario A is provided below.
- Additional management positions are listed within operating units *(which is why the total in this table is less than the comparison table to the right).*

| SALARIED UNIT MANAGEMENT/ADMIN STAFF | | | Total Salary, Taxes & Benefits |
|---|---|---|---|
| **Position/Title** | **Salary** | **FTE** | |
| Dining Services Director | $110,000 | 1.0 | $154,000 |
| Director of Operations | $90,000 | 1.0 | $126,000 |
| Executive Chef | $80,000 | 1.0 | $112,000 |
| Retail Food Service Manager(s) | $60,000 | 2.0 | $168,000 |
| Dietician / Nutritionist | $60,000 | 0.5 | $42,000 |
| Human Resources Manager | $60,000 | 1.0 | $84,000 |
| Procurement Manager | $60,000 | 1.0 | $84,000 |
| Procurement Agent | $40,000 | 1.0 | $56,000 |
| Marketing Manager | $50,000 | 1.0 | $70,000 |
| Graphics/Web Specialist | $40,000 | 0.5 | $28,000 |
| IT/Applications Support | $60,000 | 1.0 | $84,000 |
| Controller | $60,000 | 1.0 | $84,000 |
| Fiscal Specialist | $40,000 | 1.0 | $56,000 |
| Accounts Payable | $40,000 | 1.0 | $56,000 |
| Office Manager | $40,000 | 1.0 | $56,000 |
| **Subtotal Salaried Staff:** | | **15.0** | **$1,260,000** |

| SCENARIO A: ASSUMES ALL ADMINISTRATIVE SUPPORT STAFFED WITHIN SELF-OPERATED DINING | CURRENT OUTSOURCED | | SELF-OPERATED | |
|---|---|---|---|---|
| OPERATING STATEMENT | Actual FY18 | % of Revenue | Estimated | % of Revenue |
| **Revenues** | [redacted] | | | |
| Meal Plan Sales | | | $ 11,672,577 | 60.1% |
| Retail, Catering & Other Sales | | | $ 7,763,342 | 39 9% |
| **Total Revenue** | | | **$ 19,435,919** | **100.0%** |
| **Wages and Benefits** | | | | |
| Salaried Management/Admin | | | $ 1,481,538 | |
| Permanent Hourly Staff | | | $ 3,266,842 | |
| Student Employees | | | $ 1,769,184 | |
| Payroll Taxes | | | $ 549,391 | |
| Benef ts | | | $ 1,452,740 | |
| **Total Wages and Benefit** | | | **$ 8,519,696** | **43.8%** |
| **Operating Expenses** | | | | |
| **Cost of Goods Sold** | | | **$ 5,379,993** | **27.7%** |
| **Direct Operating Expenses** | | | | |
| Advertising & Promotion Expense | | | $ 2,921 | 0.0% |
| Amortization Expense - Non Acquis tion | | | $ - | 0.0% |
| Amortization - Area Treatment | | | $ - | 0.0% |
| Commissions Expense | | | $ - | 0.0% |
| Legal Expense | | | $ - | 0.0% |
| Recruiting Expense | | | $ - | 0.0% |
| Sales & Marketing Expense | | | $ 6,902 | 0.0% |
| Other Direct Operating Expenses | | | $ 2,287,992 | 11.8% |
| **Direct Operating Expenses Tota** | | | **$ 2,297,815** | **11.8%** |
| **Operating Expenses Total** | | | **$ 16,197,505** | **83.3%** |
| Other Operating Income | | | $ - | 0.0% |
| **Net Operating Income** | | | **$ 3,238,414** | **16.7%** |

| RETURN TO THE UNIVERSITY | CURRENT OUTSOURCED | | SELF-OPERATED | |
|---|---|---|---|---|
| | Actual FY18 | % of Revenue | Estimated | % of Revenue |
| Capital Investment (Annual Amortization) | $ 1,001,819 | 5.2% | $ - | 0.0% |
| Commissions to Univers ty | $ 2,877,507 | 14.8% | $ - | 0.0% |
| Donations | $ 8,500 | 0.0% | $ 8,500 | 0.0% |
| In-Kind Contributions | $ 357,765 | 1.8% | $ 357,765 | 1.8% |
| Net Operating Income | $ - | 0.0% | $ 3,238,414 | 16.7% |
| **GROSS RETURN** | **$ 4,245,591** | **21.8%** | **$ 3,604,679** | **18.5%** |
| Administrative Services Assessment (Estimated) | $ 448,333 | 2.3% | $ 448,333 | 2.3% |
| UR Overhead/Admin Costs | $ 20,000 | 0.1% | $ 70,000 | 0.4% |
| **NET RETURN** | **$ 3,777,258** | **19.4%** | **$ 3,086,346** | **15.9%** |

