


Administration and Finance

TO: Dr. Bernardo Pohl
Faculty Senate President

FROM: Kim Thomas *KT*
Vice President, Administration & Finance

DATE: November 1, 2023

RE: UHD Faculty Senate Resolution 23-01

I am in receipt of the Faculty Senate Resolution 23-01, which was approved by the Faculty Senate on October 17, 2023. The Administration of the University of Houston-Downtown greatly appreciates the Faculty Senate for bringing forward its concerns regarding the current state of on-campus dining.

The University dining services program is classified as an auxiliary enterprise. As an auxiliary enterprise, the costs of goods and/or services provided to students, faculty or staff are absorbed by the university to recover the costs through a fee structure. The distinguishing characteristic of an auxiliary enterprise is that it is managed as a self-supporting activity. From 2017 to 2022, UHD's dining services' Profit and Loss Statements reported over \$1.6 million in financial losses. In the academic year 2022-23, Auxiliary Services embarked on a refresh of dining services with the following changes:

- reopened the salad and soup bar and Mondo Subs;
- added new menu items at Burger 713 Grill, fresh sushi, microwaves, and food vending machines;
- opened the College of Sciences and Technology (CST) Café, and
- implemented the Gator cash discount incentive program.

The response to the above changes were positive, and UHD's revenue did increase. However, product and labor costs also increased, which resulted in continued revenue losses. As we work to achieve the fifth goal of our strategic plan, "A New Paradigm," which is to establish sustainable operations through sustainability best practices, and as we work to be good stewards of our students' tuition dollars, UHD cannot continue to operate in a pattern of predicted revenue loss.

Moreover, we must comply with State Law, which states "***no educational and general funds appropriated to any institution or agency named in this article may be expended on auxiliary enterprises,***". The annual revenue losses resulted in student tuition dollars being used to subsidize faculty, staff, and external client food purchases. The University had to implement actions to reduce the revenue losses, avoid future audit findings, and move toward sustainable operations. Implementing Chartwells "first right of refusal," which is consistent with practices in place at UH-Clear Lake and UH-Victoria since 2018 was one of a number of measures to reverse the loss of revenue, given the existing UH system contract with Chartwells.

It is important to note that our Departments' discretionary budgets for catering events are funded with revenue generated from auxiliary services. These budgets have not increased in the past five years due in large part to the dining services revenue losses. Please note that the dining changes implemented for the academic year 2023-24 have already delivered the first reported dining services profit since FY2016. Reaching the point of sustained revenue gains is necessary to support an increase in departmental budgets.



For clarification, student organizations are exempt from “first right of refusal” catering guidelines. Also, the University’s catering guidelines provide a “first right of refusal” exception. Only waiver requests not listed as a guideline exception require review by the Director of Auxiliary Services.

The University of Houston-Downtown is committed to providing the best dining service program within the University’s fiscal capacity. Auxiliary Services will continue to examine the state of the current dining service program offerings to address the request for better food selection, competitive prices, expanded food service locations, and hours of operation. We have engaged the assistance of an external consultant to further assess and recommend solutions designed to enhance our dining services program, and we are looking forward to sharing the report with all UHD stakeholders.

Thank you for your continued support and understanding.