Annual Report of the UBC
Alma Mater Society
Business and
Administration
Governance Board (BAGB)
May 1st, 2014 – April 30th, 2015

This report summarizes the activity of BAGB and the AMS Businesses over the period of May 1st, 2014 – April 30th, 2015. This report was written jointly by Philip Edgcumbe (Chair of BAGB) and Ross Horton (General Manager).

Philip Edgcumbe and Ross Horton
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1 Introduction to the Annual Report of the Business and Administration Governance Board (BAGB)

This annual report was reviewed by BAGB at its October 5th, 2015 meeting and submitted to AMS Council as part of a presentation to AMS Council that will be given at the October 28th, 2015 AMS Council meeting.

This report is an opportunity to share with council the work and challenges that BAGB and the AMS Businesses have undertaken and faced this past year. This report covers the period of May 1st, 2014 to April 30th, 2015. We chose that particular time period because it coincides with the AMS businesses’ 2014/2015 fiscal year. This report has been prepared and submitted to AMS Council to satisfy the annual report requirement outlined in Section VII, Article 9 of the AMS Code of Procedures. A copy of the relevant code is included in the appendix of this report. A few initiatives are also mentioned in this report.

Graeme Nixon was the Chair of BAGB from Jan 1st-Dec 31st 2014 and Philip Edgcumbe is currently serving as Chair of BAGB, his term as Chair goes from Jan 1st- Dec 31st, 2015. This report was written jointly by Philip Edgcumbe and Ross Horton (General Manager of the AMS). The report writing was divided as follows:

- Ross wrote the following sections:
  - Section 2.1: General Update from General Manager
  - Section 3.2: Major business projects
  - Section 3.3: Summary of materials presented to the governance board

- Philip wrote the following sections:
  - Section 2.2: General BAGB and Business Update from the BAGB Chair
  - Section 3.1: BAGB Governance: Mission-related policies, administrative parameters and compensation systems for senior management
  - Section 4.1: Appendix - List of BAGB dates that BAGB met and brief summary of what was discussed at those meetings

- All other sections were co-authored

Sincerely,

Philip Edgcumbe and Ross Horton
2 General Updates about BAGB and AMS Businesses

The following section includes a general update from the General Manager (Section 2.1) and the BAGB Chair (Section 2.2)

2.1 General Update from General Manager

2.1.1 Introduction

The 2014-15 Fiscal Year was a difficult one, both financially and for the entire AMS team. We experienced ongoing construction delays that resulted in multiple false starts in the opening of Nest. The final result was a dramatic shortfall in revenue from budget, as the Nest did not open at all in the Fiscal Year.

In addition to not benefiting from increased revenue in the Nest, significantly restricted access to the old SUB due to construction on all sides of the building furthered the revenue impact on our existing businesses.

I am proud of the efforts of the entire AMS team in the face of this perfect storm, including all of the staff and students involved – the team tirelessly worked together to manage the challenges we faced.

2.1.2 Financial Overview

Construction was the bane of 2014-15 from a financial perspective, which saw a significant shortfall in revenue. The original budget contemplated the Nest opening on January 5, 2015. Following the first delay, we were hopeful that we could open in February during Reading Week. When that was not possible, we turned our sights to a mid-March opening, followed by a target of April 10 with the hope of showcasing the Nest to students before the end of classes. Our actual opening date was June 1, well after the completion of 2014-15 Fiscal Year.

Compounding revenue challenges was restricted access to old SUB as a result of several major construction projects, including the Nest itself (north side of SUB), the new Aquatic Centre (East side of SUB) and the District Hot Water Conversion project (west and south sides of SUB). Traffic at outlets dropped by as much as 25% from 2013-14 at times, further exacerbating the shortfall. At times the building was surrounded by construction on all four sides, making it difficult to access by customers and less than ideal for those who made the extra effort to find their way in.

