

Q2-2016 Narrative

The following document provides information on each line item of the Executive Summary as at November 30, 2016. The goal of the document is to provide the readers more information as to why the numbers look the way they do and how the USC is doing when compared against the budget approved by Council in March 2015. This document and the exec summary are meant to be read together and one document should not be taken as a standalone without the other.

Q2-2016 Exec Summary

1. **Student Fees** – As at November 30, 2016, the USC is approximately \$2.0M ahead of prior year in terms of receipts received from Western. Each year in late July or early August, the USC receives a payment from Western equivalent to 80% of student fees collected. This number varies from year to year. As at the end of Q2, we still have yet to receive the initial payment from the affiliates – we expect to receive that in early December.
 2. **Transfers Out** – As at the end of Q2 the USC shows transfers out being \$187K higher than this time last year. This is due to the fact that the health, dental and bus pass amounts are higher than prior year due to higher premiums being transferred out on a monthly basis. Enrollment changes also have a direct impact on the payments due to the various external providers. Orientation fee transfers out were also done earlier for this year which also contributes to the amount being higher than prior year.
 3. **Miscellaneous General Revenue** – this category consists of interest revenue earned on funds held other than our investment monies with TD Waterhouse plus CHRW admin fee payable to USC and the admin revenue that is charged to the Gazette each month for services provided. At the end of Q2, the USC has received approximately \$88K more than in prior year. This is due to the fact that the Gazette amount for services rendered was not charged out on a monthly basis in prior year and also in part to the USC receiving a one time payment from CSHG in the amount of \$21,195.
4. **Corporate**
- a. **General Expenses** – This consists of insurance, audit charges, actuary charges, legal charges, interest charges, mustang express admin, etc. As at the end of November, the overall general expenses are in line with prior year spending. Legal expenses are trending \$17K higher than prior year as at the end of Q2 and are \$8K over total annual budget. The organization has not yet incurred insurance expenses as the policy doesn't renew until December 1st.

This is the same year over year. Mustang express admin continues to be about \$5K higher than budget expectations and prior year due to the fact that Mustang Express supplies (stickers for the bus passes) were ordered earlier than previous year. This category of expenses also includes \$11K of computer expenses for new employees (hardware and software as well as licensing fees). Overall, this category is tracking approximately 102K lower than budget expectation but this will realign once the insurance premium has been paid.

- b. **Building Expense** – this is occupancy charges and security for the building. Year to date we have spent \$10K on building security and \$216K in corporate occupancy. This includes all space deemed corporate including offices, ½ mustang lounge space, ½ east lounge space, ½ spoke lounge space and atrium lounge.
- c. **Office Expense** – This category includes corporate travel and corporate conferences and meetings. These figures are tracking ahead of prior year (\$6K lower) and are currently \$29K ahead of budget expectations. This is due to lower charges in contracted services, meetings and corporate retreats than what was budgeted.
- d. **Salaries and Benefits** – this category is a large number however it incorporates much more than just salary and benefits. It includes expenses for staff appreciation, staff wellness benefit, staff wellness program as well as the costs associated with the intern program and professional development. This category is tracking higher than prior year (\$10K) and lower than budget expectations (\$36K). Salaries themselves are ahead of prior year but are currently less than budgeted (\$19K). This category includes salary expenses for Finance, IT, HR, Compliance, Managing Director and COO.
- e. **Capital** – This is the cost incurred and paid for renovations, improvements, general maintenance around the building. It also includes furniture, computer hardware and software as well. It further shows the interest that we pay on the loan outstanding on Mustang Lounge as well as the lease expense for the equipment housed within Creative Services. It shows within these statements as the operating statements are cash based. These expenses are not considered within the operational budget as the USC has a separate budget for Capital that is funded by a specific student fee and is allocated based on a 10 year capital plan. To date the USC has spent \$248K in capital, \$60K in renovations, \$61K in interest on the loan for mustang lounge and \$73K for equipment housed in CS. All things purchased have been done in line with the capital plan.
- f. **Volunteer Resources** – This area is tracking \$6K lower than budget expectations and is \$11K behind prior year spending at the end of Q2.
- g. **Government Services** – This area is tracking higher than prior year (\$26K) in terms of spending and is currently \$4K lower than budgeted expected spending. The salaries for this year reflect a full contingent of employees whereas prior year only reflected a partial staff.

