

Q3-2016 Narrative

The following document provides information on each line item of the Executive Summary as at February 29, 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.

Q3-2016 Exec Summary

1. **Student Fees** – As at February 29, 2016, the USC is approximately \$2.0M ahead of prior year in terms of receipts received from Western. This is due to a difference in the timing of receipts being sent to the USC. The USC received \$2.8M in February which is an earlier receipt than in prior year. The USC does not expect to receive any further lump sums from Western until closer to their year end which is April as that is when they reconcile amounts still owing to the USC.
 2. **Transfers Out** – As at the end of Q3 the USC shows transfers out being \$1.8M higher than this time last year. This is due mainly to four main factors: the first is that the bus pass amounts are higher than prior year due to higher premiums being paid out on a monthly basis. In total bus pass, has increased \$200K over prior year. The second factor is the new transfer out for the marching band – this has added \$11K to the transfers out that was not there last year. The third piece impacting the total transfers out is the new transfer out for the o pass fee. This amounted to a \$538K increase in transfers out. The final piece impacting the transfers out is a difference in timing of the payment of the second installment to Ombudsman. The USC paid out \$52K in February when in prior year, this installment was not paid out until March or April. Overall, there were no surprises with transfers out – they are tracking as to be expected at this point in the 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 any other miscellaneous revenue sources that the USC receives. During this quarter, the USC reversed some audit accruals from prior year audit which resulted in a \$96K entry being booked to general revenue. As a result, the year to date total is significantly higher than in previous quarters (\$160K).
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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 February, Mustang express admin was \$50K bringing the total expense for the year to \$185K. This is due to paying for the exam shuttles and regular service of Mustang Express. Insurance expenses have decreased slightly from prior year (\$8K) but are slightly higher than budget (\$6K). The organization has incurred approximately \$28k in legal fees as at the end of Q3 as well. This category is in line with budget expectations and with prior year. Overall bank service charges for the organization are down \$11K over prior year as well. This category is ahead of budget expectations by \$100K. However, no audit expenses have yet been booked for the year which makes up \$65K of the savings)

- b. **Building Expense** – this is occupancy charges and security for the building. Since the start of school, we have paid \$22K in security costs for the building. We have paid an additional \$315K in corporate occupancy to Western. This includes all space deemed corporate including offices, ½ mustang lounge space, ½ east lounge space, ½ spoke lounge space and atrium lounge. We have also true costed the PVP occupancy out to the individual portfolios so those figures are no longer in corporate. This is tracking in line with prior year and with budget expectations.
- c. **Office Expense** – This category includes corporate travel and corporate conferences and meetings. Conferences are tracking \$2k ahead of budget expectations and is \$26K ahead of prior year in terms of spending. This indicates that the USC is investing in more people to attend more conferences than in the past. We want our staff and students to be well educated and re-educated on industry trends that help improve how we operate the organization but also want to participate in sessions that engage other student organizations so that we can learn from them and be able to collaborate with them in the future. The conferences and meetings line still has a large budgeted amount remaining with \$15K to be used by the end of the fiscal year. Overall office supplies expenses are tracking in line with expectations with the exception of contracted services. This line is over budget due to the accounting of the LinkedIn contract that we signed this year. This contract offers a new and improved way to recruit, advertise and receive feedback on the job positions that get posted by the USC every year. All other aspects in this category are in line with budget expectations overall.
- 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. Overall salaries are tracking in line with budget expectations. We have invoiced the Gazette for half of the fees for services amount that was approved in last year's budget. The total charged to the Gazette is \$71,250 at the end of Q3. Professional development has been well utilized and now only has approximately \$3K remaining to be used by the end of the year. Overall, this category is tracking in line with budget expectations as at the end of Q3.

