

MU Budget for FY 14

Decision Package #1 on funding Bookstore Revenue Loss

Memorial Union Facilities and Operations

Cost: \$732,061

The Memorial Union requests consideration for funding the loss of revenue from the loss of the Bookstore as a tenant to the MU Building for FY 14. Budget 1 we have submitted still shows income from the Bookstore as part of our revenue for FY 14. However, the Bookstore will depart the MU in August of 2013 and the early departure from the MU will trigger a payment from the OSU Administration in lieu of the lease for FY 14 only, this lost revenue is shown in Budget 2.

In December, the Fee Impact Work Group of the MU Board recommended that we consider submitted the loss of revenue as part of the FY 14 budget process. (See attachment) This work group is charged with reviewing and assisting the MU in plans that will mitigate the impact of increasing fees to operate a larger set of facilities post-construction, as well as all of the impacts from shifts in the tenant mix. In the thinking of the Fee Impact Work Group, the increasing costs resulting from construction should be spread over the greatest period of time possible, rather than seeing a huge increase in a single year or two. This is the scenario that they feel is best:

IMPACTS TO THE MU BUDGET DUE TO CONSTRUCTION BY FISCAL YEAR:

FY 14: Fund the loss of the Bookstore revenue (Revenue from the OSU Administration would be deferred to the completion of the SEC and used to help purchase new equipment and technology for Student Media programs on the 4th floor of the SEC, which is NOT funded by the project's furnishings budget. IMPACT: \$10.91 per student per term increase for F,W,S of 2013-14. The "plus" is that we are currently slated to reduce our student fee by \$4.41, so the impact would be far less if we took this step this year (\$6.50 per student/term), than if we take this step the following year when an enrollment increase is less likely. (See FY14 Budget 2)

FY 15: Fund a full year of MU East Wing operation and six months of SEC operation (SEC is slated to open January of 2015. These increases will be detailed in the spring in a report to the SIFC and requested as part of the FY 15 SIFC process.

FY 16: Fund a full year of MU East Wing and SEC operation costs.

Alternatives: If this decision package is not approved, the full impact of the Bookstore revenue loss plus the full year of the East Wing and the half-year of the SEC will all occur in the same fiscal year when an enrollment increase is unlikely. If the Decision Package (Budget 2) is not approved, the technical package for Student Media's move to the SEC will need to be funded through loan options, which will have the additional impact of interest costs. Approval of the Decision Package not only distributes the cost impacts over multiple years, but it eliminates the higher interest expense associated with the loan.

ATTACHMENT**Bookstore Lease Revenue for FY14 Fee Impact**

Starting July 1, 2013, the beginning of FY14, the impact of the bookstore leaving early will be a loss of \$732,150 (per FY13 MU approved budget). This loss will affect the student fees allocation within future fiscal years. Below is a chart to illustrate the fee impact on student fees in FY13 and FY14.

Fiscal Year	Student enrollment	Increase
FY 13	62,600	\$11.70
FY 14	67,100	\$10.91

The administration will provide a backfill for the one remaining year on the Bookstore's lease with the MU. This is a transfer of money from the administration to acknowledge the early lease termination. There is a shortage in FF&E (Furniture, Fixtures & Equipment) funding for the SEC project. The money from the OSU Administration may be best applied here. Given that the MU will no longer be receiving the monthly rent amount, the lease revenue lost in FY14 would impact the student fees during FY14 by using the backfill from OSU Administration towards FF&E. By choosing to reflect the loss of income from the Bookstore lease now, the increased enrollment projected for FY14 will also lower the per student impact of the fee. The potential fee impact in FY14 would be \$10.91 per student based on the FY14 student enrollment.

Summary:

- The money received from the administration should be applied to the shortage in FF&E. This will prevent the need to take a loan or small loan amount.
- The Memorial Union budget should be impacted by the \$732,150 loss in FY14 budget.
- If not reflected in FY14 Memorial Union Budget, it will need to be reflected in the FY15 MU Budget when it is less likely that an enrollment increase will be projected.
- Other operational costs for the SEC will be proposed in FY 15. Adjusting the fee for lost income in FY 14 produces a smaller fee impact per student for each year of the 3-year implementation sequence.

Proposal:

Therefore, we request a decision package be approved to increase student fees \$10.91 in FY14 because of the bookstore rent loss, instead of waiting until FY15.

Please note:

*FY14 MU Budget may include revenue from July and August 2013 rent from the Bookstore, before they move from the MU to the new location. Due to the variances of construction completion, a definitive forecast of that 2-month revenue is not included.

*The SEC Fee Impact Committee initially reviewed and fully supported this decision on 12/13/2012.

Budgetary Impacts for the SEC and MU East Wing operating costs and loss of revenue were originally forecast prior to the referendum on the project. Annual impacts for each of the next three fiscal years are projected:

FY 14: Revenue loss from current Bookstore lease and 2 months of operating costs for the MU East Wing (renovations will be complete in April '14).

FY 15: 6 months of SEC operating costs (SEC is opening January '15)

FY 16: Adjusting for a full 12-months of SEC operating costs