

THE SU DEBT—SPECIAL REPORT

Budgets out of balance

How to get deep in debt

by Peter Michalyszyn

SU president Phil Soper needn't split hairs over the amount of the Student Union debt. Whether it's now \$900,000 or an even million, the fact is that since generating a \$139,000 operating profit three years ago the Students' Union has been floundering in the red.

So what has happened? The trouble started in March 1979 when the 1978/79 Students' Council approved a preliminary budget for 1979/80 that included a \$157,000 oversight in inter-budgetary revenues.

Until October 1979 the Students' Union thus operated on a break-even budget it thought was correct, but it in fact was a deficit budget.

On October 10, finance manager Glyden Headley said the SU was \$23,000 ahead of budget and predicted a \$285,000 profit year.

By the end of October 1979, things started to go wrong.

When departments submitted their final budgets (based on the previous year's preliminary budget) the \$157,000 inter-budgetary error started to show.

On November 13, 1979, Headley predicted \$100,000 in losses. However, not admitting the interbudgetary error immediately, Headley blamed the setback on:

- 1) a tendency to be high on expenditures;
- 2) low expectancy on revenues;
- 3) increases in capital requirements.

Headley was not incorrect. In spite of the \$157,000 error, by December 1979 Students' Union operations had lost over \$65,000. Among the worst to that date were SUB Theatre — \$67,000, Fridays' restaurant — \$30,000, and RATT kitchen — \$15,000.

As well, traditionally profitable areas such as RATT and Fridays' bars, and SUB games were showing extremely low,

almost non-existent profits. SU Records was moved down HUB mall and bought \$150,000 new inventory while \$20,000 more was spent to open SU Music and Tapes.

In other capital areas, the SU had overspent by December '79 almost \$40,000 on L'Express and SUB Theatre, and posted a \$10,000 'unusual expense' on the Boat People Fund.

While all this was happening, finance manager Glyden Headley was performing magic to produce a balanced final budget.

In late October he sat down with newly-elected v.p. finance Willie Gruber. Headley managed to cover up the \$157,000 error (in the preliminary budget of the year previous) and the operating losses to date to produce a break even final budget.

"Submitted final budgets were adjusted to show conservative expenditures and the greatest possible revenues," Headley wrote in a widely-circulated memorandum.

In fact the 1979/80 audit showed business losses of \$87,000, and capital expenditures exceeding \$140,000. Combined with the mortgage payment on SUB of \$87,000 in 1980, total losses for the year were over \$300,000.

Enter Nolan Astley and crew. The 1980/81 Students' Union executive inherited not only an inefficient business operation but also interest payments on an overdraft with the university (the SU banker) in excess of half a million dollars.

Late in September 1980 news of the previous year's loss was revealed. SU president Nolan Astley promised a process of evaluation would be undertaken within a month to help solve the debt problem.

However, even though they had known of continuing losses as of December 1979, the executive and SU management failed to stop the slide before going further into debt.

The "greatest possible revenues" expected earlier by Headley never appeared. Fridays'

and RATT restaurants continued to lose money — \$91,000 before Students' Council agreed to shut both down to prevent further losses.

Even with a freeze on capital spending the SU spent \$139,000 on ongoing capital costs. And debt interest of prime plus one per cent added up to total 1980/81 (last year) losses of \$216,000.

Nolan Astley had entered office, like Dean Olmstead before him, expecting at least a break-even year.

In keeping with the previous two administrations, SU president Phil Soper entered office with a break-even preliminary budget for 1981/82. He is expected to do better and actually generate \$100,000 in the fall final budget.

