



Receiving Copy

Republic of the Philippines  
**Tourism Infrastructure & Enterprise Zone Authority**

**MEMO TO : ATTY. MARIA TERESA C. ALVAREZ**  
**Manager, Operations Department**

**FROM : The Manager**  
**Business Development Department**

**SUBJECT : Research on Maintenance Cost – Rooms and Green Fees**

**DATE : 18 October, 2021**

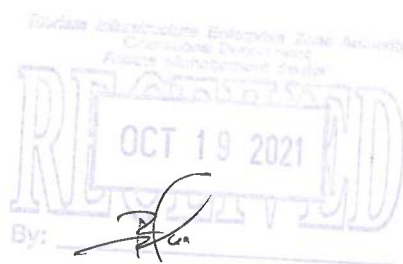
Forwarding to your office the research on Maintenance Cost (MC) by the Sales Division - Business Development Department (Budd) relative to the assistance stated in the memorandum issued on the same subject. The research may be used as reference by the Resident Managers in the review/updating of the MC.

To reiterate, Budd has requested for the following from your office by November 7, 2021 which shall be used as one of the basis in the recommendations for the next set of room rates effective April 1, 2022 – March 31, 2023. Changes on green fees shall also be applied, if necessary.

1. Updated MC for rooms and new MC for green fees.
2. Proposed Room and Green Fee Rates

Thank you.

  
**MA. EVELYNE A. FRANCISCO**



Attachment: Memo to OPED dated Sept. 14, 2021

**SUMMARY OF RESEARCH**  
**CALCULATING MAINTENANCE COST OF ROOM**

REFERENCE	HIGHLIGHTS	FORMULA
Qwick.com	<p>Fixed cost</p> <ol style="list-style-type: none"> <li>1. Employee wages</li> <li>2. Rent costs and property taxes</li> <li>3. Human resources cost</li> <li>4. Employee healthcare premium costs</li> <li>5. Contracted services costs (example: security services)</li> <li>6. Internet, phone and television costs</li> <li>7. Hotel management software cost</li> </ol> <p>Variable costs</p> <ul style="list-style-type: none"> <li>• Food and beverage costs</li> <li>• Utilities (water, electricity, etc.)</li> <li>• Housekeeping supplies costs</li> <li>• Marketing costs</li> <li>• Third-party travel site commission costs</li> <li>• Decor and floral arrangement costs</li> <li>• Linen and laundry operations costs</li> <li>• Hourly wages cost</li> </ul>	<p>Cost per occupied room:</p> $\text{COPR} = \frac{\text{total rooms dept. costs}}{\text{Total rooms sold}}$ <p>COPR takes both fixed and variable costs into account</p>
How to Calculate Room Cost - Hotel Revenue Management Tips July 22, 2019 Chris Hunter	<ol style="list-style-type: none"> <li>1. Incremental Cost <ul style="list-style-type: none"> <li>Electricity</li> <li>Water</li> <li>Wear &amp; Tear (walking on carpet, sleeping on the bed, turning doorknobs, using lightbulbs)</li> <li>Breakfast</li> <li>Housekeeping (cleaning supplies used)</li> <li>Laundry (sheets, towels)</li> <li>Wear and tear - if a mattress costs \$1,000 and is used up to 1,000 nights before it needs to be replaced, each night someone sleeps on that mattress they use up \$1 of its lifetime value.</li> </ul> </li> <li>2. Burdened Cost- costs that you have to pay whether you sell 1 room or 100 rooms. <ul style="list-style-type: none"> <li>Staff</li> <li>Mortgage/Insurance</li> <li>Internet</li> <li>Parking lot repair</li> <li>New towels</li> <li>Marketing/Trade shows</li> <li>Association membership</li> </ul> </li> </ol>	<p>To calculate:</p> <p>Look at your expenses from your Profit and Loss Statement for the previous calendar year and divide it by the number of room nights sold for the year and this will be your incremental cost to put someone in a room. (usually about \$20.)</p> $\text{incremental cost} = \frac{\text{previous year's expenses (incremental)}}{\text{room nights sold}}$ <p>Ex: A hotel's expenses for these categories is \$200,000 and they sold 10,000 room nights last year. <math>\\$200,000 \div 10,000 \text{ room nights} = \\$20 \text{ incremental cost.}</math></p> <p>Ex.</p> $\frac{\$400,000}{10,000} = \$40$

