



MEMO

From the office of the...

Vice-President Finance

TO:	Full Members of the Corporation
FROM:	Vice President (Finance)
SUBJECT:	2016-2017 Budget Report
DATE:	March 23, 2016

The MSU is a very soundly and efficiently run organization. Following the principles of student-led and student-focused, we operate both effectively and prudently. However, we are not immune from larger trends within the PSE sector. A problem facing every university in Ontario is the large demographic shift in the university age population. Universities, and by extension student unions, have had budgets swell from the rapidly increasing population of student-aged individuals who are attending our respective institutions. However, this trend will now be reversed in the next 13 years, with the university age population in Ontario depressing to as low as at 88% of 2013 levels. This year, the first in recent years, experienced a decrease in student enrolment, which means our fee is no longer growing but is flat. This means that our organization has increasing costs and flat revenue. I have attached three charts at the end highlighting the challenges our organization and all actors in the PSE sphere face going forward.

Additionally, our organization has relied heavily on our income from our investment portfolio. From 2009-2015, equities had one of the greatest bull markets ever, providing us healthy returns. However 2016 has proven so far to be very volatile in financial markets, with our portfolio offering us lower returns than we had anticipated, and potentially be lower for the next few

years. This has had us budget for much lower investment income and fee revenue moving forward.

To offset these changes, across every category of department we have had to find significant savings, and revenue opportunities to ensure we are meeting our fiscal targets. The budgeted decreases between every category department are:

- Administration: -4.48%
- Business Units: -4.02%
- Committees & Services: -2.65%
- Service Operations: -11.45%

These changes are necessary to ensure fiscal stability and health moving forward. These decreases, almost exclusively to discretionary spending will ensure our organization stays fiscally sound.

Business Units

For next year's budget, we didn't make too many updates or changes on the discretionary components for our business units. Our largest focus is improving the profitability of all of our business units. Since these departments invest back into our operations, helping to enhance student programming and student life, it's imperative we improve our profitability. This upcoming year, we will be raising prices at Union Market and 1280. This past year, food inflation was calculated at approximately 20%, so it is necessary to increase prices on most items, while still providing a few items which are value in each menu section. This will help to improve profitability, while also providing great savings and value to students who want that from 1280.

Zero Cost Centre, Committee and Service Operations

This decrease in two of our largest revenue sources has corresponded with large yearly increases in our fixed costs every year. Our fixed costs are increasing at approximately 4% per year, which is the largest share of our budgeted expenses. To counteract this in the 2016-2017 budget, we have instituted reductions across every budget in discretionary spending. This restraint is necessary to ensure a balanced budget moving forward. Some departments had much larger and significant changes, and we decided on these larger reductions by trying to find efficiencies and which departments hadn't adequately utilized their budget year over year. I have listed which departments have received the largest percentage decreases and reasons for these changes.

MSU Child Care Centre

The Child Care Centre this year has seen their budget increase to \$67,720, from \$12,626. This increase is exclusively an increase in fixed costs, while also budgeting for increases in our parent fees. A significant component this budgeted increase in salaries is because last year, we didn't take into account the cost of providing upward adjustments to some of our staff for equity purposes.

MACycle

One of the budgets receiving the largest decreases is MACycle. This is because of two changes. The first is the decrease in the hours of the PTM during the summer and academic term. This has given us savings of around \$5000. Additionally, because the service has historically not gained any surplus from its sales of parts and to counter act this, we budgeted for its sales to stay flat, but its cost of goods sold to decrease by 30%, showing a \$2000 gross margin.

FIT/Shinerama and Terry Fox

In the budget for 2016-2017, we have continued the trend of making Shinerama/Terry Fox more financially sustainable for the MSU. The first large change was to increase our cost recovery on our donations. We have increased it to a \$10,000 cost recovery, while still donating almost \$11,000 towards Shinerama through all our support. Also, we have reduced the budget for Shinerama Expenses to \$15,000 a \$3000 decrease to better reflect the true costs of running the campaign. This has helped materialize a 30% savings to the MSU in this department.

First Year Council

This year, I am budgeting that FYC will be getting a 28% decrease in their budget. This has been a budget which has historically been underused. To better reflect the needs of this service, we will be decreasing their budget by \$800, taken from their annual campaigns and promo budgets.

The Silhouette

This is the department which has received the largest decrease in absolute dollar terms. The vast majority of savings has come from printing costs. With reduced circulation of the paper down to 8000 copies per week, and going from a glossy cover to a bright, matte white paper will reduce costs this year by \$40,000, but receive essentially the same product. This cost alone is the largest source of savings and we have reinvested back into improving our online product.

CFMU

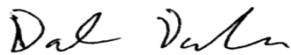
The MSU is budgeting for a slight deficit of \$3655 at CFMU for next fiscal year. This department, due to its strong fiscal management is in a very

healthy state, and should continue to have the resources necessary to grow their current platform and other offerings.

Student Health and Dental Plans

The MSU Health and Dental Plans are both in a strong position. After years of difficulties, it is imperative we ensure the health of these plans. With continued years of these surpluses however, it will be worth reviewing their accumulated surplus levels and if they are too high for our upper limits as outlined in Corporate Bylaw 3.

