

## Briefing: Proposed Building Renovation

**From:** Brandy Sistili, Operations and Services Manager

**To:** Executive Board

**Date:** March, 2015

### Current Financial Profile of GSS

#### What student fees are collected?

GSS fees are set by referenda, and are collected by the university on behalf of the GSS.

Effective May 1, 2015, GSS fees are as follows:

Fee	Amount
Operating Fund fee:	\$40.11
Capital Fund fee:	\$9.10
Childcare fee:	\$1.02
Student group fee: <i>(This fee includes the following student groups: VIPIRG, Ombudsperson, Anti-Violence Project, clubs fees, advocacy groups, WUSC)</i>	\$7.50

Students in full time, on campus programs are assessed for the GSS Health and Dental Plan one time per year, usually in September: \$542 for 12 months coverage.

All on campus students are assessed for the U-Pass (bus pass) fee each term: \$81.00

#### *Types of funds*

GSS fees are generally collected for a specific purpose, as mandated by referendum of the membership. Fees allocated to the student groups, for example, cannot be diverted to another purpose.

#### *Unrestricted vs. Restricted*

GSS uses has separate budgets and maintains separate funds for each of its mandated financial objectives. These funds are categorized as either "restricted" or "unrestricted" with restricted funds limited to the purposes defined by the conditions imposed on the fund when it was established.

*The GSS Funds are:*

**Operating fund** (unrestricted): pays office staff, board, and day to day operations. Includes within it a restricted staff contingency fund.

**Health and dental fund** (Restricted): pays student health and dental insurance premiums and the costs of administering the insurance plan

**Capital Fund** (restricted): pays for capital maintenance and a portion is contributed to the Building Fund annually

**Building Fund** (restricted): saves for building expansion, and for emergency expenses. When spent on building renovations, the board must have a plan to repay the fund.

**Food & Beverage** (unrestricted): this fund is used for revenues and expenses of the Grad House restaurant

#### *Yearly budget allocations:*

The GSS prepares a budget for each of its funds. The Budget is approved by the membership at the March Semi-Annual General Meeting.

Where borrowing funds for a renovation is planned, members must also approve any borrowing of funds by a special resolution at a general meeting.

### *State of Funds*

#### *How does borrowing work in our context?*

The GSS has specific barriers to borrowing. Most notably, the GSS is not the legal owner of the Grad Centre building. Instead, all university buildings are owned by the university, and the GSS uses the building through a long standing agreement. Despite this, the GSS is responsible to cover costs of building renovations and upgrades, while the university shares equally in costs to maintain the building. As a result, the GSS does not have the option to use the building for collateral to guarantee a loan.

If the GSS chooses to borrow funds, the loan will need to be secured against our current funds, and the expected revenue from membership fees. We have discussed this with our credit union, and are confident we can make an arrangement to borrow funds for a renovation if needed.

## How did we get here?

### 2013 –Feasibility study and resulting recommendation

Jon Potter's feasibility study was a jumping off point for the renovation project. The strategic analysis provides details about the competitive landscape of coffee shops on the uvic campus, scope of the operation as well as financial analysis. Although there are many coffee outlets on campus the grad house could be unique in its location, patio and ability to source high quality supplies. The scope of the operations was well thought out: specialty coffee beverages, craft beer, grab and go breakfast, light snacks, and desserts. The financial analysis is where some information gaps or misassumptions began to lead the analysis astray.

However, the value of this analysis is in the provision of a roadmap to feasibility analysis calculations such as a net present value calculation (NPV) and our need to take a more thorough investigation about our assumptions and costs.

The GSS food and beverage committee was provided a briefing as a follow-up to the feasibility study. This briefing addressed two sections of the “GSS Café Feasibility Study” that speak to costs and economic logic of a café (Section 2.3 and 2.5). After drilling down on the financial analysis my recommendation was not to invest in a full café business and made three additional recommendations that set the GSS on its current project path. The three recommendation are as follows:

- 1) While envisioning the addition of an espresso machine to the Grad House it became obvious that space is at a premium in our current bar set-up and finding a place to house a machine would be difficult. Therefore, I suggest a bar renovations with the intention of increasing usability and efficiencies of the space. Potentially, expanding the behind the bar space to house an espresso machine, grinder and beer kegs. Installing swinging doors would reduce the amount of kitchen noise herd throughout the restaurant and on the small side especially. (status: request went to the spring 2014 SAGM)
- 2) The feasibility study identified increasing overall traffic in the restaurant space as an objective of the café. A potential solution could be to allocate \$60 to \$100 per department for socials to be held in the David Clode Room with the intention of covering the service charges incurred to hold an event there. This grant would reduce the barrier to booking the David Clode Room and potentially incentivize catering revenue. (status: currently on offer)
- 3) A further option to increase overall traffic in the restaurant space could be the addition of a Study/ Happy Hour Snack menu geared to those who are study but don't want a full meal. It could be offered from 2 to 5 pm during our known slow periods. This could be used in tandem with adding an espresso menu. (status: have yet to implement)

In 2014 the landscape around our building changed. The University partnered with BC transit to expand the bus loop. This physical change meant that as of Fall 2014 there is increased foot traffic in front of our building and likely changes the financial feasibility of the café project.

## 2014 – SAGM

- After consultation with UVIC facilities management GSS staff were advised that a renovation project with the scope to improve the Grad house bar (accommodate espresso, move kegs under bar, etc.) would cost around \$350 000.00. With that number in mind the GSS executive decided to bring forward a motion to spend capital “\$25,500 is approved for consultation, architect, and administration fees for a plan to redesign the Grad House bar”. This motion carried, and we had a mandate to seek a design. The project went to tender (as per UVIC procedure) and Cascadia Architects were hired to draw plans for the potential renovation.
- At the time of this motion the GSS were also seeking to replace the doors within the building to improve access, weather proofing, and install crash doors at the entrance of the grad house to facilitate leaving in case of emergency. This project was folded into the bar

renovation project on advice from facilities management (as a cost saving measure) and estimated another \$60, 000 cost.