5. **PVP** – All PVP spending to date is tracking in line with set budgets. No areas of concern noted.
6. **Media** – At the end of Q2 the Gazette Ad department is in a good position. They are currently \$35K ahead of budget expectations. All expenses are tracking lower than budget expectations.
The editorial side is tracking in line with budget expectations (lower than expectations by 9K) and are only \$10K higher than prior year.
7. **Rentals** – currently the USC is \$38k ahead of prior year in terms of rental revenue and is \$22K ahead of budget expectations as well. This is a strong source of revenue for the USC. We have worked to ensure that all available space is currently under contract or soon will be.
8. **Events and Building Services** – This area now consists of the former Reservations and Productions departments and is an extremely busy area. This category is currently tracking \$19K ahead of budget expectations and is \$35K higher than prior year. This area contains space rental revenue, ticket sales, non usc ticket sales as well as tech labour revenue and rental equip revenue. Part time staffing expense is tracking high compared to budget expectations as well as prior year.
9. **Western Film** – Western Film is tracking \$8K ahead of budget and \$14K ahead of prior year at the end of Q2. Both ticket revenue and confection sale revenues are in line with budget expectations and the room rental revenue is \$7K ahead of budget expectations and is \$6K ahead of prior year. Expenses are all in line with budget and prior year expectations as well. Western Film is having great success with the room rental option now available on Sundays and Mondays due to no films being shown. Every month they have filled those days with room rental bookings and it has resulted in \$22K in revenue as at the end of Q2.
10. **Wave** – Total sales for the Wave are tracking ahead of prior year sales (\$81K) and are ahead of budget expectations (\$9K). Catering sales are significantly higher than prior year but are in line with budget expectations. The Wave has had a great first two quarters in terms of FOH labour as well as BOH labour. All other expense areas for the Wave are in line with budget and they have a strong COGS at 33% versus the 35% in the budget. The Wave had a huge catering during the quarter as well due to the HACK Western conference – this was a \$40K catering. The Wave has seen an increase in regular caterings by volume however the average revenue per catering is down. Overall, the Wave is \$83K ahead of prior year and is \$30K ahead of budget expectations as well.
11. **Spoke** – The Spoke is performing ahead of budget expectations - \$108K, and is \$163K ahead of prior year. Food sales are in line with budget and are ahead of prior year by \$50K. All other categories of sales are tracking in line with prior year. Labour expenses are in line with expectations as are COGS.
12. **Creative Services** – It is currently tracking \$23K behind budget expectations and \$52K behind prior year. This is due to the fact that there were three large jobs that were included in the budgeted numbers that CS did not receive back for the current year.

Black and white sales continue to be strong but colour sales are half of what we expected them to be. Creative Services has seen a decline in sales in part due to the printers now available at the libraries on campus as well. It is now convenient for students to print on site at the libraries which has decreased some walk up sales for Creative Services. It is also seeing a decrease in volume of sales due to the fact that you can now buy nice colour printers for home. It used to be that colour printers were cost prohibitive which drove sales to Creative Services, however, now with decreased prices that is no longer the case. Creative Services also now houses graphic services which was not accounted for within the original budget as this move was done post budget completion.

13. **Purple Store** – Currently tracking \$31K behind prior year and \$12K behind budget expectations as at Q2. Purple Store is now responsible for selling LTC tickets and the monthly passes. Ticket sales contributed \$15K in revenues for the store as at Q2. Purple store did not see revenues from HOCO as they had in prior year. Despite there being two homecomings this past year, the overall revenues were behind expectations. This was a trend that was seen by the Book Store as well. In general, retail sales have been lower industry wide during the fall quarter.
14. **Promos** – This area is tracking behind budget expectations (\$34K) and is \$30K ahead of prior year. Most of this difference is due to the fact that the area no longer has a manager overseeing the union staff as had been the case in prior year. There

Overall

USC is performing approximately \$772K ahead of prior year and \$2.3M ahead of budget expectations as set and approved by Council in March 2015. The USC operations are \$117K ahead of budget expectations and \$210K ahead of prior year as at Q2. As a result, the USC is in a healthy position as at the end of Q2. The reason that we are so far ahead of budget expectations is mainly due to the fact that we have received \$1.7M more in student fees than expected from the budget and \$1.0M more than in prior year as at the end of Q2 as well as the fact that we have realized savings in corporate expenses of an additional \$388K and we have received \$88K more in misc general revenue.

It is important to note that a “healthy” position does not mean that money grows on trees for the USC but rather that the USC is set up to endure the spending patterns for the school year. Cash flows are monitored extremely closely in an effort to ensure that we preserve cash to get us through the summer months of 2017 when we do not receive payments from Western.