

STUDENTS' COUNCIL LATE ADDITIONS

Tuesday March 4th, 2014
TELUS 134

LATE ADDITIONS (SC 2013-22)

- 2013-22/1 SPEAKER'S BUSINESS
- 2013-22/2 PRESENTATIONS
- 2013-22/3 EXECUTIVE COMMITTEE REPORT
- 2013-22/4 BOARD AND COMMITTEE REPORTS
- 2013-22/5 QUESTION PERIOD
- 2013-22/6 BOARD AND COMMITTEE BUSINESS
- 2013-22/6b **HAMID/DOUGLAS MOVE THAT**, upon the recommendation of the nominating committee, Students' Council nominate Dylan Hanwell, Samer Sleiman, Helen Cashman and Cole Goshulak to sit on the General Faculties Council.
- 2013-22/6c **HAMID/DOUGLAS MOVE THAT**, upon the recommendation of the nominating committee, Students' Council nominate Zizhao Wang and Joel Baillargeon to sit on the Golden Bears and Pandas Legacy Fund Committee.
- 2013-22/6d **HAMID/DOUGLAS MOVE THAT**, upon the recommendation of the nominating committee, Students' Council nominate the next years President and Vice President(Academic) to sit the Presidents Selection Committee for the term 2014-2015
- 2013-22/6e **HAMID/DOUGLAS MOVE THAT**, upon the recommendation of the nominating committee, Students' Council nominate Ruojin Bu and Rebekah Adams to sit on the GFC standing committees
- 2013-22/7 GENERAL ORDERS
- 2013-22/7a **LE/KUSMU MOVE TO** authorize an additional allocation of up to \$400,000 from Unrestricted Reserves to be applied to the SUB Expansion and Renovation Project.
- 2013-22/8 INFORMATION ITEMS
- 2013-22/8d BFC Summary Report

Please see document LA 13-22.01

2013-22/8e

SUB Reno Budget Update

Please see document LA 13-22.02

2013-22/8f

GAC Summary Report

Please see document LA 13-22.03

2013-22/8g

Audit Committee Summary Report

Please see document LA 13-22.04

2013-22/8h

Brent Kelly, BoG Rep- Report

Please see document LA 13-22.05



BUDGET and FINANCE COMMITTEE MEETING SUMMARY REPORT TO COUNCIL

Date: February 26th 2014

Time: 5.00 pm

2013 – 2014

Motions

1.	<i>BANISTER/ZENG moved to approve the agenda for February 26, 2014 as tabled.</i>	<i>CARRIED 4/0/0</i>
2.	<i>LE/ZENG moved that upon recommendation of the Budget and Finance Committee, Students' Council approve the 2014/2015 budget principles.</i>	<i>CARRIED 4/0/0</i>

Date: 2 March 2014
To: Students' Council
From: Marc Dumouchel, General Manager
Re: Budget and Finance Update - SUB Renovation

Contents of this Memorandum

Executive Summary	1
Initial Project Estimates	1
Financing Model	1
Revised Budget and Notes	2
Costs Not Yet Finalized	4
Cost Drivers	4
Affordability	4

Executive Summary

The final tender phase of the SUB renovation came in significantly higher than budget. After raising additional funds and modifying the design to bring costs down, a shortfall in the initial financing of approximately \$200,000 is expected, assuming Energy Management Program funding is received.

Initial Project Estimates

Prior to initiating construction, the Students' Union went through three pricing exercises before arriving at a final estimate of \$13,389,000 for the renovation. These estimates were conducted by two separate bodies, with each consecutive estimate reflecting changes to scope as determined in the Schematic Development and Design Development phases of the project. The final estimate was created during Design Development, in early 2013.

After Design Development was concluded, and we moved into building the final construction documents, a number of changes needed to be made to accommodate new University requirements. This drove up our site costs considerably, but a budget review in the summer concluded that these changes could be absorbed within the existing budget, at the cost of depleting our contingency funds, if the final phases came in close to budget.

Financing Model

Based on these estimates, and on a business analysis, a financing model was adopted whereby the \$13 million would be funded by a 'loan' from the University financed by the Alberta Capital Finance Authority and \$400,000 would be financed by an allocation from the Students' Union building and unrestricted reserves. The loan would be repaid over 20 years through a combination of an annual operating contribution from SU operations and a \$9/term capital fee.

