

# Q3-2017 Narrative

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The following document provides information on each line item of the Executive Summary as at February 28, 2017. 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. This narrative analyzes the executive summary with occupancy shown as a transfer out. This is new and as a result, some figures quoted in this quarter will look dramatically different from those quoted from Q1 and Q2.

## Q3-2017 Exec Summary

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1. **Student Fees** – As at February 28, 2017, the USC is approximately \$1.4M behind prior year in terms of receipts received from Western, however we are approximately \$200K ahead of where the USC had budgeted to be as this point in the year. There are always timing issues when examining quarterly reports as the receipt of funds from Western is different from year to year. The USC expects to receive a final top up from Western in April or May of this year.
2. **Transfers Out** – As at the end of Q3 the USC shows transfers out being \$300K higher than this time last year. These transfers out include occupancy. 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. Another factor is that the USC has paid out \$55K more to Community Legal Services as at Q3 than had been done in prior year. Enrollment changes also have a direct impact on the payments due to the various external providers. The USC is approximately \$865K ahead of budget in terms of transfers out as at the end of Q3. This is mainly due to the fact that both health and dental and bus pass payments have been less than anticipated at the time the budget was completed.
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 Q3, the USC has received approximately \$180K 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. The USC has earned more interest revenue as at the end of Q3 as we are holding a larger balance in our account when compared to prior year.

## 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 \$12K higher than prior year as at the end of Q3 and are \$20K over total annual budget. Insurance expense is \$35K ahead of budget expectation and prior year. This is due to the fact that the USC has recouped insurance from faculty councils earlier than in prior year. Mustang express admin continues to be about \$9K higher than budget expectations but is \$16K lower than prior year. This category of expenses also includes \$15K of computer expenses for new employees (hardware and software as well as licensing fees). Overall, this category is tracking approximately 35K lower than prior year and is in line with budget expectation.
- b. **Building Expense** – this is security for the building. Year to date we have spent \$18K on building security, compared to \$22K prior year and \$23K budget.
- c. **Office Expense** – This category includes corporate travel and corporate conferences and meetings. These figures are tracking ahead of prior year (\$30K lower) and are currently \$38K ahead of budget expectations. This is due to lower charges in contracted services (linkedin contract now in capital), 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 lower than prior year (\$50K) and lower than budget expectations (\$114K). 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 \$300K in capital, \$60K in renovations, \$90K in interest on the loan for mustang lounge and \$87K for equipment housed in CS. All things purchased have been done in line with the capital plan.
- f. **Volunteer Resources** – This area is tracking \$4K lower than budget expectations and is \$4K lower than prior year spending at the end of Q3.
- g. **Government Services** – This area is tracking higher than prior year (\$42K) in terms of spending and is currently \$13K higher 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 Q3 the Gazette Ad department is in a good position. They are currently \$5K ahead of budget expectations but are \$109K higher than prior year expenses. Total sales are \$25K behind budget expectations and are \$70K behind prior year. Operating expenses are tracking \$40K better than budget expectations. The editorial side is tracking \$42K ahead of budget expectations (lower than expectations by 42K) and are behind prior year spending by \$5K.
7. **Rentals** – currently the USC is \$50k ahead of prior year in terms of rental revenue and is \$44K behind budget expectations. 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. The difference between actual and budget is due to the fact that we still have a space in the building that has not yet been occupied. The budget expected the tenant to take possession in this fiscal year however they will not be in until September 2017.
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 \$4K lower than budget expectations and is \$70K higher than prior year. This area contains space rental revenue, rental revenue, cross rental revenues, as well as tech labour revenue and general labour revenues. Part time tech labour staffing expense is tracking high compared to budget expectations however the revenue generated from the increased labour has increased as well and more than offsets the increased expense. Space rentals have started to taper off as our sales rep has started directing her efforts to more digital advertising.
9. **Western Film** – Western Film is tracking \$23.7K 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 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 \$33K in revenue as at the end of Q3. Western Film has seen increases in both ticket sales as well as concession sales – this is due in part to a great movie selection that has been available during this year. The success at WF is also due to the industry releasing films more frequently throughout the year rather than releasing them only at a few key times during the year. This has enabled WF to have a steady inventory of films to choose from.
10. **Wave** – Total sales for the Wave are tracking ahead of prior year sales (\$38K) and are in line with budget expectations. Catering sales are significantly higher than prior year but are in line with budget expectations. The Wave has had a solid year up to the end of Q3 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 did not see as many caterings during the month that they had in prior year but overall catering is tracking just slightly ahead of budget (\$5K). Overall, the Wave is \$115K ahead of prior year and is \$30K ahead of budget expectations.

11. **Spoke** – The Spoke is performing ahead of budget expectations - \$145K, and is \$192K ahead of prior year. Food sales are in line with budget and are ahead of prior year by \$38K. 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 \$40K behind budget expectations and \$70K 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 and finishing sales continue to be strong but are starting to decline from expectations. Colour sales are half of what we expected them to be. Graphic design sales are also trailing budget expectations (\$9K). This was an area that was not accounted for within the original budget as the move was done post budget completion. 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.
13. **Purple Store** – Currently tracking \$41K behind prior year and \$16K behind budget expectations as at Q3. Purple Store is now responsible for selling LTC tickets and the monthly passes. Ticket sales contributed \$19K in revenues for the store as at Q3. The trend of lower retail sales has continued into Q3. Clothing sales are \$37K behind budget expectations and \$9K behind prior year. Crested goods are tracking in line with both budget and prior year. Part time labour is tracking high compared to budget and prior year. This is in part due to extended hours at the beginning of the school year – store was open later but did not have the sales to sustain this. As a result, part time labour increased over budget expectations. There has also been a trend toward debit and credit purchases over cash purchases – this has resulted in bank charges increasing over budget as well.
14. **Promos** – This area is tracking behind budget expectations (\$60K) and is \$32K 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. Promo materials sales have exceeded prior year and budget expectations - \$20K higher than budget expectations and prior year. Specialty merch is also \$13K over budget expectations and \$20K over prior year sales.

## Overall

USC is performing approximately \$1.8M ahead of prior year and \$1.5M ahead of budget expectations as set and approved by Council in March 2015. The USC operations are

\$42K ahead of budget expectations and \$230K ahead of prior year as at Q3. As a result, the USC is in a healthy position as at the end of Q3. The reason that we are so far ahead of budget expectations is mainly due to the fact that we have transferred out approximately \$865K less than budget expectations (mainly due to bus pass and health and dental transfers out), corporate spending is \$400K less than budget expectations, general revenue is \$270K over expectations and food and beverage are \$170K ahead of overall expectations as at the end of Q3.

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.