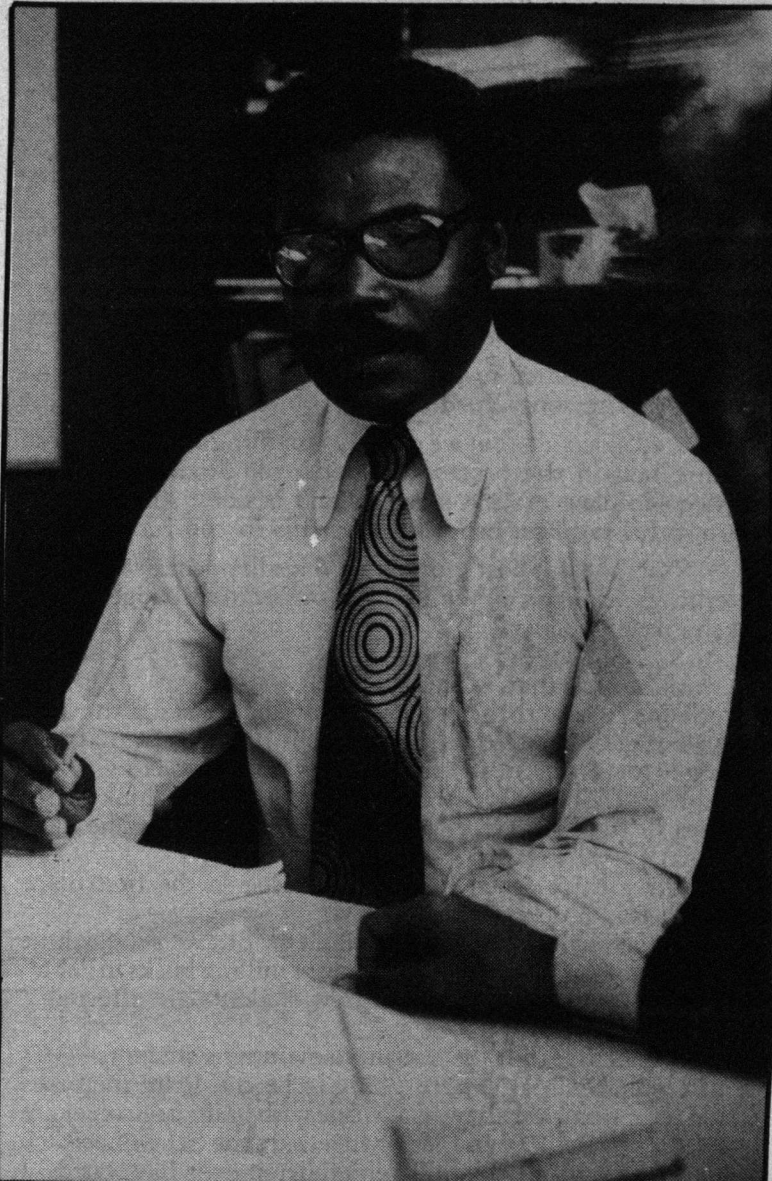
When Soper and his executive, (with three of five members from the Faculty of Commerce, it has been described as distinctly business-oriented), assumed office last May, the SU overdraft was over \$700,000.

By last August it had gone over one million.

However, unlike last year, the operation has changed a lot. Fridays and RATT kitchen are no longer operating and thus no longer lose money. Bert Best was fired last year by Astley. Glyden Headley left last June. New management has been hired.

If what Soper and v.p. finance Elise Gaudet allude to as 'people problems' can be solved in the near future the SU, they say, will soon again be healthy.

Gaudet envisages a total surplus position in four years; \$100,000 profit this year, and \$200,000 each consecutive year until 1985. She says these are conservative estimates.



Former SU finance manager Glyden Headley: Great expectations in an age of diminishing returns.

... and how to get out

by Greg Harris

The Students' Union executive at the University of Alberta has stolen a page from Soviet history with their plans to reduce the \$1 million overdraft.

A staff purge and a four-year plan will be the primary means of getting the SU back on its feet again.

Elise Gaudet, v.p. finance calls the debt-reducing scheme "very pragmatic."

"The most important thing is saving money," she says.

She says that the SU's financial goals are to get out of debt, to have inventory self financed, and to have the Students' Union Building mortgage payment in the bank.

A \$100,000 dollar profit has been targeted for this year, and a \$200,000 profit for the following three years to make up a four year plan.

She hopes that the goals can be met by trimming some of the fat on SU retail services.

"The things we're planning are no real changes in operations as such," she says.

Student-run operations such as the Gateway, CJSR, and SORSE, etc., will remain subsidized by the SU. However, business operations such as The Art Gallery, Food Services, Sub

games area and others could be changed either through staff cuts or shorter operating hours.

"In my opinion we're over-staffed anyway," she says.

Gaudet cites three areas where staff changes could save a substantial amount of money in one year: these are The Art Gallery, Food Services, and an as yet undisclosed area which is "within the Students' Union but involves the university too."

The Art Gallery will be streamlined by eliminating the art instruction portion of the service. This move, recommended by the Art Gallery management, will reduce the present staff from four to two.

Gaudet points out that art courses are offered all over the city while the gallery portion of the operation is unique within the university environment.

The major staff change within food services operations is a reduction of employment for food services manager Borge Velling. His position will change from full-time to part-time status, as was his request.

Better management in some areas will also help save money, Gaudet says.

"There are a lot of little changes that will help a lot, but they're hard to quantify in dollar terms," she says.

She says that Dinwoodie could "increase its revenues substantially through better control."

Changes in the operating hours of some services might also be considered for the summer months.

"(During the summer) we just don't have any kind of market...there are no revenues, but we're still incurring the same kinds of staff costs," Gaudet points to the SUB Games Area as one operation which fares poorly during the summer months.

The SU is also considering moving the Hub Yarn store into the Students' Union Building. The relocation would save the SU \$10,000 yearly in rent.

Another source of money is last years five dollar hike in fees. They will be distributed into two main areas. Three dollars will go into a capital fund which will be used exclusively to offset the debt, and two dollars will be used towards services operations.

Gaudet is optimistic that the plans will be successful. "We're doing what we think is the best possible thing," she says.

"(The SU) is a really flexible organization because of the businesses were in...we sell so much alcohol that that alone should carry us," she says.

She adds that any increase in prices now will be "pure revenue."

Baz by Skeet

