



## REPORT OF THE VICE-PRESIDENT FINANCE & OPERATIONS TO COUNCIL MARCH 13TH, 2014

### 1. FINANCE

#### Budget

##### ➤ **February Revision Completed**

- Budget is attached in a separate document which I will upload as soon as it is entered into the accounting software.
- Budget shows a deficit of roughly \$50,000 for this year
  - While better than the initial budgeted \$90,000 deficit, this is not ideal
- New department 1031 created in order to separate event revenues from building budget
- A large part of this deficit is due to a change in the Old McGill budget, which is now budgeted to run a \$30,000 deficit for the society. This is largely in part to the fact that a sponsorship coordinator, whose work largely benefits this department, was not hired until much later in this year due to lack of applicants.
- Change in how capital expenditures are recorded for Services and Gerts in order to show a more accurate picture of the society's financial position
- \$12,000 increase in deficit generated by General Administration, Frosh invoices unpaid generated \$5,000 more deficit. \$5,000 deficit from Four Floors.
- The real cause of this deficit comes from last year's decision to cut revenues in the building and not increase the SSMU Fee for the lease agreement. The lease agreement is costing the society \$230,000 this year with no increase in fees. While we were able to reduce the initial deficit of \$90,000, it does not look possible to completely eliminate it.

##### ➤ **Resolution**

- This year's fiscal budget is nearly impossible to break even due to costs already incurred.
- Attempting to run a profit with Gerts in order to help cover the deficit
- This late in the year, staff cuts will do minimal to affect the budget since most hours have already been incurred for this fiscal year
- No cuts can be made without significantly negatively impacting the society so our Executive have approved the current budget with the understanding that a deficit this year will not negatively impact the long term financial sustainability of the society.
- Ultimately, our Executive team cannot justify such actions such as cancelling the yearbook or cutting services while we have accumulated a \$2.7M investment portfolio and are in absolutely no danger of default.
- This year's deficit will negatively impact the capital expenditure reserve fund, as we are unable to cover the total capital expenditures of the society made this fiscal year.

#### ASEQ

##### ➤ **Claims Report**

- SSMU claims report for the year so far was presented to myself, the General Manager and the Comptroller last week
- SSMU is right on track overall with the claims being made. The premiums Desjardins are charging us are just enough to cover their administrative fee and all claims.

##### ➤ **Health and Dental Reserve Fund Status**

- ASEQ-SSMU plan is currently building up a reserve fund. This provides a stable cost to students for the Health and Dental plan.
- The Reserve is still accumulating to be paid out in future years. By ASEQ's forecasts the fund will still accumulate next year.
- The current plan was put in place to last 5 years. ASEQ is optimistic that it could last as much as 7 years.



**2. OPERATIONS**

Mini-Courses

➤ **Winter Semester**

- Mini-Courses made well over the budgeted profits for this year.
- The revised budget includes over \$3,000 in profit over what we were originally expecting. I believe this to be a conservative estimate.

The Nest

➤ **January Sales**

| For the Month of January    |            |
|-----------------------------|------------|
| Sales                       | Actuals    |
| Food Sales                  | \$ 12,702  |
| <b>Cost of Sales</b>        |            |
| Cost of Food Sales          | \$ 4,987   |
| Labour Costs*               | \$ 5,177   |
| <b>Gross Margin</b>         | \$ 2,538   |
| <b>Operating Expenses**</b> |            |
|                             | \$ 9,027   |
| <b>Surplus (deficit)</b>    | \$ (6,488) |

\* Labour costs only reflect the labour costs associated with directly preparing the food, ie: prep cooks  
 \*\*Operating Expenses includes a cost of \$6399 for Salaries and a cost of \$1580 for Benefits which make up the majority of expenses in this category.

➤ **January Sales Explanation**

- Josh has prepared a report to explain this, which I have put on Vibe for your benefit.
- Coles Notes Version: Salaries make up the total unexpected deficit. Salaries were difficult to forecast accurately. Josh believes that the salaries incurred for January are likely the required salaries needed to run The Nest.

➤ **February Pre-emptive Month End**

- Josh has completed his own February month end in order to have these figures in a more timely manner
- Josh's February month end, which may not be 100% accurate, shows a surplus of \$1,300 for this month. This is less than the \$2,300 surplus which was budgeted for this month.
- As a reaction to the unfavorable variance for these two months, Josh has revised the budget in order to break even.
- Since this

➤ **Resolution**

- As a result of limitations from McGill to catering and limitations on cost cutting, we will have to increase the revenues of this operation.
- Promotion is an avenue that we will be able to focus on more next year. Given the state of the global budget, it is not feasible to hire a student staff member to focus on promotional activities for the Café.
- The only other way to increase revenues is to increase the costs of menu items such as coffee and burritos. This is regrettable but the only feasible solution available for the rest of the year. Coffee will increase in cost by \$0.50 and burritos by \$1.00. While this may reduce the number of food items sold, we do not believe the potential decrease in demand to outweigh the increase in margins for these items.



- Josh and I are looking into how we can make The Nest more of a capital intensive business model as opposed to a labour intensive.