5. **PVP** – All PVP spending to date is tracking ahead of set budgets. No areas of concern noted.
6. **Media** – At the end of Q3 the Gazette Ad department continues to be in a strong position. Total sales for the quarter are ahead of budget expectations and ahead of prior year. Currently they sit \$46K ahead of budget and \$13K ahead of prior year. The salaries on the production side are higher than prior year but in line with budget expectations due to there now being two composers – one for digital and one for print. The editorial side is also tracking ahead of budget expectations (464K ahead of budget) and are \$52K higher in expenses than prior year due to the digital transformation that the Gazette is currently going through.
7. **Rentals** – currently the USC is \$37k behind prior year and \$41K behind budget expectations from a net rent point of view. In terms of rental revenue however, the USC is ahead of prior year by \$40K despite having taken on the footprint of Western Connections. 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. We have recently entered into a partnership with Western (SDC) to create a Wellness Centre within the UCC. This is located in the space formerly occupied by Travel Cuts, Biz Inc and Western Connections. One of the reasons that rental are tracking behind expectations is the change in lease start date for the dentist – we budgeted for the dentist to start paying rent effective June 1st but as per the signed lease agreement, rent began September 1st instead. This had a \$30K negative impact to the bottom line which will carry through the year. The remaining \$11K difference results from having to carry the soon to be open wellness centre for longer than expected coupled by the fact that the footprint was expanded to include Western Connections..
8. **Events and Building Services** – This area now consists of Western Connections, Mustang Central and Productions and is an extremely busy area. This category is currently tracking \$97K ahead of budget expectations. The general rental revenue is ahead of budget by \$18K as at Q3 and the space rental is \$90K ahead. . Both full time and part time salaries are up for this area over budget expectations. Full time is up \$18K over budget and part time is up \$20K over budget expectations. Space rental appears to be the strong point for this area.
9. **Western Film** – Western Film is tracking \$6K behind budget as at the end of Q3. Both ticket revenue and confection sale revenues are below budget expectations at this point in time. Overall budgeted sales are \$35K behind budget expectations and only \$12K ahead of prior year despite the fact that Western Film was closed for summer in prior year. Cost of goods sold is rising as well – it is 2.0% higher than budget at the end of Q3.
10. **Wave** – Total sales for the Wave are tracking behind budget by \$15K but are ahead of prior year by \$29K. Cost of goods is also tracking higher than budget by just under 2.0%. Front of house labour is \$26K higher than budget and \$14K higher than prior year despite marginally higher food sales. Some of this impact is from an improved and more intensive training program at the beginning of the year as well as a missed week due to school starting later for this year but the majority of the impact is due to the increase in

minimum wage and the resulting need to increase our internal part time pay grid at the same time. Alcohol sales are \$25K ahead of prior year but are significantly behind budget expectations (\$13K). This is due in part to lower than normal event activity occurring in the Wave. Catering sales are significantly lower than both budget and prior year as at Q3 as well. For catering, the Wave did not have as many weddings during the summer as in prior year which dramatically impacted their sales estimates for this area. Catering is \$19K behind prior year and \$43K behind budget. All other expense areas for the Wave are in line with budget. Overall, the Wave is \$103K behind budget expectations and \$53K behind prior year.

11. **Spoke** – Overall, the Spoke is performing behind budget expectations by \$41K and behind prior year by \$32K. Food sales continue to track ahead of budget as well as ahead of prior year. Cost of goods has started to slip at the Spoke as they are now tracking 2.0% higher than budget and only 0.5% higher than prior year. Management at the Spoke are tearing apart their menus to determine where cost increases may be required and to ensure that new menu items have been costed appropriately. Part time labour is also tracking high - \$76K higher than budget and \$60K higher than prior year. This is due in part to the increase in minimum wage and the resulting need for the USC to also increase our internal part time pay grid at the same time. This area is being monitored closely. The only other expense that is higher than budget and prior year is non reusable. This is tracking \$23K higher than budget and \$30K higher than prior year due to new containers that are biodegradable rather than using the tin foil wraps that were used in the past. All other categories of sales are tracking in line with prior year.
12. **Creative Services** – Currently tracking \$18K ahead of budget expectations and \$167K ahead of prior year. This is due in part to a new business model which recognizes much lower salaries for full time staff than in previous years. Black and white print sales are in line with prior year but are behind budget by \$5K. Colour printing is up \$6K from budget while remaining in line with prior year.
13. **Purple Store** – Currently tracking \$29K ahead of prior year and \$15K ahead of budget expectations. Expenses are also tracking lower than expected due to the fact that prior year has a portion of salary for the manager in charge of the area. This expense is housed in corporate for the current year however, moving forward for next year, the salary has been reallocated back to the Purple Store.
14. **Promos** – Currently \$46K ahead of budget. Graphic design sales are tracking ahead of budget expectations by \$8K. Specialty sales are ahead of budget expectations by \$15K due to unexpected orientation week sales.

Overall

USC is performing approximately \$225K ahead of budget expectations as set and approved by Council in March 2014. The USC is approximately \$1.0M ahead of prior year as at the end of Q3. This result is based on total corporate revenue collection less corporate expenses being \$206K ahead of PY, Events and Building Services being \$97K ahead, Creative Services, Purple Store and Promos being \$18K, \$15K and \$46K

ahead respectively, FnB being \$146K behind collectively, rentals being behind and Western Film and Gazette also being behind expectations. As a result, the USC is in a position of health as at the end of Q3. However, that state of health has many areas where improvement is required in order to achieve or outperform the budget as set in March 2014. The position of the USC could be strong if some of the negative trends noted in this report are rectified, mitigated or slowed down. Cash flows continue to be monitored extremely closely in an effort to ensure that we preserve cash to get us through the summer months of 2016 when we do not receive payments from Western. This is especially important as we do not expect to receive any new payments from Western for student fees until the end of April. Further, it is expected that any payments received in April will be small as it appears as though we have received the vast majority of student fee payments as at the end of Q3.