# III. Operating Model Analysis / Fiscal Responsibility

## Comparative Analysis – Scenario B

- A listing of central office staff for Self-operated Scenario B is provided below.
- Additional management positions are listed within operating units *(which is why the total in this table is less than the comparison table to the right).*

| SALARIED UNIT MANAGEMENT/ADMIN STAFF | | | Total Salary, Taxes & Benefits |
|---|---|---|---|
| Position/Title | Salary | FTE | |
| Dining Services Director | $110,000 | 1.0 | $154,000 |
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| Dietician / Nutritionist | $60,000 | 0.5 | $42,000 |
| Human Resources Manager | $60,000 | 1.0 | $84,000 |
| Procurement Manager | $60,000 | 0.0 | $0 |
| Procurement Agent | $40,000 | 0.0 | $0 |
| Marketing Manager | $50,000 | 1.0 | $70,000 |
| Graphics/Web Specialist | $40,000 | 0.5 | $28,000 |
| IT/Applications Support | $60,000 | 0.0 | $0 |
| Controller | $60,000 | 1.0 | $84,000 |
| Fiscal Specialist | $40,000 | 1.0 | $56,000 |
| Accounts Payable | $40,000 | 0.0 | $0 |
| Office Manager | $40,000 | 1.0 | $56,000 |
| | | | |
| Subtotal Salaried Staff: | | 11.0 | $980,000 |

| SCENARIO B: ASSUMES SOME ADMINISTRATIVE SUPPORT PROVIDED BY OTHER WWU DEPARTMENTS | | | | |
|---|---|---|---|---|
| | CURRENT OUTSOURCED | | SELF-OPERATED | |
| OPERATING STATEMENT | Actual FY18 | % of Revenue | Estimated | % of Revenue |
| **Revenues** | [redacted] | | | |
| Meal Plan Sales | [redacted] | | $ 11,672,577 | 60.1% |
| Retail, Catering & Other Sales | [redacted] | | $ 7,763,342 | 39.9% |
| **Total Revenues** | [redacted] | | **$ 19,435,919** | **100.0%** |
| **Wages and Benefits** | [redacted] | | | |
| Salaried Management/Admin | [redacted] | | $ 1,281,538 | |
| Permanent Hourly Staff | [redacted] | | $ 3,266,842 | |
| Student Employees | [redacted] | | $ 1,769,184 | |
| Payroll Taxes | [redacted] | | $ 532,391 | |
| Benef ts | [redacted] | | $ 1,389,740 | |
| **Total Wages and Benefits** | [redacted] | | **$ 8,239,696** | **42.4%** |
| **Operating Expenses** | [redacted] | | | |
| **Cost of Goods Sold** | [redacted] | | **$ 5,379,993** | **27.7%** |
| **Direct Operating Expenses** | [redacted] | | | |
| Advertising & Promotion Expense | [redacted] | | $ 2,921 | 0.0% |
| Amortization Expense - Non Acquisition | [redacted] | | $ - | 0.0% |
| Amortization - Area Treatment | [redacted] | | $ - | 0.0% |
| Commissions Expense | [redacted] | | $ - | 0.0% |
| Legal Expense | [redacted] | | $ - | 0.0% |
| Recruiting Expense | [redacted] | | $ - | 0.0% |
| Sales & Marketing Expense | [redacted] | | $ 6,902 | 0.0% |
| Other Direct Operating Expenses | [redacted] | | $ 2,287,992 | 11.8% |
| **Direct Operating Expenses Total** | [redacted] | | **$ 2,297,815** | **11.8%** |
| **Operating Expenses Total** | [redacted] | | **$ 15,917,505** | **81.9%** |
| Other Operating Income | [redacted] | | $ - | 0.0% |
| **Net Operating Income** | [redacted] | | **$ 3,518,414** | **18.1%** |

| | CURRENT OUTSOURCED | | SELF-OPERATED | |
|---|---|---|---|---|
| RETURN TO THE UNIVERSITY | Actual FY18 | % of Revenue | Estimated | % of Revenue |
| Capital Investment (Annual Amortization) | $ 1,001,819 | 5.2% | $ - | 0.0% |
| Commissions to University | $ 2,877,507 | 14.8% | $ - | 0.0% |
| Donations | $ 8,500 | 0.0% | $ 8,500 | 0.0% |
| In-Kind Contributions | $ 357,765 | 1.8% | $ 357,765 | 1.8% |
| Net Operating Income | $ - | 0.0% | $ 3,518,414 | 18.1% |
| **GROSS RETURN** | **$ 4,245,591** | **21.8%** | **$ 3,884,679** | **20.0%** |
| Administrative Services Assessment (Estimated) | $ 448,333 | 2.3% | $ 1,122,424 | 5.8% |
| UR Overhead/Admin Costs | $ 20,000 | 0.1% | $ 70,000 | 0.4% |
| **NET RETURN** | **$ 3,777,258** | **19.4%** | **$ 2,692,255** | **13.9%** |