Since then, we have been successful in procuring provisional University support from the Energy Management Program to help fund the HVAC improvements, and have also secured \$190,000 in donations from business partners to supplement our financing. We are pursuing ideas for other corporate and private fundraising, but have not included any provision for that here.

Revised Budget and Notes

Below is the revised budget, followed by a series of explanatory notes.

Revised Renovation Project Budget

Budget Item	Description	Budget, Summer 2013	Budget after tenders	Difference	Savings/ Other	Revised Final Budget
Construction						
Phase 1 - Tower	3rd, 4th, and 6th floors	745,170	575,127	-170,043		575,127
Phase 2 - Lower Level	Services and meeting areas	4,580,210	4,580,210	0		4,580,210
Phase 3 - Atrium/Plaza	Atrium and plaza	4,627,595	6,589,285	1,961,690	-633,172	5,956,113
Site Services	Storm line, add'l curb, site lighting, roadway work	684,525	988,665	304,140		988,665
Contingency		754,000	0	-754,000	0	0
Allowances	Furniture, A/V, signage etc.	730,000	730,000	0		730,000
Consultants	Architects and engineers	893,053	893,053	0		893,053
Project Management	Project coordination	375,000	375,000	0	-25,000	350,000
New Funding						0
Energy Management Program					-300,000	-300,000
Tenant Contributions					-190,000	-190,000
Totals		13,389,553	14,731,340	1,341,787	-1,148,172	13,583,168
Difference from original budget						-193,615

Phase 1: Tower

These renovations were completed in late September (save a few updates to come to the committee room) and came in significantly under budget.

Phase 2: Lower Level

These renovations will be completed in stages, with the main area (lounge and student services) opening in May/June and the meeting room area complete in August. These renovations came in on budget.

Phase 3: Atrium/Plaza

Excavation for the atrium will begin this month. The atrium and plaza will take about a year to complete, with a target opening for the atrium of March 2015. This is about six months later than we were hoping.

This was the final piece of construction that went out to tender in January, and came back in February at a much higher cost than initially projected. While we did plan for some variance in pricing (this is the 'Contingency' line in the budget), the price variance greatly exceeded all expectations. We outline some of the reasons for this below, under 'Cost Drivers'.

In order to bring the budget back into line, the Students' Union met with the Project Manager, Construction Manager, and Architect to identify areas where we could find savings. We came to an agreed-upon list of design modifications that, along with re-tendering one of the sub-trades, will claw back \$633K of the overrun. As a result of this, coupled with the additional funding we have received, we have driven the overall cost overrun on the project down from 1.3M to 194K.

The specific changes that will save us the \$633K are as follows:

- Sourcing a new sub-trade contractor for concrete forming has netted a six-figure saving.
- Modifying the guardrails on the plaza and on the interior;
- Changing the upper roof from using metal sides and bottom to a stucco finish;
- The west-most portion of the south wall on the lower level has had its finish changed;
- Removing overhead doors and replacing with sliding doors; and
- Achieving savings on curbs, walks, and light bases.

These changes should have a minimal effect on the final look and feel of the design. It should be noted that the signature spider-glass glazing is retained.

Site Services

Site services, particularly the modification to storm sewer lines, proved much more expensive than originally estimated. We found some savings, with University assistance, on gas line relocation costs, but also incurred significant increases due to additional University requirements on road and service line construction. (We would note that the University has also been very helpful in trying to minimize these cost changes, as well.)

Contingency

This line refers to the contingency reserves within the original budget to manage any unexpected cost changes. The contingency has now been allocated out to Phase 3 and Site Services.

Allowances

The allowances line covers tenant improvements to SU-occupied food space on the lower level, new furniture for the renovated space, A/V equipment for meeting rooms, network equipment upgrades, and signage. The tenant improvements to SUBprint were rolled into the Lower Level cost.

This cost is on track.

Consultants and Project Management

This cost covers the cost of engineers, architects, and our project manager. We have reduced the project management component of this project.

New Funding

We have secured both Energy Management Program funding (in recognition of the energy-saving elements of the design) and donations from various business partners.

Costs Not Yet Finalized

Following conclusion of the final tender phase, only one construction item remains at-risk: the final stage of storm sewer work. We have made a conservative estimate of the cost of this final stage in our budget. We are pursuing cost-plus rather than fixed-price contracting on this element, as our project manager has advised that he believes this will save us considerable money.

