

Budget and Rate Setting Q&A

Q: How are rental rates and dining plan rates determined?

A: Rental rates and dining plan rates are based on the costs to operate those programs. Changes in rates are due to changes in costs. For example, if the cost for electricity goes up, that additional expense is typically covered via an increase in rental rates.

Each year, Housing & Food Services (HFS) develops a budget for the upcoming fiscal year, using both historical data and projections of next year's expenses. Any rate increase is the result of the same percentage increase in expenses for the upcoming fiscal year.

In 2009, the UW Board of Regents approved a 2 percent annual increase in rates, independent of expense increases, to support the Housing Master Plan. This 2 percent contributes to the reserve funds required as a condition of borrowing money to build new housing and dining venues.

Q: What does HFS do to manage costs?

A: HFS routinely looks for ways to manage and even reduce costs. Competitively bid contracts and negotiations are one strategy, as are business process efficiency improvements that save staff time and other resources.

Cost containment is balanced with departmental and institutional goals such as sustainability and providing healthy menu options. Labor, utilities and food are several of the largest expenditures within the operation. HFS has varying levels of control over these expenses, and small increases can have a big impact.

Q: Does HFS make a profit?

A: No, HFS is not a profit-based entity. In addition to covering operating expenses, HFS is required to maintain a reserve account ("rainy day" fund), as well as a capital improvement account (funds earmarked for larger-scale repair and replacement projects). Annual budgets are developed so that reserve accounts are maintained at required levels. If revenue exceeds projections, or if expenses are less than anticipated, excess funds are contributed to the capital improvement fund and additional projects are completed.

Q: How do on-campus housing and dining costs compare to off-campus?

A: It depends. HFS carries many of the same costs as off-campus providers and, because HFS does not receive any funds from the state or the UW, all costs are actual and not subsidized in any way. HFS leverages its buying power, whenever possible, to obtain the lowest prices on products and services, and is required to follow all rules and laws associated with being a state entity.

Food costs include the price of the actual raw food or product, labor associated with preparing and selling of the food, administrative costs and, in some cases, institutional overhead.

As compared to off-campus housing, HFS raises rates only when operating expenses increase and does not raise rates dependent upon "what the market will bear." Off-campus rental rates are therefore much more volatile and impacted by housing trends in the greater Seattle area.

Q: How does HFS compare to peer universities on room and board costs?

A: Rates for housing and dining at the UW compare favorably to other PAC-12 institutions. A UW double room with a private bathroom, plus a Level 1 dining plan, is the fourth-lowest in cost of the PAC-12 institutions (2016-17 data).

Q: Why does the UW have a retail dining plan when other schools have “all you care to eat” plans?

A: Different institutions offer different types of dining plans based on history, preference, facilities, campus operations and other such variables. The required dining plan for on-campus residents at the UW is an all-retail model, meaning that the plan holder pays for each individual food item or serving at the time and point of sale. The plan can therefore be used anywhere on campus and on any food item. The cost of the item purchased includes all expenses associated with offering that item – labor, procurement, utilities, administration, etc.

“All you care to eat” (AYCTE) plans are typically structured so that the plan holder has a certain number of meals (or entrances to a dining venue), during a set time, to use at specific dining facilities set up for AYCTE. If the plan holder does not use the meal, it is lost and cannot be used later. This “missed meal factor” is considered in the AYCTE business model.

It is also not unusual at other universities – whether they have an AYCTE or retail plan – for a portion of the dining plan payment to cover operating costs such as labor, procurement, utilities and facilities upkeep.

Q: What comprises the HFS rate increase for the upcoming year?

A: Rates for 2017/18 increased by 1.82% for housing and by 2.0% for dining plans. Through careful review and analysis, HFS was able to identify expense reductions that resulted in off-setting the rate increase for housing by 3.17%. The housing reductions were made possible by increased conference services revenue, lower utility costs through facility improvements, more revenue from our partnerships and gains through a more favorable interest rate. Dining plan rates were modestly mitigated through planned added revenue created from enhancements to dining plans.

Q: Why can't the new housing have the same rental rates as the older buildings?

A: The older buildings were built over a half century ago and construction costs for those buildings have long been paid for, so their rents are solely based upon the cost to operate them. The new buildings have the cost to build them still in the rental equation, adding an extra cost component not applicable to the older buildings.

Some housing operations substantially raise rents in older facilities to help off-set the cost of new construction, thereby allowing rents on new buildings to be a bit lower. The UW opted to leave the old buildings at their current rate and, instead, set the rental rate on new buildings based on the cost of new construction.