Gerts:

➤ **January Sales**

| <b>For the Month of January</b> |                   |                   |
|---------------------------------|-------------------|-------------------|
| <b><u>Sales</u></b>             | <b>Actual</b>     | <b>Budgeted</b>   |
| Food Sales                      | \$ 7,843          | \$ 7,583          |
| Draft Beer Sales                | \$ 44,619         | \$ 42,224         |
| Bottled Beer Sales              | \$ 2,982          | \$ 1,872          |
| Imported Beer Sales             | \$ 228            | \$ 122            |
| Liquor Sales                    | \$ 43,182         | \$ 35,554         |
| Wines/Sangria Sales             | \$ 19,981         | \$ 17,054         |
| Non Alcohol Sales               | \$ 1,389          | \$ 1,144          |
| <b>Total</b>                    | <b>\$ 120,224</b> | <b>\$ 105,553</b> |
| <b><u>Cost of Sales</u></b>     |                   |                   |
| Food                            | \$ 3,791          | \$ 5,901          |
| Draft Beer                      | \$ 23,519         | \$ 22,078         |
| Bottled Beer                    | \$ 1,051          | \$ 893            |
| Imported Beer                   | \$ 97             | \$ 46             |
| Liquor                          | \$ 14,752         | \$ 19,072         |
| Wines/Sangria                   | \$ 3,293          | \$ 17,054         |
| Non-Alcohol                     | \$ 794            | \$ 375            |
| <b>Total</b>                    | <b>\$ 47,297</b>  | <b>\$ 65,419</b>  |
| <b><u>Gross Margin</u></b>      |                   |                   |
|                                 | \$ 73,442         | \$ 48,607         |
| <b><u>Events</u></b>            |                   |                   |
| Event Revenues                  | \$ 6,439          | \$ 3,676          |
| Event Expenses                  | \$ 6,809          | \$ (430)          |
| <b><u>Other Revenues</u></b>    |                   |                   |
|                                 | \$ 2,881          | \$ 2,482          |
| <b><u>Other Expenses</u></b>    |                   |                   |
|                                 | \$ 47,522         | \$ 45,885         |
| <b><u>Surplus (Deficit)</u></b> |                   |                   |
|                                 | <b>\$ 28,430</b>  | <b>\$ 8,304</b>   |

➤ **Strategy**

- In order to increase the profits generated by Gerts this year, SSMU is implementing a variety of policies:
  - Further increasing margins through renegotiation of contracts with suppliers such as Mccauslin.



- Using dollar contributions usually reserved for promotional material to purchase product in order to further increase margins. We are using the premise of re-negotiating contracts to ask for free promotional items, which companies are happy to supply. I.e: Possibility of a Jack Daniels mural in the bar.
- Sangr-Evo Wednesdays. Evo residence hall, which is a new private residence hall opened by Campus Crest, may be sponsoring the Sangria Wednesday in the last week of March. They will subsidize each pitchers cost by \$5. We will be able to sell pitchers of Sangria, which will be coloured turquoise, for \$10 while still increasing the profit per pitcher by \$2.
- St Patricks weekend is coming up
  - 100 free green t-shirts
  - Campus Crest sponsored free St. Patricks day mugs
- **Gerts Motion**
  - Booking procedures compiled and on vibe. These will be published on the SSMU Website
  - Pre sales procedure introduced for charitable events:
    - If groups are able to sell tickets to an event ahead of time, they will be able to keep 100% of revenues

### 3. COMMITTEES

#### FERC

##### ➤ **Research**

- The research is progressing much slower than I have hoped.

#### Funding

##### ➤ **Report**

- All funding cheques have been mailed out!
- Great job to this committee, your work is greatly appreciated!

#### Finance

##### ➤ **Account List Document**

- Finance Committee has submitted all account descriptions.
- I will compile these documents and work with the Comptroller and GM to finalize this document.

#### Operations

##### ➤ **The Nest: Strategy**

- Mission Statement presented to council today

### 4. PROJECTS

#### Bylaw Book 2 Revision

##### ➤ **Better late than Never**

- I have gone through the current Bylaws with the General Manager.
- I will have to meet with the Comptroller to revise the financial procedures section so that it is up to date
- New sections will have to be created for the investment portfolio and I would like to group all sections relating to short term riskless investment.

#### Donations

##### ➤ **Meeting with McGill Administrators**

- Meeting with Olivier and Andre and representatives from Development and Alumni Relations next Tuesday to discuss the possibility of SSMU and other student associations receiving donations from Alumni.
- I am pessimistic at best, but will make it a worthy attempt.
- The donations will have to be project-based, as in we will have to submit projects to administrators and donations will only be sourced by DAR if they approve each individual project.
- If any of you have projects you would like to submit, the form for projects is on Vibe and I welcome your submissions. Please submit before the weekend if possible so that I can review it before discussing these with the DPSLL and Dean of Students. Examples include a vending machine for



bike parts for the flat, and large scale renovations for the SSMU building. Anything is fair game, although please don't submit anything too political in nature.

Budget Software

➤ **Completed**

- I have successfully completed a custom financial report, using our current accounting software, which automatically creates all of the charts in the budget presentation.
- This will change the format of the budget presentation into two documents:
  - A single document used for all the actual line item budgets broken down by department and by who is responsible for each. An example of this is on Vibe and details the budget changes for the February revision.
  - A second document used for explanations of each budgeted changes. While there is no matching example of this on Vibe, I am happy to answer any questions you may have.

Respectfully submitted,

Tyler Hofmeister