Our businesses themselves were at the end of their life cycle, having originally planned to be closed in August 2014. Efforts to review offerings and adjust menus accordingly helped, but could not overcome the traffic challenges. In our conference business, construction (particularly the noise associated with it) made it more difficult to rent space to clients. Our focus on offsite catering resulted in an increase in total revenue from food sales, but clients for room rentals often decided to go elsewhere due to the conditions of the SUB.

Costs were managed as closely as possible – overall operating expense was down 2.5% from 2013-14 with the closure of some of our outlets, and Cost of Goods Sold was controlled despite double digit food cost increases. Labour costs were also managed as tightly as possible, ending up slightly over the 2013-14 level. These costs would have been lower without the false starts in opening, as it was necessary in preparation for opening(s) to hire the appropriate staff, resulting in additional labour costs for some businesses that were unable to deliver
the expected revenue, or didn’t deliver any revenue at all. Additionally, we could have shortened the overlap between previous and new Food & Beverage Managers had we known the actual timing of the move to the Nest.

The multiple false starts also played havoc with vacation schedules, as blackouts on vacation time are necessary for building openings. The moving of opening dates resulted in more than one blackout period, which in turn resulted in many staff not being able to take their accrued vacation time. Unused vacation time carried forward must be written off in the year it is earned, which resulted in a one-time, unusual year end additional cost. This cost will be recovered in future years as the accumulated vacation is used.

Overhead costs came in slightly under budget, and could have been a bit better were it not for an unforeseen repair in the old SUB server room. The new air conditioning equipment which was installed will be repurposed during the final renovation of the old SUB. Conclusion

2.1.3 Looking Forward

Although construction and completion delays have still plagued us in the 2015-16 Fiscal Year, including a delay to the opening of the Nest itself and further delays in the opening of the Pit and the Perch, all AMS businesses are now open and we are almost fully operational, with two tenants still to premiere. We are looking forward to capitalizing on the opportunities presented by the Nest, and to continuing to serve students in our effort to contribute to the improvement of their lives at UBC Vancouver.

2.2 General BAGB and Business Update from the BAGB Chair

2.2.1 BAGB Update from BAGB Chair

BAGB came into existence on January 1st, 2012. I have been a member of BAGB since it was created. Generally, BAGB has had two or three meetings between January and April where the focus has been primarily on reviewing the business budget for the coming fiscal year. This has primarily involved testing the assumptions for revenue projection that the General Manager has made and making a motion to inform budget committee of the expected contribution from the businesses in the coming fiscal year. May to December have been times for more strategic work.

BAGB’s most significant accomplishments in the 2014/2015 year was the AMS council level adoption of the AMS business metrics (adopted by AMS Council in Feb, 2015) and the BAGB level adoption of recommendations of AMS business governance (April, 2015). More recently, BAGB has adopted new guidelines for how the AMS business budget will be presented at BAGB and BAGB is in the process of defining the “Purposes of the AMS Businesses” which is, in some ways, a one page mission statement for our businesses. Further, BAGB is finally developing the BAGB governance manual that it was tasked to create when BAGB first came into existence. BAGB has also provided high-level oversight for the businesses that are now open in the Nest. However, the day-to-day work and the recognition for opening of The Nest goes to the AMS staff and student leadership.

I’m pleased to report that the relationship between the GM and BAGB has been cordial and productive. Further, BAGB members have been very much engaged in their role on BAGB. We are proud of the work we have done and are doing. In my opinion, any perceived failure of BAGB is due to the ambiguity of BAGB’s role in AMS bylaws and code. On one hand, code says BAGB is an advisory body and on the other hand it stipulates that BAGB is responsible for the oversight of the businesses and setting the strategic direction of the businesses.
Partly to address the ambiguity in the governance structure of the AMS businesses, on two occasions BAGB recommended that the General Manager should report to the AMS President. The first occasion was via an AMS Council motion (July, 2014) and the second occasion was via a recommendations sent to LPC asking that this reporting structure recommendation be reflected via a change to the code of procedures (April, 2015). On both occasions, the recommendation was not accepted by AMS Council or LPC. On both occasions when the General Manager was asked his opinion about the recommendation by AMS Council or LPC he spoke against the BAGB recommendation. Those were the only times in BAGB’s history that the General Manager did not support a motion, recommendation or initiative that was adopted by BAGB. BAGB invested a significant amount of time and thought in preparing that recommendation.