REFERENCE	HIGHLIGHTS	FORMULA
	<p>Major costs such as furniture (cost divided by number of years to be used)</p> <p>Conclusion</p> <ul style="list-style-type: none"> <li>You can dip below \$40 for a short amount of time if it's part of an overall strategy. Maybe January is a very slow month for your property, so you go to \$30 on Sundays. This is \$10 more than your \$20 incremental cost meaning you can take the \$10 you "profit" and use that to help offset your burdened costs like managers' salaries.</li> </ul>	<p>In America for a basic hotel usually the incremental cost is about \$20 and the burdened cost is about \$40</p>
littlehotelier.com	<p>Variable costs may range from \$12AUD per room night for a budget property to more than \$75 per room night for a luxury hotel</p> <p><b>6 variable costs to consider:</b></p> <ul style="list-style-type: none"> <li><b>Staff costs</b> – total labour plus benefits expense for a time period and divide it by the number of rooms serviced.</li> <li><b>Cleaning supplies and amenities</b></li> <li><b>Laundry expensed</b> – add up the labour, laundry chemical, and utility costs incurred and dividing by the number of rooms occupied.</li> <li><b>Utilities</b></li> <li><b>Allocation toward renovations</b> – Allocate an average of 3% of the room rate generated toward a capital expenditure budget for room renovations. Therefore, a \$100 room will cost you \$3 in capital expenses per night that it is occupied.</li> <li><b>Booking fees and commissions</b> – While not housekeeping-related expenses, these are variable costs that you will incur if you sell your rooms through distribution channels.</li> </ul>	

# SUMMARY OF RESEARCH CALCULATING COST PER ROUND OF GOLF

REFERENCE	HIGHLIGHTS	FORMULA
<p>A New Perspective on Green Fees by Russ Conde 3/29/14 clubbenchmarking.com</p>	<p><b>Golf Experience Index</b> as a way to measure value of the Golf Experience</p> <p>Step 1: Calculate Golf experience Cost The median cost-per-round for the industry is \$74, but as you can see in the chart below, the range is very wide—from about \$40 per round up to nearly \$200 per round.</p> <p>Step 2 : Calculate Golf Experience Index A value greater than 100% means you are "covering your cost" and achieving experience margin over and above the cost. A value below 100% means your guest green fee is at a discount to the cost of delivering the experience. The median value for the industry is 120%. About 70% of the clubs have an index greater than 100%. That may be food for thought for clubs with an index of less than 100%.</p>	<p><b>Golf Experience Cost=</b></p> $\frac{(\text{Annual Course Maintenance Expense} + \text{Golf Operations Labor})}{\text{Annual Rounds of Golf}}$ <p><b>Golf Experience Index =</b></p> $\frac{\text{Green Fee}}{\text{Golf Experience Cost}}$
<p>Cost Per Round Calculation sandiego.com</p>	<p>This article is from an actual computation of a golf complex in the city of San Diego, USA.</p> <p>Only operating expenses were included and does not take into consideration any capital costs.</p> <p>Note: Cost per Round is a benchmark for comparing costs from year to year but does not determine the green fee rates. If cost per round was to be used to set green fees, it would assume that there are no other revenues to contribute to covering costs associated with golf course and it assume that the rates are the same for all players at all times. Thus Cost per Round figures should serve as a high level benchmark for costs only</p>	<p>Cost per Round = <math>\frac{\text{Course expense}}{\text{Total rounds}}</math></p>



Republic of the Philippines  
**Tourism Infrastructure & Enterprise Zone Authority**

September 14, 2021

MEMO TO : ATTY. MARIA TERESA C. ALVAREZ  
Manager, Operations Department

FROM : The Manager - Business Development Department

SUBJECT : Request for Review and Update of Maintenance Cost of Rooms /  
Submission of Maintenance Cost of Green Fees

Based on the Gap Assessment made, the Standard Computation of Maintenance Cost (MC) of Hotel Rooms and Green Fees of TIEZA Operating Assets has been identified by the Business Development Department as one of the gaps in achieving an effective pricing scheme.

To address this concern and come up with competitive room and green fee rates, may we request your office to review and re-formulate the computation of the said MC for rooms and develop a new MC for green fees.

The Sales Division of BUDD shall assist the point person of each TIEZA Operating Asset in conducting the research on the above matter and shall be endorsed to you by the 2nd week of October 2021.

Further, in preparation for the new set of rates for the period April 1, 2022 – March 31, 2023, may we request for the following by November 7, 2021.

1. Updated MC for rooms and new MC for green fees (based on the result of research, review and standard computation done)
2. Proposed Room and Green Fee Rates

For the Operations Department's consideration and appropriate action, please.

Thank you.

  
/s/ MA. EVELYNE A. FRANCISCO

Noted :

  
JETRO NICOLAS F. LOZADA  
ACOO - Assets Management Sector