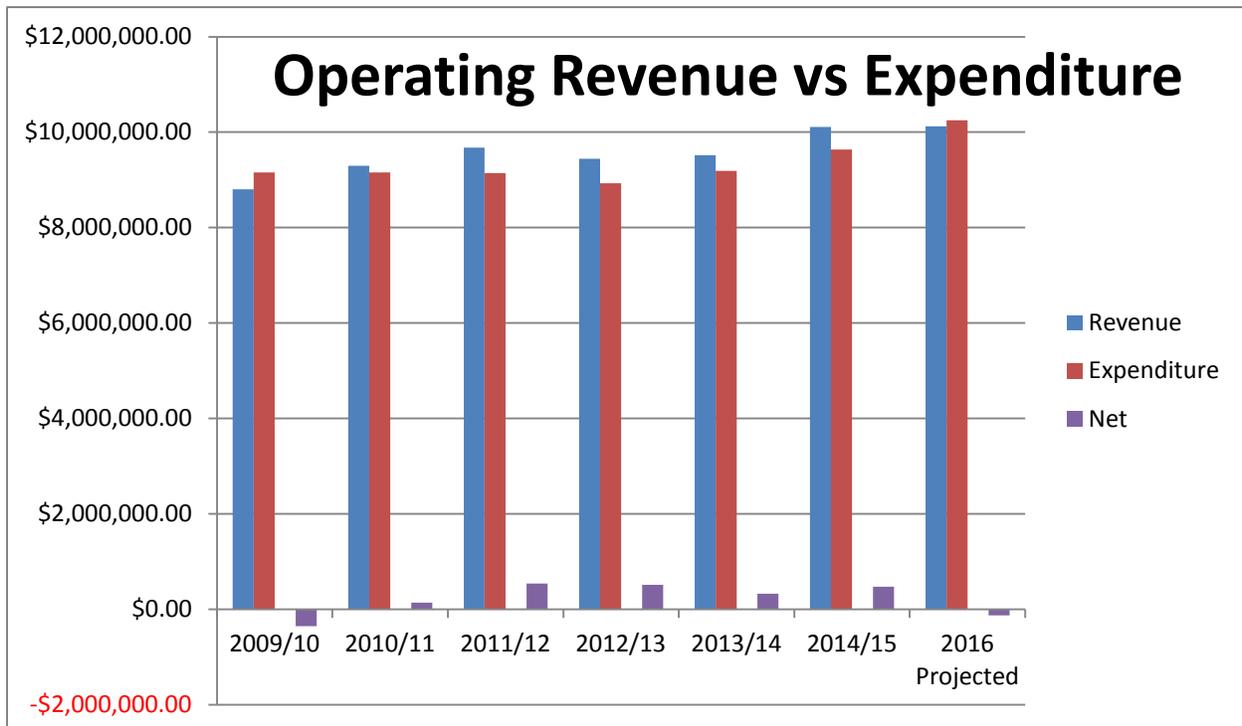
Sincerely,



Daniel D'Angela
Vice President (Finance)
vpfinance@msu.mcmaster.ca

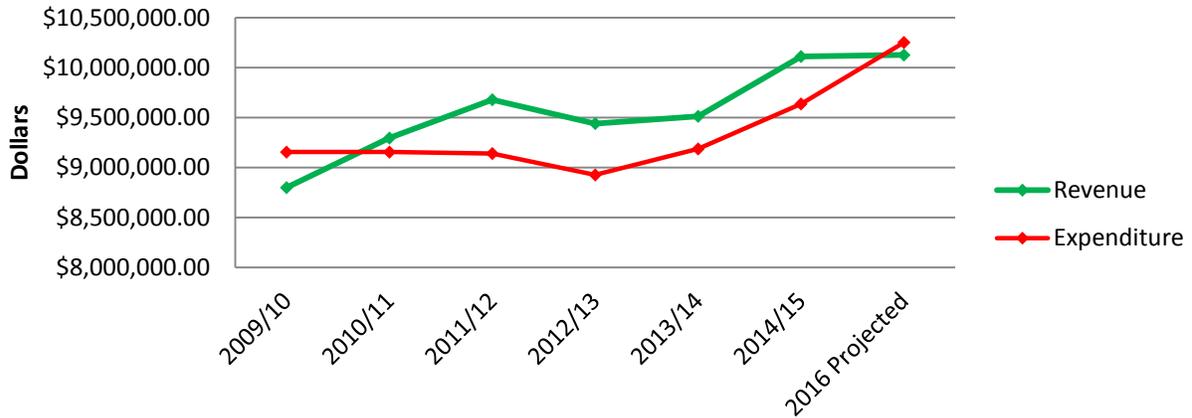
Appendix - Charts

A1) Bar Graph - Operating Revenue vs. Expenditure



A2) Line Graph - Operating Revenue vs. Expenditure

Historical View of Operating Revenue vs. Expenditure of the MSU



A3) Line Graph - Aggregate Salary vs. Operating Fee Revenue