The BAGB meetings, and a short summary of what happened at those meetings, is included in the appendix of this document.

2.3 Joint Financial Update from General Manager and BAGB Chair

The 2014/2015 fiscal year was a challenging year in which to operate the businesses. As Ross wrote in section 2.1, significant challenges included a lot of construction surrounding the old SUB and the delay in opening of The Nest from January 5th to May, 2015. The original 2014/2015 budget assumed The Nest would open on January 5th, 2015. In 2013/2014 the contribution from AMS businesses to the AMS was $379,941, the original budget for 2014/2015 predicted a business contribution to the AMS of $485,000 and by the end of the fiscal year the contribution was in fact a negative contribution, a loss of $603,000.

Why did this happen? How did we go from a contribution of $379,941 in 2013/2014 to a loss of $603,000 in 2014/2015? That is a difference of $982,941, or about $1 million dollars. That change in $1 million between 2013/2014 and 2014/2015 can be accounted for as follows:

- **$631K less contribution**
  - $281K less contribution in AMS owned and operated food and beverage outlets (8% drop)
    - Lower revenue/contribution is due to lower foot traffic in the SUB
  - $196K less contribution in AMS owned and operated conference and catering (144% drop)
    - Lower revenue/contribution is due to a multitude of reasons.
  - $154K less contribution in building operations (32% drop)
    - The main reason for lower revenue/contribution is due to tenants leaving earlier than expected

- **$353K increase in costs**
  - $281K increase cost due to direct business overhead cost. (31% increase)
    - Direct business overhead are costs that cannot be directly assigned to individual businesses.
  - $72K increase in Indirect overhead costs (10% increase)
    - Indirect overhead costs are the costs associated with running the AMS Society as a whole.
3  BAGB Governance, Major Business Projects and materials presented to BAGB

As per the instructions in the AMS Code of Procedures (see appendix for details), the BAGB Chair wrote Section 3.1 (BAGB Governance: Mission-related policies, administrative parameters and compensation systems for senior management) and the GM wrote Sections 3.2 (Major business projects) and section 3.3 (Summary of materials presented to the governance board).

3.1  BAGB Governance: Mission-related policies, administrative parameters and compensation systems for senior management

3.1.1  Mission-Related Policies

On February 4th, 2015, the AMS Council passed the following motion:

“BE IT RESOLVED THAT the AMS adopt the metrics framework as outlined in the presentation.”

The metrics framework was developed by BAGB as a means to standardize how we evaluate the AMS Businesses in terms of financial and non-financial metrics. The four pillars of the metrics framework are business performance, environmental sustainability, social sustainability and employee development. The metrics will be how BAGB will evaluate the performance of the businesses during the thrice-yearly business reports that the General Manager makes to BAGB. The first time the metrics were (or will be reported to BAGB) are Sept, 2015 and January, 2016 for the remaining three pillars.

In July, BAGB formed a subcommittee to develop a one page document that concisely summarizes the reasons that the “Purpose of AMS businesses”. We expect to make that document into a BAGB policy and bring that completed document to AMS Council before the end of this year. The development of that policy/strategic document may lead BAGB to make some changes to the metrics framework so that the two BAGB initiatives are consistent with each other.

3.1.2  Administrative Parameters

In April, 2015 BAGB recommended several changes to the AMS Code of Procedures that relate to BAGB. BAGB had invested a significant amount of time preparing these recommendations. Thus, BAGB feels it is important to bring to AMS Council’s attention that the LPC committee did not accept all the BAGB recommendations.