We have some risk in the consultant costs; the University has assigned their own oversight to the project, and we are being billed for it. As a time- and final budget-based cost, we do not yet have a final price. We expect to be able to absorb it within the overall budget as presented. The scope of the cost is approximately \$100K.

Spending in the Allowances category is not yet finalized, so remains technically at-risk. However, we have done extensive work with furniture retailers, AICT, and others, are very confident that this line will be in line with estimates. It is a much more controllable number, as it generally involves buying things rather than services and labor, so the pricing is much more predictable and directly affected by the specific choices the Students' Union makes.

Cost Drivers

Our analysis has shown two major factors driving increased costs.

Added scope: While we have been diligent about not adding scope to the project after Design Development, we did not receive clarification on what the requirements were for roadway restoration from the University until after Design Development. This necessitated a series of design changes which added significantly to our costs. The primary issues with added scope have been the much more significant storm sewer and roadway work we are required to do. Part of the higher cost on the atrium/plaza is attributable to these changes as well.

Market conditions: For our final tender package, we received fewer than expected bids from key sub-trades such as concrete forming and piling. The University has shared with us that they, too, have had difficulties on some projects with these same sub-trades. As a result, the bids that were received came in much higher than estimated.

Affordability

Can the SU afford the overrun?

Yes. The SU remains in a strong financial position, with access to both unrestricted reserves of approximately \$2M and to loan financing from SIEF and Access Fund reserves (over \$3M and \$1.5M, respectively). Our last renovation, in fact, borrowed from Access Fund reserves and repaid it at market-competitive rates over about 5 years.

How does it affect the financial viability of the project and the Students' Union?

To understand the overall financial viability of the project, we consider many factors, as summarized in the table below. The table lines are each explained in more detail below.

Renovation Project Affordability Summary

Item	Pessimistic	Likely	Optimistic	Notes
Lease Changes	81,146	124,635	176,690	Changes to leases; additional leases.
Operational Changes	-58,264	-29,727	1,613	Net changes expected to business and maintenance costs
Reserve Income	-32,000	-24,000	-16,000	Foregone investment income
Loan Savings	300,000	300,000	300,000	Money spent on previous loans
Building Fund	60,000	60,000	60,000	Previous annual building fund contribution
Capital Fee Revenue	530,100	530,100	530,100	This should increase over time
Annual Loan Cost	-919,311	-919,311	-919,311	Annual payments for the \$13M main loan
Net Annual Impact of Renovation Project	-38,329	41,697	133,092	Impact on SU's overall financial position, annually.

Lease Changes

The renovation, coupled with related changes to the food court lease program, will result in significantly more lease revenue for the Students' Union. Depending on how successful the building is in attracting additional users, the extra revenue is expected to range from the 80K mark to potentially over 175K.

Operational Changes

When the initial affordability of the project was assessed, we examined the impact of the last renovation on business within SUB. We took the improvement shown there, applied a sensitivity analysis and a discount rate, added some additional factoring to reflect market trends (e.g., slowing used book sales), and applied it to our business models. We also made assessments of potential maintenance, utility, and cleaning impacts. Adding that all up, we came up with a range of projections about what we estimated the net financial impact of the renovations would be.

It should be noted that a piece of the expense side is highly controllable; that is, we could reduce the expansion of cleaning and maintenance if we need to.

These changes are noted in the 'Operational Changes' line.

Financial Changes - Reserve Income, Loan Savings, Building Fund, Capital Fee Revenue

The initial \$400,000 reserve contribution, plus any additional contributions required by the shortfall discussed above, are noted in the Affordability Summary on the 'Reserve Income' line. At the Pessimistic level, the total reserve contribution is estimated to be \$800K; at the Likely level, \$600K; and at the Optimistic level, \$200K.

We are no longer paying the loan for the last renovation; this is represented by the 'Loan Savings' line.

We have been making \$60K — \$100K contributions annually to the Building Reserve; these will now be used to repay the loan for this renovation. This is represented on the 'Building Fund' line.

We will be collecting a fee from students for the renovation; this is the 'Capital Fee Revenue' line.

Loan Cost

The Annual Loan Cost line represents the amount that the SU will be repaying on the \$13M loan annually. This is now a known, fixed amount for 20 years.

As you can see, we believe the project remains very affordable. Even under a pessimistic scenario, the amount at risk is marginal given the overall SU budget, representing less than 0.4% of our operating budget.

What risks are associated with the current financing plan?

