

Policy 4-19 Rev.  
Date: February 14, 1992

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Subject: **AUXILIARY ENTERPRISES OPERATION**

I. PURPOSE

To provide guidelines for operation of auxiliary enterprises and their reporting and accountability requirements.

II. REFERENCES

- A. State Board of Regents Policy and Procedures R550.
- B. State Board of Regents Policy and Procedures R555.

III. DEFINITIONS

- A. Auxiliary Enterprises are business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service) operated on a self-supporting basis, the primary purpose of which is to provide specified services to the campus community.
- B. Self-Supporting means that revenues received (fees for services, sales, dedicated general fees, contributions, and investment income) should cover the direct and indirect operating expenses, assignable indirect costs, debt services and capital expenditures.
- C. Campus Community as used in this policy refers to faculty, staff, students, and campus guests of the University of Utah.

IV. POLICY

A. Support Role of Auxiliary Enterprises

Auxiliary enterprises are operated as essential elements in support of the mission of the university. They are to provide quality products and/or service at the lowest practical price.

B. Designated Auxiliary Enterprises

The following are designated auxiliary enterprises:

- Bookstore\*
- Golf Course
- Jon M. Huntsman Center\*
- Olpin University Union\*
- Parking and Campus Transportation Services\*
- Residence Halls\*
- Student Health Services
- University Food Services\*
- University Student Apartments\*

\* Participants in the Auxiliary and Campus Facilities Refunding Revenue Bonding System.

### C. Management

The university will employ professional management for auxiliary enterprises and provide administrative, accounting and financial oversight through the vice presidents for health sciences, student affairs and administrative services, as applicable.

### D. Charges for Goods and Services

Selling prices, rents, fees, admissions and other charges by auxiliaries are to be set at a level adequate to support the operating and reserve requirements, including debt service, of the enterprise. Auxiliary enterprises are, however, not expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. If fund balances constantly exceed reasonable needs, charges for goods and services should be adjusted accordingly.

### E. Auxiliary and Campus Facilities Refunding Revenue Bonding System

All of the net revenues (as defined in the pertinent bond documents) of participating auxiliary enterprises are pledged to the bond system. In March and September of each year the university General Accounting Department will transfer the accumulated net revenues to the bond trustee, a local bank.

### F. Ownership of Facilities

All facilities constructed with bond funds are the property of the University of Utah. A fair rent shall be charged to the auxiliary enterprise for use of any facility it occupies or manages. The rent may be adjusted by the administration as economic conditions warrant. The rental income charged to each participating auxiliary enterprise is pledged to the bond system and in March and September of each year the university General Accounting Department will transfer the accumulated net rents to the bond trustee, a local bank.

### G. Working Capital and Other Reserves

In order to render adequate service, auxiliary enterprises should have a solid financial base, including sufficient working capital and renewal and replacement reserves.

1. Each enterprise which maintains inventories or accounts receivable should have sufficient working capital and fund balances to support those assets. If it is not practical to maintain such cash and operating fund balances because of bond system covenants, need for large inventories, etc., auxiliaries may be allowed to deficit spend for this purpose but shall be required to pay interest on resulting negative cash balances. Written approval to deficit spend will be required from the vice president for administrative services.
2. Renewal and replacement funds shall be accumulated (in the bond system for bonded auxiliaries) in amounts sufficient to provide for major equipment repair and replacement, as well as refurbishment, renewal and replacement of physical facilities. Each auxiliary shall obtain approval from the cognizant vice president before expending renewal and replacement funds. Approval shall be based on need, cost/benefit analysis, and retention of a reserve sufficient to meet emergency renewal and replacement requirements.

### H. Charges for University Services Provided to Auxiliary Enterprises

Auxiliary enterprises are expected to pay their appropriate share of costs for physical plant operations and other directly chargeable support costs related to their operation. In addition, auxiliary enterprises shall pay an appropriate share of other administrative support costs of the university. Such charges shall be determined each year in accordance with a formula. The formula and computation of charges shall be approved by the vice president for administrative services.

I. Account Requirements Each auxiliary enterprise shall use accounting systems applicable to the type of enterprise operated. Appropriate information shall be available in and adapted to the university financial accounting system (FAS).

J. Reporting Requirements

1. Quarterly, a report shall be prepared for each auxiliary enterprise in a format provided by the vice president for administrative services. The report shall be submitted to the vice president for administrative services, who shall advise the Board of Trustees of operational problems indicated by the quarterly report.
2. Annually, a report shall be prepared for each auxiliary enterprise. The report shall contain the actual financial results of the fiscal year most recently concluded and a budget for the current fiscal year. The report shall be submitted first to the Board of Trustees for its review and approval. It then, as part of the Regents' regular annual budget process, shall be submitted to the Board of Regents. The director of finance shall coordinate the submission of the reports.
3. In connection with the annual university budget process, a report shall be prepared by each auxiliary enterprise describing its operation for the fiscal year then being concluded and evaluating how well the auxiliary serves the needs of its users. The report shall be submitted to the cognizant vice president.

K. Competition with Private Enterprise

1. Auxiliaries shall not provide services to the general public, except if that service is incidental to the ordinary and authorized function of the auxiliary.
2. Auxiliaries shall not advertise their services to the general public.
3. All auxiliaries will conduct their activities consistent with State Board of Regents policy no. R555.

Approved: Academic Senate 11/4/91; Board of Trustees 11/15/91.