As At February 29, 2016

	YTD Actual	YTD Budget	YTD Last Year	Annual Budget
<i>Student Fees</i>	20,670,250	20,670,250	18,756,665	19,441,500
<i>Transfers Out</i>	(9,686,485)	(9,686,485)	(8,888,167)	(14,515,260)
Net Student Fees	10,983,765	10,983,765	9,868,498	4,926,240
<i>Miscellaneous General Revenue</i>	159,432	159,432	159,781	220,000
Total Corporate Revenue	11,143,197	11,143,197	10,028,279	5,146,240
<i>General Corporate Expense</i>	(394,638)	(490,988)	(499,045)	(654,128)
<i>Corporate General Building Exp</i>	(339,158)	(328,890)	(314,217)	(458,080)
<i>Corporate Office Expense</i>	(120,438)	(108,622)	(72,912)	(149,250)
<i>Corporate Salaries/Benefits</i>	(1,203,169)	(1,217,163)	(1,243,672)	(2,196,007)
<i>Day Care</i>	(39,755)	(36,649)	(46,246)	(52,944)
<i>Promotional & Commercial Partnerships</i>	(79,860)	(114,311)	-	0
<i>Bus Pass and Health Plan</i>	66,740	28,775	40,920	0
<i>Volunteer Resources</i>	(74,704)	(120,177)	(94,213)	0
<i>Government Services</i>	(90,920)	(93,756)	(49,958)	0
Total Corporate Expenses	(2,275,902)	(2,481,782)	(2,279,343)	(3,510,409)
Total Corporate	8,867,295	8,661,415	7,748,936	1,635,831
PVPs				
<i>President</i>	(48,828)	(80,738)		(125,525)
<i>Council</i>	(7,470)	(21,850)		(29,100)
<i>Communications Officer</i>	(40,603)	(50,871)		(68,925)
<i>Elections</i>	(3,853)	(15,250)		(20,000)
<i>Secretary Treasurer</i>	(64,480)	(75,930)		(105,350)
<i>Purple Bikes</i>	(3,733)	3,744	14,845	2,093
<i>VP Student Events</i>	(179,233)	(163,078)		(218,245)
<i>VP External</i>	(39,037)	(61,000)		(76,784)
<i>VP Internal</i>	(61,515)	(75,765)		(108,164)
Total PVP's	(448,752)	(540,738)	(450,000)	(750,000)
Media				
<i>Gazette Advertising and Production</i>	(177,062)	(126,681)	(33,098)	(122,885)
<i>Editorial</i>	(304,535)	(350,652)	(252,536)	(455,912)
Total Gazette	(481,597)	(477,333)	(285,634)	(578,797)
<i>Publications</i>	-	-	-	0
Total Media	(481,597)	(477,333)	(285,634)	(578,797)

	As at February 29, 2016			Annual
	YTD Actual	YTD Budget	YTD Last Year	Budget
Rental Properties				
<i>Rental Properties</i>	204,090	246,652	242,421	331,928
<i>Western Connections</i>	-	0	(180,000)	
<i>Mustang Central</i>	-	0	(62,000)	
Total Rental Properties	204,090	246,652	421	331,928
Productions & Building Services				
<i>Productions & Building Services</i>	(350,439)	(443,941)		(609,282)
Total Productions & Building Services	(350,439)	(443,941)	-	(609,282)
Western Film				
<i>Western Film</i>	(22,824)	(16,396)	(67,190)	(25,539)
Total Western Film	(22,824)	(16,396)	(67,190)	(25,539)
Food & Beverage				
<i>Wave</i>	(146,490)	(43,570)	(99,304)	(19,221)
<i>Spoke</i>	73,375	116,039	107,291	174,460
Total Food and Beverage	(73,115)	72,469	7,987	155,239
Retail Service Operations				
<i>Creative Services</i>	(30,876)	(48,428)	(197,792)	(19,121)
<i>The Purple Store</i>	25,664	10,580	(4,885)	1,895
<i>Promotions</i>	(97,774)	(143,137)	-	0
Total Retail Service Operations	(5,212)	(37,848)	(202,677)	(17,226)
Total Operations	(247,500)	(179,064)	(261,459)	(164,880)
Total USC	7,689,446	7,464,280	6,751,843	142,154