From the perspective of future cash-flow to cover the cost of the loan, nothing significant is changed. The main loan remains at \$13M and on a 20 year term. The greatest foreseeable threats are significant enrolment reductions and the loss of Single Source Cold Beverage agreement revenue; these are the same threats faced when we began the project.

Short-term **enrolment reduction** is a significant risk; the University has indicated an intent for next year to reduce FLE enrolment by around 1400. (We don't know exactly how this calculation translates to headcount.) We have, however, used more conservative enrolment numbers in our estimates to begin with, so this should have a minimal impact, if any. We feel this risk is somewhat capped — the University simply cannot make major (>10%) reductions in enrolment without having to deal with significant political and economic challenges. At a worst case, a reduction of 1400 students would represent a reduction in the Capital Fee Revenue of approximately \$25,000.

This risk is also mitigated, over time by the indexed nature of the fee. In fact, should enrolment grow over the long term (our expectation), the combination of enrolment growth and indexing will significantly improve the bottom line numbers above.

The **Single-Source Cold Beverage agreement** revenue provides the money that we currently allocate to the Building Reserve (the Building Fund line in the chart). In a couple of years, this agreement will expire, and while the University is expected to pursue another such agreement, it is not clear that the Students' Union will. (Many students are concerned about the agreement.) So we have had to assess how we could manage losing that line, and have prioritized cuts to annual capital expenditures as the place where we would make changes. However, there are a couple of positive financial impacts we expect over the next year or two that also mitigate this risk.

What significant other changes to SU finances are anticipated over the next five years?

To understand the organizational risk the SU faces because of the cost overrun, it is important to have a good understanding of the larger financial context. Assuming that most operations continue their current level of activity, the major changes that are expected over the next five years are:

Transfer of the Financial Aid office to the Registrar: This will save the Students' Union over \$100K per year.

PAW Centre lease revenue: The Students' Union now has leaseholds in the new PAW Centre, and these are expected to generate up to \$50K per year in new revenue.

Program growth of services, programming, and marketing: This is expected to be minor (excluding inflation), as the directive provided to these units is to find new revenue to support program expansion.

Gender-Neutral Job Evaluation and staff compensation: With the Union, we are concluding a process of evaluating all unionized positions to ensure gender equity in our pay structure. Following that, we expect to conduct a review of non-union compensation structures. These two programs could

potentially result in significant costs, but as implementation is essentially discretionary, we will do so only if we can afford it.

Other capital programs: We are also considering three mid-size and two large-scale capital projects over the next decade. The mid-size projects are a renovation/expansion of the executive/administrative offices to incorporate the current SFAIC space; renewal of the food court area; and a renovation to Dinwoodie Lounge. The larger projects are a renovation to Horowitz Theatre and participation in the Power Plant renewal. These projects can only go ahead if a funding plan is developed for each, and thus do not pose any existential risk to the SU. The larger projects, in particular, will require fundraising and partnerships to execute.

Inflation: We receive a number of significant grants — in excess of \$750K — from the University in support of the programming we do, for services, building support, and 24-hour operation of SUB. None of these grants are indexed; our care-taking grant, for example, has been unchanged in over twenty years. Over time, inflation will create a significant challenge.

I hope that Students' Council has found the above information useful. We will be making a presentation to Council on Tuesday, and I look forward to answering any questions you have. Feel free to also e-mail me, Josh, or Petros directly if you have any questions.



GRANT ALLOCATION COMMITTEE MEETING SUMMARY REPORT TO COUNCIL

Date: February 27th 2014

Time: 5.04 pm

2013 – 2014 MEETING 19

Motions

1.	LE/MALIK moved to approve the agenda for <i>February 27, 2014</i> as amended.	CARRIED 5/0/0
2.	NGUYEN/MALIK moved to approve the minutes for <i>February 06, 2014</i> as amended.	CARRIED 4/0/1
3.	NGUYEN/MALIK moved that the committee move into Closed Session. (5.19 pm)	CARRIED 5/0/0
4.	NGUYEN/LE moved that the committee move out of Closed Session. (5.24 pm)	CARRIED 4/0/0
5.	LE/HWANG moved that the Grant Allocation Committee ratify the 2013/2014 Students' Union Awards winners as presented.	CARRIED 4/0/0
6.	NGUYEN/MALIK moved to rename the Contribution to Fine Arts award as Contribution to Fine and Performing Arts award.	CARRIED 5/0/0