# III. Operating Model Analysis / Transition to Self-Operation

The estimated cost to transition the WWU contracted dining program to a self-operated program are estimated below. The transition estimated cost assumes key management positions will need to be brought on up to 9 months in advance, as they will play a key role in the planning and execution of the transition. This also assumes the University does not own any of the hardware or software required to support meal card access, retail sales reporting or food production/ordering management.

| Category / Description | Units | Unit Cost | Extension |
|---|---|---|---|
| **Transition Staffing Positions** (Costs are fully burdened) | | | |
| Dining Director (Starts 9 months prior to transition) | .75 FTE | $154,000 | $115,500 |
| Director of Operations (Starts 3 months prior to transition) | .25 FTE | $126,000 | $31,500 |
| Executive Chef (Starts 6 months prior to transition) | .5 FTE | $112,000 | $56,000 |
| Human Resources Manager (Starts 3 months prior to transition) | .25 FTE | $84,000 | $21,000 |
| Catering Manager (Starts 2 months prior to transition) | .167 FTE | $58,154 | $9,712 |
| Controller (Starts 2 months prior to transition) | .167 FTE | $84,000 | $14,028 |
| IT/Applications Support (Starts 2 months prior to transition) | .167 FTE | $84,000 | $14,028 |
| Unit Managers (Start 1 month prior to transition) | .75 FTE | $91,000 | $68,250 |
| **Systems, Procedures and Resources** | | | |
| Point of Sale Software and Hardware | See Detail | | $220,000 |
| Food Production/Inventory/Nutrition Software | 1 | $250,000 | $250,000 |
| Transportation – Catering and Retail Trucks/Vans | 3 | $40,000 | $120,000 |
| Franchise Fees for National Brands (Retain Existing) | See Detail | | $105,000 |
| Acquisition, Development of Concepts, Menus and Recipes | 1 | $50,000 | $50,000 |
| Development/Acquisition of Operating Procedures & Manuals | 1 | $25,000 | $25,000 |
| Signage / Graphics Replacement | 1 | $75,000 | $75,000 |
| Purchase Opening Inventory of Food/Supplies | 1 | $150,000 | $150,000 |
| **Additional University Support** | | | |
| Marketing Support – University Marketing & Communications | 2 months | $84,000 | $14,028 |
| Procurement - Set Up Vendor Relationships/Contracts | 2 months | $84,000 | $14,028 |
| Human Resources Support – University Human Resources | 3 months | $84,000 | $21,000 |
| Sanitation and Safety – University Health and Safety | As Needed | $5,000 | $5,000 |
| **Total Estimated Start-up Costs** | | | **$1,379,074** |

| Start-up Cost Details | Units | Unit Cost | Extension |
|---|---|---|---|
| **Point of Sale/Access Software and Hardware** | | | |
| Viking Union Market | 2 | $10,000 | $20,000 |
| Viking Union Café | 1 | $10,000 | $10,000 |
| Underground Coffeehouse | 1 | $10,000 | $10,000 |
| Zoe's Bookside Bagels | 2 | $10,000 | $20,000 |
| Freshens | 1 | $10,000 | $10,000 |
| Miller Market | 2 | $10,000 | $20,000 |
| Starbucks @ Atrium | 2 | $10,000 | $20,000 |
| Subway @ Atrium | 1 | $10,000 | $10,000 |
| Oath Pizza | 1 | $10,000 | $10,000 |
| Provisions @ Atrium | 2 | $10,000 | $20,000 |
| Rock's Edge Café | 1 | $10,000 | $10,000 |
| The Haven Market | 1 | $10,000 | $10,000 |
| Buchannan Towers Station | 1 | $10,000 | $10,000 |
| Concessions | 4 | $10,000 | $40,000 |
| | | | **$220,000** |
| **Franchise Fees for National Brands** | | | |
| Freshens | 1 | $0 | $0 |
| Panda Express | 1 | $25,000 | $25,000 |
| Subway | 1 | $60,000 | $60,000 |
| Starbucks | 1 | $20,000 | $20,000 |
| | | | **$105,000** |