3.1.3  Compensation systems for the General Manager and the other senior managers

BAGB has never adopted a compensation system policy or made any changes to the “compensation system”. The only guidelines that BAGB has in terms of the “compensation systems for the GM and the other senior managers” comes from the AMS Code of Procedures Section VII.4.7 which states that “The Chair shall approve any change in compensation for the General Manager following the approval process for such changes as specified in the Business and Administration Governance Manual”. As of now, the governance manual does not include any information about the compensation system.
The members of BAGB are aware of the compensation and benefits of the GM and senior managers and the members of BAGB have read the GM’s contract. The Chair of BAGB has done all of the above and has also read and kept a copy of the contracts of the senior managers as well. BAGB was created on January 1st, 2012 and “inherited” the compensation system and compensation levels that existed prior to the creation of BAGB and has made no significant changes.

In March, 2015, all BAGB members provided anonymous written feedback to the GM about his performance and an in camera meeting was held, with the GM present, to discuss the feedback.

3.2 Major business projects

Major business projects for the 2014-15 year were focused on preparation for the planned opening of the Nest.

3.2.1 Operations Highlights

2014-15 saw the hiring of the AMS’s first ever Marketing Manager, to focus specifically on the marketing and promotional needs of our businesses. We also saw the retirement of long time F&B Manager Nancy Toogood, and the onboarding of new F&B Manager Craig Levido, who came to us from the Vancouver Aquarium. We also added respected Chef de Cuisine, Gus Stieffenhofer-Brandson, for the Perch restaurant.

Marketing highlights included:

- Jun ’14: Marketing Strategy & Calendar developed
- Jun ’14: ZOOM Media Campaign for C+C
- Aug ’14: Rtown Loyalty app launch
- Aug ’14: X-Dine relaunch
- Sep ’14: “Back to School” Campaign
- Sep ’14: C+C Website re-launch
- Sep ‘14: “Free Food” Campus Campaign
- Oct ’14: C+C X-Mas campaign mail out
- Nov ‘14: 10% discount campaign
- Nov ‘14: 15% Blue Chip Cookies coupon
- Nov ‘14: In-App scavenger hunt and gift card price
- Nov ’14: Winter Feature Poster campaign
- Feb ‘15: Brand transition complete for launch
- Feb ‘15: ZOOM downtown C+C campaign
- Feb ‘15: Chinese New Year campaign
- Mar ‘15: Spring wedding promo
- Feb ‘15: Valentine’s Fair campaign

3.2.2 HR Highlights

It was a full year for Human Resources in 2015-16. The expanded and shifting needs of the overall workforce required many changes and significant recruitment of new talent for all areas of the organization. Two new job fairs were instrumental in getting great new people, both permanent staff and students, on board. Orientation
programs, particularly for student roles, were expanded to deliver more comprehensive preparation. The launch of the AMS Social Committee marked an ongoing effort to engage all employees, and a Health & Safety audit was conducted to ensure the AMS is up to speed in our new home. The HR department also plays a key role in relevant policy development, and was heavily involved in the review of the now revised and improved Discrimination & Harassment Policy, among others.

### 3.2.3 Finance, Administration and IT Highlights

In addition to ensuring strong financial management in the organization, the Finance, Admin and IT teams spent countless hours behind the scenes preparing for the move to the Nest. With almost every significant system and process being improved or replaced in the move to the Nest, it is a testament to this team how seamlessly the transition has been. Specific projects/accomplishments include an increase in investment returns, a reduction in insurance premiums, the conversion of AMS workstations to Windows 8.1 and the growth of the AMS Endowment Fund to $2.2 million primarily due to the sale of the Whistler Lodge.