AUDIT COMMITTEE MEETING SUMMARY REPORT TO COUNCIL

Date: February 27th 2014

Time: 6.11 pm

2013 – 2014

Motions		
1.	<i>MALIK/VALDEZ</i> moved to <i>approve the agenda for February 27, 2014 as tabled.</i>	<i>CARRIED</i> 4/0/0
2.	<i>MALIK/VALDEZ</i> moved to <i>approve the minutes for February 06, 2014 as tabled.</i>	<i>CARRIED</i> 3/0/1
3.	<i>MALIK/VALDEZ</i> moved to <i>approve AUFJSJ's financial report submission.</i>	<i>CARRIED</i> 4/0/0
4.	<i>VALDEZ/HAMID</i> moved to <i>adjourn the meeting.</i>	<i>CARRIED</i> 4/0/0

March 4th, 2014

To: Students' Council

Re: Report to Council

Hey Council,

I've attended two board committee meetings since we last met: the Board Health Safety and Environment Committee (BHSEC), and the Board University Relations Committee (BURC). I'll discuss the highlights of each meeting here.

BURC

The most important issue discussed at the February 24th BURC meeting was about the potential introduction of a new committee – the Board Advancement Committee. A number of other board members and I had serious concerns regarding the new committee in the format currently suggested in the draft Terms of Reference.

The committee was explained to us as a committee of external public members whose energies would be focused on building and enacting major fundraising initiatives in cooperation with the Vice-President Advancement. An important element of note was the absence of any student, graduate student, or faculty and staff representatives on the proposed committee.

This was a major area of contention from the student, academic, and staff representatives at the BURC committee. The justification we were given did not incorporate any reasons as to why not including the major campus constituent groups was a necessary or even good idea. The idea of the committee is agreeable in principle, but the implementation is terribly problematic for a number of reasons.

First of all, students, staff, and academics are given their positions on the Board legislatively via the Post-Secondary Learning Act. It begs the question as to why the PSLA would stipulate the

inclusion of these constituent groups on the Board if they were not to be given oversight of the most important operations of the University. There are committees on which students, faculty, and staff do currently sit – the Board Investment Committee and the Board Human Resources Committee, for example. There are arguably good reasons why this is the case, one being that the specialized skills and experience required from members of these committees would make it impractical for students or staff to be contribute effectively.

However, this argument doesn't apply to the proposed Advancement Committee. This is because the fundraising operations of the University do not necessarily require specialized expertise. While it is reasonable to argue that fundraising is becoming an area of specialized expertise, there is no reason to believe that fundraising is an inaccessible area for students and staff at this point. Moreover, the governance operations of the committee need oversight from the constituent groups of the University – if the committee is only for the purposes of fundraising, then there isn't really a problem. However, if the activities of the committee will encompass strategic direction and policy decisions, then there must be input from the constituent groups. A better solution might be simply to create a “working group” of external public fundraisers as a subcommittee of any Advancement Committee, but keep oversight and governance in the hands of the constituent groups.

We did not vote upon the proposal and will be reviewing it again at the next BURC meeting. Nevertheless, I will be speaking against the motion if it does not incorporate the constituent groups, and I will be encouraging my fellow members to do the same.

BHSEC meeting

Much of the February 18th BHSEC meeting focused around reviewing the various safety statistics and indicators of the University including indicators for the Office of Human Rights and Safe Disclosure (OSDHR). I noted that undergraduate students are not utilizing the services of the OSDHR and so I asked a question about why this is the case. The answer give was that the

OSDHR is more utilized by the university staff, and that they need to do more outreach to students.

Much discussion during the meeting also centered around the importance of using rigorous scientific data collection techniques in order to get a reliable benchmarks in safety results reporting. I asked a question about long-term trends in data reporting – the Committee is given lots of data about the ongoing risk-related incidents at the university, but not much long-term data. The current statistics on safety incidents at the University at best give 5-year trends. And, while I appreciate that comparing data across periods may to a certain extent amount to comparing apples and oranges, as a good practice the University should aim towards establishing good long-term data on safety incidents at the University. If we want to get a clear picture of how were doing in terms of safety, we need reliable statistics on incidents. I will continue to push for better data-collection techniques in future meetings of the BHSEC.

So that I hope gives you a good update on the important happenings on the Board front. I look forward to seeing you all soon.

In Solidarity,

Brent Kelly

Undergraduate Board of Governors Representative 2013-2014 | [University of Alberta Students' Union](#)
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