# III. Operating Model Analysis / Additional Considerations

Additional financial considerations for transitioning to self-operation include:

1. Under Scenario B, other university departments will be required to provide additional administrative support to Dining Services that is currently provided by Aramark through regional and corporate resources. The estimated staffing impacts and annual payroll costs (including taxes and benefits) are:
   - Procurement:
     Embedded Procurement Manager, 1.0 FTE @ $84,000
     Embedded Procurement Agent, 1.0 FTE @ $56,000
   - Accounting:
     Accounts Payable Clerk, 1.0 FTE @ $56,000
   - IT:
     Applications Support Specialist, 1.0 FTE @ $84,000

   Total = 4.0 FTE, $280,000

2. Capital Investment
   - The most recent contract with Aramark yielded $8.4 million in investment, which was amortized over the 10-year contract. Assuming a similar level of investment is required for contributions to new and/or renovated dining facilities, the University would need to fund this entirely out of reserves, or take on additional debt service of approximately $1.0 million per year *(principal of $8.4 million @ 4.0% over 10 years)*.
   - As noted earlier, should the capital investment needs be closer to the FF & E estimates in the recent Housing/Dining plan, annual debt service for Dining Services could approach $1.5 million.

# III. Operating Model Analysis / Conclusions

From the consultant's perspective, the motivation to pursue a transition to self-operation of dining appears to originate from students' perception that the current operator, Aramark, is not acting in the best interests of the University and students, and that if internally operated, these concerns would be more effectively addressed. Specifically, segments of the student body feel the dining program does not reflect the University's values with respect to social justice and fair employment practices. While the consultants were not able to verify reports of unfair treatment of dining employees at WWU, Aramark has been in the news in recent years for its involvement in prison food service, which as an industry, has been plagued with allegations of unethical business practices that are part of broader concerns about the concept of privatizing corrections facilities.

Other concerns shared with the consultants by WWU students include the perception that Aramark has been slow to support sustainability goals, is reluctant to integrate local suppliers and restaurants into the campus dining program, and is insufficiently transparent with regard to its operating practices and costs. These concerns appear to have some validity, but upon further investigation, all appear to be somewhat influenced by WWU policies and practices, or the pursuit of these may be in conflict with a goal of holding the cost of attendance down:

- <u>Sustainability</u> – One of the core cost-management tools used by large corporate food service management companies is the leveraging of purchasing volumes across accounts that enables securing of deep discounts from suppliers. Theoretically, these savings are passed on to the client (although as noted earlier, this is not always true), and in order to realize these savings, high priority is placed on adherence to national purchasing contracts. This tends to exclude the use of local suppliers who are not part of these agreements, or at least dis-incentivize the onsite management team from buying locally. In some cases, contractor employees' hands are tied with respect to whom they can order supplies from. WWU's commitment to the Real Food Challenge, at 25% of total purchases, is an ambitious goal regardless of the operating model, but is especially difficult in light of national purchase agreements the Aramark team is likely being held to. While moving to a self-operated model would remove this external requirement, it would also tend to drive costs up – not because local food is inherently more expensive, but because smaller, locally-owned suppliers cannot offer the volume discounts of national distributors. Campuses that have significant commitments to

# III. Operating Model Analysis / Conclusions

local purchases, whether they be self-operated or outsourced, typically budget a higher food cost as an investment in sustainability initiatives. Therefore, it is really at the university's discretion as to whether to establish this as a contractual requirement or not and if so, negotiate fair increases in food cost budgets.

- Use of Local Businesses – Building on the popularity of Vendor's Row, students wondered why more local restaurants couldn't be brought on campus. The diversity, authenticity and low-cost meals certainly enhance options for everyone. However, it does not appear that these operations are operating by the same requirements as a true campus dining program (we could not verify whether living wages and benefits are being paid to employees, and we do not believe the rent/commissions paid by these vendors cover the full cost of facilities and overheads required to maintain a campus dining program), and they are not required to operate for extended hours and days as expected by the broader campus community. If these businesses were to need to bear the full cost of operating to WWU standards, pricing would certainly be higher and in fact, some operators would decline the opportunity. That is not to say Vendor's Row and other similar arrangements should not be continued, but such a model is not practical to operate on a campus-wide scale regardless of whether the program is outsourced or self-operated.
- Transparency – Students are particularly interested in how Dining Services is progressing towards the RFC goals, and given the sense that there has been "corporate" resistance to compliance with these purchasing targets, we agree that more open and regular communication with student leaders as well as the general campus community on this issue would go a long way to building trust. While it is understandable that Aramark management and Dining employees may feel they are being unfairly characterized as uncooperative as a result of student protests, we did not see sufficient evidence of regular efforts for Dining leadership to be visible and engaged with students on an ongoing basis. This can and may well have contributed to students' distrust of occasional communications from Dining and can further perceptions of a "we/they" relationship. Another example of this is in the area of meal plan costs. This is an important issue to students (and parents) today, and has been a source of dissatisfaction on both self-operated and contract-managed programs. As with the sustainability issue, we have found that regular, open communication on this topic is the best remedy; however, this cannot be addressed by the operator alone – a relevant component of the cost formula is the degree to which the University assesses Dining administrative overhead costs. Given that the pricing of most

