Budgeting

Getting Started

Budgeting is a difficult process to get right and will require input from all of your co-managers. It requires both historical perspective and an intimate knowledge of the way your business runs. It's also not a one-time event; it continues to occur throughout the year. Not only is it a financial projection, but it reflects the plans and wishes of you and your collective. Let's take a look at a timeline of your important budgeting tasks:

April

- Review the past year with your bookkeeper and purchasers
- Assess how purchasing worked and if there will be any changes to vendors in the coming year
- Work with co-managers and (for food businesses) schedule a walkthrough with the Health Inspector to identify capital purchases or maintenance needed over the summer

May

- Work with your bookkeeper to determine the need for opening POs (approximately 2 months of expenses, give or take)
- Using your budget for opening POs, summer equipment purchases, and an estimate on an opening ProCard budget, work with a grad assistant to calculate your business's contingency fund (Summit – Advanced Use: Contingency Fund) to decide if you need to apply for a Cash Flow Loan.

Summer

- Check in with CSB Staff on summer purchases and unexpected expenses

September

- Labor Day: Start creating a draft budget while completing your annual Reconciliation
- First Week: As you complete your draft, meet with a grad assistant or the director to review your assumptions and clarify ideas. Work with your bookkeeper, purchasers, hiring, and other committees to identify any planned changes that could affect your budget
- First All-Staff: Present your budget draft to the collective. This doesn't need to be complicated financially, but state your assumptions and explain your plan for the year. Hear their comments and suggestions, and adjust as necessary
- Third CMM: Present a final draft of your budget. Listen to the other budgets being presented for ideas to clarify your projections
- Finalize your annual budget and check it with a grad assistant or the director

Fall

- As you complete your Monthly Performance Reports, take note of how the collective is performing against the budget you've set
- Document trends that are not contained in your budget: Rising or falling revenues, need for additional marketing funds, unanticipated capital expense, etc.

January

- Complete your Fall Reconciliation and start editing your budget

- Think about proposals that have passed in your collective and if your collective will be hiring
- Meet with a grad assistant to go over your proposed changes
- Explain your second semester budget at an All-Staff to make sure your financial vision matches the collective's operational vision

The Process

This specifically relates to the formal budgeting process that takes place in September. Let's look at the beginning, some categorical estimations and guidelines, and residual calculations. Remember: if at any point you need assistance, reach out to grad assistants, the director, or other consultants.

Preliminary Information

Know what happened last year, both financially and operationally.

- Read your MPRs and look at how your collective used its resources. What was COGS and how did it change through the year? Do you think that will change this year? How did payroll relate to how many co-managers were employed? How does your collective use each form of revenue, and how could that change?
- Read your Statements of Operations. Know what happened in your collective and why. If there were operational anomalies, know what they were and whether they are likely to occur again. Did your business have to close for any reason? How many days will it likely be open this year?
- Know your history: Which were your collective's most successful years? Worst years? Read about them and review their financial statements. What smart things could you be doing and what pitfalls do you hope to avoid?

Know what's new.

- How many co-managers do you have, how many will you be hiring, and what will all of them be paid?

- What proposals have passed and will that change what the collective does financially?
- What are your plans and projects for the year?

Fixed Costs

These are the things you know are going to occur, are regular, and don't change. They include telephone fees, Micros and Aeros fees, and BoSB Dues. Has your business made any Capital Purchases or had any other expense over the summer? Get these known amounts into the budget first.

Revenue

This can be done in multiple ways. What have been the total revenue trends for the past few years? What are the factors that have contributed to the growth or decline of revenue, and how might they change? ***Remember that Dining Dollars will be accepted at the four participating businesses***

- Top Down: How do you expect total revenue to move and why? Forecast a yearly revenue number, and then drill that down on source to come up with monthly/weekly/daily totals for all revenue sources
- Bottom Up: Use Sales Tracking to examine trends by day, week, and month (Useful for seasonal businesses like Bike and CD&C). Build your sales goals in the Sales Tracking form, add catering estimates if applicable, and extrapolate to totals.

Payroll

Know who is getting paid what so you can calculate an average salary rate. Then use that to calculate your payroll forecast.

Total Shifts per Week x Average Rate = **Base Payroll**

All-Staff Meetings x # Co-Managers x All-Staff Length x Rate = **All-Staff Pay**

Committee Hours x Rate = **Committee Pay**

This should give you a baseline from which you should build in extra time based on other activities and emergency hours: semester opening, year-end cleaning, evals, events, catering outside of business hours, night copy, etc. Also remember to subtract work-study amounts from this total

In general, payroll should be around 30-33% of total Revenue. If you are much higher than that figure, talk to your co-managers to think about staffing decisions. Sometime the amount of co-managers on work-study can make this figure change drastically from year to year. Remember that if your work-study co-managers have another campus job, the business might not be seeing that benefit.

Food for Resale/Inventory

Ideally, the bulk of this budgeting should be done starting in April as you are looking at how you have used different vendors and if you plan to change that for the next fiscal year. Budget for each individual vendor, as well as for ProCard, so it will be easier to create opening POs for the fall.

The restaurant industry standard for COGS is about 31%. Based on the purchasing habits of student businesses and the desire to price items affordably, COGS usually ends up being closer to 38-42%. If your Goods for Resale estimate is much beyond 40%, start looking at why that might be the case and how to limit purchasing to secure a healthy margin for your business.

Other Operational Expense

Capital Equipment? T-Shirts? Laundry? Any ordinary expense that carries from year to year, but also make sure to check in with co-managers about their expectations for operational changes.

Dependent Costs

Many of your expenses are tied to other figures. Budget these items last once you have the requisite information.

UCard Fee: 3% of UCard Revenue

Credit Card Fees: This is variable, but is often 3.5-5%. Estimate on the high side just in case

CSB Tax: This is a 1% tax on total revenue

Full Costing: 7.9% of Direct Expenses (no taxes or fees). This is the University's fee for using their space and services.

QuickBooks

Once you are happy with your budget, and you have reviewed it with your business, a grad assistant, and CMM, enter the values into QuickBooks as discussed in QuickBooks – Advanced Use: Budgeting, for use in comparison during Monthly Performance Reports.