## 2014 – Design Process

- Over the period of 6 months we met 5 times with the architecture firm and facilities management. In these meeting we discussed and reviewed designs intended to our needs.

## 2014 – 2<sup>nd</sup> SAGM

THE SAGM APPROVED THE FOLLOWING MOTION.

*“RESOLVED the members authorise the GSS Executive Board to proceed with renovations based on those proposed in the plan commissioned from Cascadia Architects; and Further RESOLVED the Executive Board is authorized to borrow or raise funds, and spend Capital and Building Funds towards this purpose in accordance with GSS Bylaw 14.5.; and Further RESOLVED the Executive Board will develop an alternative lower cost plan in consultation with the graduate student body; and Further RESOLVED the Executive Board will bring both proposals to referendum with a third option of “none of the above”.”*

## 2015 – Design Process

- The building committee put out a call for members at large to sit on this committee, and by late February two students volunteered much later then hoped, however they were able to see our final two option and were supportive of the designs.

## Timeline of proposed renovation

- Hold referendum Fall 2015
- If it passes go to tender at which point we can still say no
- After tender close grad house June- August? Reopen September 2016

## Advice Sought

UVSS – we asked about their recent renovations to Felicita’s and Vertigo and about how they financed the renovation. Each renovation costed approximately \$600,000.00. This number increased our confidence in the numbers provided by Facilities Management. The UVSS financed there renovation through a dedicated fee referendum and borrowing with their own non-building funds as collateral.

UVIC – UVic owns our building and we are the long term tenant. We asked uvic about co-signing a loan with us as well as their willingness to guarantee our use of the building in perpetuity. The University cannot co-sign a loan due to t current government policy against incurring public debt. They also provided some assurance that there is no plan in the future to move the GSS and were supportive of the idea of building improvements.

Vancity – Is our credit union. We consulted with them about lending options. They were happy to discuss creative terms for leading to us because we don’t have traditional collateral (such as building owner ship).

Obara & Company (our Auditors) – the auditors were asked for advice on what to consider when thinking about the worthiness of the project as well as to help us evaluate risk. The auditors responded with more questions such as; have we considered our alternatives? What else could we build for an equivalent amount of money, if we should consider the useful life of the major renovation to be 30 years – will we get 30 years of value from the expense? Can we guarantee our tenancy in the space for 30 years?

## Why this renovation?

Most pressing Problems address in by these designs

1) Keg lines are too long – we lose at least \$5,000.00 of potential revenue do to beer foam and beer lost to line cleaning.

Solution: the bar would be expanded to allow for keg storage under the bar.

2) Bar current design is inefficient – not enough space to store the thing we use regularly. Not enough space or correct plumbing to fit an espresso machine. No space for staff to put here stuff – it therefore ends up on the floor.

Solution: By expanding the bar there would be more space behind the bar to allow for an espresso machine, a large coffee brewer, some more useful staff space and potentially offer some easy grab and go snacks.

3) Dirty dishes and glassware on the bar is unappealing to customers and we cannot therefore seat singles or customers at it.

Solution: Create a small staff only space by the kitchen entrance, this would provide a better space to clean glasses, deal with food waste and dirty dishes. It would also obscure the view into the kitchen which could also cut down on some of the noise transfer into the restaurant

4) Space is really loud when the restaurant is full because we lost the divider and the ceilings have no sound absorbing materials.

Solution: Install door between sides of the Grad House, in the bar expansion there are pocket doors to block sound transfer between sides. Both designs also include sound panelling.

5) The small side – is a study space that is poorly defined (causes daily confusion and frustration for both staff and customers). It doesn't have enough electrical outlets to support students computing needs.

Solution: Change the furniture and décor to make it feel less like the restaurant and more like the best place to study on campus. Install a self-serve hot water tap, maybe even a toaster oven. Add additional electrical outlets install. The small side may or may not become its own café with dedicated staff and grab and go food.

6) Our current doors need to be made safer and more efficient, adding crash bars fixes safety concern, replace doors would keep out the drafts.

Solution: replace existing front entrance doors with crash bars, improve weather stripping and seals for improved energy efficiencies.

## Ten things to consider when looking at the Proposed Building Renovation

1. This consultation and design process is in its third year
2. The request to renovate the space came largely from staff experience, and was supported by a motion proposed at the 2014 SAGM to have a design created that would look at a solution for the bar and fix the doors.
3. This renovation would move the kegs inside the bar and could save around \$1,800.00 in beer waste or generate about \$5,000.00 in potential beer revenue
4. Grad student, Executive Board member, GSS staff and Grad House staff were consulted and are on the building renovation committee
5. GSS has dedicated Capital fee of \$9 per student, per term generating approximately \$9000.00 per year. We allocate \$30,000.00 annually to the building fund. Currently the Capital fund has 385,000.00 and the building fund has \$125,000.00 in restricted funds.
6. Both renovations in the SUB cost approximately \$600,000.00 – public construction costs more!
7. Restricted funds such as the Capital and Building fund cannot be used for anything else, so if we don't want to spend the monies on this proposed renovation then what other improvements should we consider?
8. This renovation would make the space better to work in and would create a better grad student space on campus
9. Furnishing, fixtures and paint depicted in the designs are place holders, that part of the designs happen only if the renovation is approved.
10. We are not intending to install another coffee shop but would be able to serve great coffee and augment our revenue streams around restaurant peaks, catch some of the walking by traffic and provide yet another serve to grad students.