# III. Operating Model Analysis / Conclusions

retail menu offerings can be easily compared with “street” pricing, most of the burden for overhead costs must be built into the meal plan pricing model. Therefore, regardless of who operates the dining program, the University’s need for overhead cost recapture contributes to the cost of meal plans.

These concerns with mission and culture alignment did not appear to the consultants to be inherently rooted in the outsourced model, and therefore, we do not conclude that transitioning to self-operation will be any more effective in addressing these than establishing clearer expectations in these areas under a new contract. One area we found unusually notable (in a positive way) for outsourced dining programs is the strong presence of student workers throughout campus. Students indicated the importance of maintaining this level of student employment, which is significantly higher than we have seen in any other outsourced program and rivals some of the leading self-operated programs in this respect. In meeting with the office Student Employment, we understand that this practice is very much in line with WWU’s culture, but could be improved upon by implementing some of the training procedures and development opportunities put in place by the University. Certainly, this could be an integral part of a self-operated dining program’s practices, but could also be added to new contract expectations should the program remain outsourced.

Looking more broadly at the program itself, there appeared to be general satisfaction with the quality and variety of food offerings, and the consultants’ observations concurred with this. There is always room for improvement, but the quality of the offerings in the residential dining program and the variety represented in the retail program were on par with a good quality, reasonably-priced campus dining program. Many of the concerns we noted were facility-related: congestion and lack of support space in Viking Commons, aging infrastructure and poor accessibility at Ridgeway Commons, and a lack of retail service and seating capacity in the academic core of campus. While the Vendor’s Row concept is innovative and popular, we thought it could be better integrated into the Viking Union’s energy and sense of place if brought within the building. Of course, these concerns are not impacted by the operating model, as facilities renewal is almost always the responsibility of the University.

# III. Operating Model Analysis / Conclusions

The two key remaining considerations of consequence are staffing and finance:

- Staffing
  - Converting the contractor employees to University staff will require the University to negotiate a new CBA and could bring a new bargaining unit to campus.
  - Could invite the expansion of the union to professional staff.
  - Will require significant onboarding of permanent and student staff, which is currently handled by the contractor
  - Will require more professional staff in University HR
  - Bringing both management and line staff on as University employees would most-likely reduce the sense of separation this staff feels from the institution and could result in a lower rate of turnover.
- Finance
  - While salaries and wage rates may be similar between contracted and University staff, labor costs are projected to increase under a self-operated model due to higher benefits rates.
  - The current contract includes financing of $8.4 million in capital improvements, which will be fully amortized by the end of the contract. It is expected that a similar investment, if not higher may be offered as part of the next contract, should the University continue to outsource. Given the competing priorities for funding capacity at WWU, having access to this funding source may be advantageous, if not necessary in order to make needed improvements and updates to dining facilities.
  - The added cost of administrative staff to replace regional and corporate resources currently provided by Aramark is estimated at $280,000 per year. *Note: In Scenario A, these costs are fully absorbed by Dining and the ASA is held steady at the current level. In Scenario B, these costs must be borne by the respective administrative departments, but the ASA is increased to be based on total dining revenue and more than covers this cost increase – therefore, this is for information purposes only and does not impact the comparison of financial models.*
  - One-time costs to transition to self-operation are estimated at $1.4 million