### 3.3 Summary of materials presented to the governance board

The 2014-15 fiscal year saw the development of specific Metrics for the measurement of business, administration and operational performance. See Appendix 4.4 for the Metrics, as approved by Council.
4 Appendix

4.1 Appendix - List of BAGB dates that BAGB met and brief summary of what was discussed at those meetings

- **July 16th, 2014 BAGB meeting**: BAGB passed motion recommending to council that they adopt a motion clarifying who the GM reports to and that BAGB is an advisory board.
  - After a two-hour debate in July, Council referred the motion back to LPC and no further action was taken.
- **September 9th, 2014 BAGB meeting**:
  - Thrice-yearly business report from the GM. Included a report from Director of HR and Director of Operations.
- **October 14th, 2014 BAGB meeting**:
  - Main focus of meeting was to adopt the Business metrics framework. Extensive discussion about each of the pillars of the metrics framework.
  - BAGB endorses, in-principle, the merits to an AMS governance review.
  - Discussion about the role of communication and marketing within the AMS organization. Postponed further discussion until AMS governance review.
- **November 14th, 2014 BAGB meeting**
  - Further discussion about metrics framework.
  - BAGB makes motion to inform AMS budget committee of business reforecast from contribution for fiscal year of 2014/2015 of +$485K to -$320K.
- **January 15th, 2015 BAGB meeting**
  - Financial update about The Next project, Whistler Lodge and Operations Budget
  - Discussion of general HR issues and the performance of the AMS senior management team.
- **February 23rd, 2015 BAGB meeting**
  - Presentation of 2015/2016 draft fiscal budget
- **March 18th, 2015 BAGB meeting**
  - BAGB creates an ad hoc BAGB Governance Review subcommittee.
  - BAGB makes motion to inform AMS council of business reforecast from contribution for fiscal year of 2014/2015 of -$320K to -$532K.
- **April 20th, 2015 BAGB meeting**
  - BAGB passes motion to inform budget committee that the expected contribution for the 2015/2016 fiscal year will be $250K.
  - BAGB passes a BAGB Governance Committee Recommendations motion which asks LPC to review and add the recommendations to AMS Code to then be presented at AMS Council.
    - As of September, 2015 the recommendations have not been presented to council.
- **July 22nd, 2015 BAGB meeting**
  - Reviewed HR hiring practices and benefit
  - Contingency plan for the opening of the new SUB during this fiscal year
  - Formed a “Purposes of the AMS Businesses” subcommittee
  - Formed a “Budget Presentation Format” subcommittee
- **September 22nd, 2015 BAGB meeting**
  - Reviewed document prepared by the “Purposes of the AMS Businesses” subcommittee
Accepted motion prepared by the “Budget Presentation Format” subcommittee stipulating a new budget format to be incorporated in the 16/17 fiscal year budget presentation.

4.2 Appendix – AMS Code of Procedures

4.2.1 Section VII, Article 9:

Article 9. Reports of the Business and Administration Governance Board

1. The Annual Report of the Business and Administration Governance Board shall be prepared jointly by the General Manager and the Chair of the Governance Board, according to the following division of responsibilities:
   a. the Governance Board Chair shall prepare a compilation of all policies, compensation systems and administrative parameters adopted pursuant to Article 8(b) and (g) above since the submission of the last Annual Report;
   b. the General Manager shall prepare materials describing major business projects for which the budget has been approved by the Governance Board since the submission of the last Annual Report, and shall also prepare materials describing the progress on any such projects previously presented; and
   c. the General Manager shall prepare a summary of any materials presented to the Governance Board in compliance with obligations created by policies, compensation systems and administrative parameters adopted pursuant to Article 8(b) and (g) above for any such materials presented since the submission of the last Annual Report.

4.2.2 Section VII, article 8.1.b and article 8.1.g

8.1.b: develop and maintain, in consultation with the General Manager, mission-related policies and administrative parameters consistent with the values of the Society as identified by Council, such mission-related policies and administrative parameters to be of no force or effect until reported to Council and approved by a Two-thirds (2/3) Resolution of Council;

8.1.g: develop and administer appropriate compensation systems for the General Manager and the other senior managers involved in the Society’s business and administrative operations, to be of no force or effect until reported to Council and approved by a Two-thirds (2/3) Resolution of Council;
4.3 Appendix - Samples of creative
4.4 Appendix – Business Metrics
See attached PDF