# III. Operating Model Analysis / Conclusions

A comparison of the two self-operated scenarios to the current outsourced model is shown below:

| RETURN TO THE UNIVERSITY | CURRENT OUTSOURCED | | | SELF-OPERATED A | | | SELF-OPERATED B | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Actual FY18 | % of Revenue | | Estimated | % of Revenue | | Estimated | % of Revenue |
| Capital Investment (Annual Amortization) | $ | 831,527 | 4.3% | $ | - | 0.0% | $ | - | 0.0% |
| Commissions to University | $ | 2,877,507 | 14.8% | $ | - | 0.0% | $ | - | 0.0% |
| Donations | $ | 8,500 | 0.0% | $ | 8,500 | 0.0% | $ | 8,500 | 0.0% |
| In-Kind Contributions | $ | 357,765 | 1.8% | $ | 357,765 | 1.8% | $ | 357,765 | 1.8% |
| Net Operating Income | $ | - | 0.0% | $ | 3,238,414 | 16.7% | $ | 3,518,414 | 18.1% |
| **GROSS RETURN** | **$** | **4,075,299** | **21.0%** | **$** | **3,604,679** | **18.5%** | **$** | **3,884,679** | 20.0% |
| Administrative Services Assessment (Estimated) | $ | 446,392 | 2.3% | $ | 446,392 | 2.3% | $ | 1,122,424 | 5.8% |
| UR Overhead/Admin Costs | $ | 20,000 | 0.1% | $ | 70,000 | 0.4% | $ | 70,000 | 0.4% |
| **NET RETURN** | **$** | **3,608,907** | **18.6%** | **$** | **3,088,287** | **15.9%** | **$** | **2,692,255** | **13.9%** |
| Amortization of Capital Investment ($8.4 million, 10 years) | | | | $ | 1,020,551 | | $ | 1,020,551 | |
| Amortization of Start-up Costs (Estimated @ $500,000 for new contractor, $1.4 million for conversion to self-op, 3 years) | $ | 177,144 | | $ | 496,000 | | $ | 496,000 | |
| **ADJUSTED RETURN** | **$** | **3,431,763** | | **$** | **2,592,287** | | **$** | **2,196,255** | **11.3%** |
| **DIFFERENCE (Compared to Current)** | **$** | **-** | | **$** | **(839,476)** | | **$** | **(1,235,508)** | |

When all costs are factored in, a transition to self-operation is projected to reduce the return to University Residences by $840,000 - $1.24 million per year.

# Appendix

# A. Site Visit Agenda

| Constituent Group | Purpose | Participants | Time |
|---|---|---|---|
| **Monday, May 6, 2019** | | | |
| WWU Dining | Meeting | Steve Wadsworth | 3:00 PM |
| University Residences | Kick-off meeting | Kurt Willis | 3:45 PM |
| **Tuesday, May 7, 2019** | | | |
| Concerned Students Group | Focus Group | Various | 4:00 PM |
| Unit Observations | Walking Tour | Aramark Management Team | Various |
| **Wednesday, May 8, 2019** | | | |
| HR | Meeting | Cheryl Wolf-Lee, Sarah Crawford, Lea Aune | 8:30 AM |
| Enrollment and Student Services, University Residences | Meeting | Melynda Huskey, Leonard Jones | 10:00 AM |
| IT Applications | Meeting | Wanna VanCurren | 11:00 AM |
| Procurement | Meeting | Pete Heilgeist | 11:30 AM |
| IT Enterprise Infrastructure | Meeting | Chris Miller, John Junell, Steve Rose | 12:15 PM |
| Accounting/Finance | Meeting | Mike Ulrich | 1:00 PM |
| Student Employment | Meeting | Jim DeWilde | 3:00 PM |
| University Communications & Marketing | Meeting | Paul Cocke | 4:00 PM |
| RHA | Focus Group | Various | 7:00 PM |

# B. Data Reviewed

1. Financial Statements for all Dining Operations, FY17 and FY18
2. In-kind Services and Donations
3. Schedule of Operating Days
4. Capital Investment Schedule
5. Dining Organizational Chart
6. Dining Employee Count by Location
7. Data provided for the Housing & Dining Development Assessment Study
    - Historical Transaction Data by Dining Unit
    - Meal Plan Enrollment Data
    - Existing Dining Facilities Floor Plans
    - Existing Dining Facilities Space Allocations
    - Housing Occupancy Counts
    - Catering Sales Reports
    - Dining Contract and Amendments

# C. Financial Reports / Departmental Rollup, FY18

| FY18 Dining Services Rollup Financial Statement | Residential | | Retail, C-Store & Coffee | | Catering, Conference & Concessions | | Administration | | Dining Services Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dollars | % | Dollars | % | Dollars | % | Dollars | % | Dollars | % |
| **Revenue** | [redacted] | | | | | | | | | |
| Meal Plan Sales | [redacted] | | | | | | | | | |
| Retail Sales | [redacted] | | | | | | | | | |
| Catering Sales | [redacted] | | | | | | | | | |
| Event Sales | [redacted] | | | | | | | | | |
| Contra Discounted | [redacted] | | | | | | | | | |
| Sales - Other | [redacted] | | | | | | | | | |
| **Total Revenue** | [redacted] | | | | | | | | | |
| | [redacted] | | | | | | | | | |
| **Operating Expenses** | [redacted] | | | | | | | | | |
| Cost of Sales | [redacted] | | | | | | | | | |
| Labor | [redacted] | | | | | | | | | |
| Other | [redacted] | | | | | | | | | |
| **Total Operating Expenses** | [redacted] | | | | | | | | | |
| Other Operating Income | [redacted] | | | | | | | | | |
| **Net Operating Income** | [redacted] | | | | | | | | | |

# C. Financial Reports / Residential Dining Operations, FY18

| Residential Dining FY18 Financial Statement | Fairhaven Commons | | Ridgeway Commons | | Viking Commons | | Total Residential | |
|---|---|---|---|---|---|---|---|---|
| | Dollars | % | Dollars | % | Dollars | % | Dollars | % |
| [redacted] | | | | | | | | |

ENVISION STRATEGIES

# C. Financial Reports / Retail Dining Operations, FY18

| Retail FY18 Financial Statement | Retail | | C-Store | | Coffee | | Total Retail | |
|---|---|---|---|---|---|---|---|---|
| | Dollars | % | Dollars | % | Dollars | % | Dollars | % |

[redacted]

ENVISION STRATEGIES

# C. Financial Reports / Catering, Conferences and Concessions Operations, FY18 + Administration, FY18

| Catering, Conference & Concessions FY18 Financial Statement | Catering, Conference & Concessions | |
|---|---|---|
| | Dollars | % |

| Administration FY18 Financial Statement | Administration | |
|---|---|---|
| | Dollars | % |

[redacted]

# D. Staffing Budget Analysis / Assumptions – Hourly Employees

| Item | Assumptions |
|---|---|
| Overall | • Same program as currently in operation<br>• Staffing information provided for “typical week” - Fall quarter.<br>• Quarter system. All operations open 36 weeks/yr.<br>• Limited operations in summer, including 9-wk summer quarter |
| Student staff | • 400-450 total (450 used for cost analysis)<br>• Student supervisors earn $1.00 more per hour. Approx. 15% of student employees are at this higher rate.<br>• employees factors at minimum wage rate.<br>• Minimum Wage (2020 rate)<br>• Ave 8 hrs./student based on current headcounts by location provided |
| Part-time staff | • No benefits<br>• 8.5% Employment Tax Rate<br>• Minimum Wage (2020 rate) |
| Full-time staff | • 40 % taxes and benefit rate (combined; per WWU HR)<br>• Hourly rates = WFSE wage scale. Mid-range rate per step schedule<br>• Classifications Supervisor; Lead/Cook 1/Cook 2; Cook 2 Crew/Food Service Worker<br>    • 75% of hourly employees at Food Service Worker / Crew level in resident dining; 100% in retail dining.<br>    • Remining non-salary staff at higher rate for skilled employees (Cook 1, Cook 2, Lead, Supervisor) |

# D. Staffing Budget Analysis / Operations Cost Summary

## Scenario A – Summary Listing

Listed below is the summary of estimated hours, wages, taxes and benefits for staff in each operation under self-operated Scenario A (all administrative support staffed within Dining Services):

| Outlet Name | Total Weekly Hours | Total Annual Hours | Total Annual Wages | Total Annual Payroll Tax | Total Annual Benefits | Total Wages, Taxes, and Benefits |
|---|---|---|---|---|---|---|
| Ridgeway | [redacted] | | | | | |
| Fairhaven | | | | | | |
| Viking Commons | | | | | | |
| Atrium POD | | | | | | |
| Atrium Subway | | | | | | |
| Atrium Starbucks | | | | | | |
| Atrium Oath | | | | | | |
| BT Station | | | | | | |
| Freshens - Carver | | | | | | |
| Fairhaven POD | | | | | | |
| Miller Market & Tony's | | | | | | |
| Rock's Edge | | | | | | |
| Underground | | | | | | |
| VU Panda | | | | | | |
| VU Subway | | | | | | |
| VU Café | | | | | | |
| VU Market | | | | | | |
| VU Support | | | | | | |
| Zoe's | | | | | | |
| Catering & Commissary | | | | | | |
| Summer Conf & Camp | | | | | | |
| G & A | | | | | | |
| Total: | | | | | | |

# D. Staffing Budget Analysis / Operations Cost Summary

## Scenario B – Summary Listing

Listed below is the summary of estimated hours, wages, taxes and benefits for staff in each operation under self-operated Scenario B (some administrative support provided by other WWU departments):

| Outlet Name | Total Weekly Hours | Total Annual Hours | Total Annual Wages | Total Annual Payroll Tax | Total Annual Benefits | Total Wages, Taxes, and Benefits |
|---|---|---|---|---|---|---|
| Ridgeway | [redacted] | | | | | |
| Fairhaven | | | | | | |
| Viking Commons | | | | | | |
| Atrium POD | | | | | | |
| Atrium Subway | | | | | | |
| Atrium Starbucks | | | | | | |
| Atrium Oath | | | | | | |
| BT Station | | | | | | |
| Freshens - Carver | | | | | | |
| Fairhaven POD | | | | | | |
| Miller Market & Tony's | | | | | | |
| Rock's Edge | | | | | | |
| Underground | | | | | | |
| VU Panda | | | | | | |
| VU Subway | | | | | | |
| VU Café | | | | | | |
| VU Market | | | | | | |
| VU Support | | | | | | |
| Zoe's | | | | | | |
| Catering & Commissary | | | | | | |
| Summer Conf & Camp | | | | | | |
| G & A | | | | | | |
| Total | | | | | | |

# D. Staffing Budget Analysis / Operations Cost Comparison

## Scenario A

| SUMMARY BY EMPLOYEE CLASSIFICATION | Total Weekly Hours | Total Annual Hours | Total Annual Salaries & Wages | Total Annual Payroll Taxes | Total Annual Benefits | Self-Op Total Wages, Taxes & Benefits | COMPARISON: Aramark Total Wages, Taxes, Benefits | COMPARISON: Variance |
|---|---|---|---|---|---|---|---|---|
| Salaried Management/Admin | 920.0 | 43040.0 | $ 1,281,538 | $ 108,931 | $ 403,685 | $ 1,794,154 | | |
| Permanent Hourly Staff | 4796.5 | 195511.6 | $ 3,266,842 | $ 273,079 | $ 986,056 | $ 4,525,978 | | |
| Student Employees | 3600.0 | 129600.0 | $ 1,769,184 | $ 150,381 | $ - | $ 1,919,565 | | |
| Total: | $ 9,317 | $ 368,152 | $ 6,317,565 | $ 532,391 | $ 1,389,740 | $ 8,239,696 | $ 6,525,950 | $ 1,713,746 |

| SUMMARY BY EMPLOYEE CLASSIFICATION | Average Hourly Wage | Average Labor Cost per Hour |
|---|---|---|
| Salaried Management/Admin Staff | $ 29.78 | $ 41.69 |
| Permanent F/T & P/T Hourly Staff | $ 16.71 | $ 23.15 |
| Student Employees | $ 13.65 | $ 14.81 |
| **Total Staff** | $ 17.16 | $ 22.38 |

## Scenario B

| SUMMARY BY EMPLOYEE CLASSIFICATION | Total Weekly Hours | Total Annual Hours | Total Annual Salaries & Wages | Total Annual Payroll Taxes | Total Annual Benefits | Self-Op Total Wages, Taxes & Benefits | COMPARISON: Aramark Total Wages, Taxes, | COMPARISON: Variance |
|---|---|---|---|---|---|---|---|---|
| Salaried Management/Admin | 1080.0 | 51360.0 | $ 1,481,538 | $ 125,931 | $ 466,685 | $ 2,074,154 | | |
| Permanent Hourly Staff | 4796.5 | 195511.6 | $ 3,266,842 | $ 273,079 | $ 986,056 | $ 4,525,978 | | |
| Student Employees | 3600.0 | 129600.0 | $ 1,769,184 | $ 150,381 | $ - | $ 1,919,565 | | |
| Total: | $ 9,477 | $ 376,472 | $ 6,517,565 | $ 549,391 | $ 1,452,740 | $ 8,519,696 | $ 6,525,950 | $ 1,993,746 |

| SUMMARY BY EMPLOYEE CLASSIFICATION | Average Hourly Wage | Average Labor Cost per Hour |
|---|---|---|
| Salaried Management/Admin Staff | $ 28.85 | $ 40.38 |
| Permanent F/T & P/T Hourly Staff | $ 16.71 | $ 23.15 |
| Student Employees | $ 13.65 | $ 14.81 |
| **Total Staff** | $ 17.31 | $ 22.63 |