

UC Santa Barbara
Policies

Policy 6000

Issuing Unit: Administrative & Auxiliary Services

Date: September 1, 1981

ESTABLISHMENT AND REVIEW OF AUXILIARY ENTERPRISES

I. REFERENCES:

- A. President Saxon to Chancellors and Members, President's Administrative Council, letter dated April 6, 1981, Policy on Establishment and Review of Auxiliary Enterprises.
- B. Accounting Manual Policy A-783-1, Auxiliary Enterprises.
- C. University of California Planning and Budget Manual, Operating Budget Amendments, Chapter 4010, VI.B.4. and VIII.B.4.
- D. University of California Business and Finance Bulletin A-47 Revised, University Direct Costing Policy.
- E. University of California Business and Finance Bulletin, BUS-72. Establishment and Review of Auxiliary Enterprises.

II. POLICY:

As the number and variety of University-sponsored business activities serving students, staff, and faculty have increased in recent years, questions have been raised regarding the extent and appropriateness of the University's involvement in commercial-type activities, especially when such activities may compete with nearby off-campus enterprises operated within the private sector. This policy has been developed to provide a uniform basis for evaluating existing and proposed University auxiliary enterprises and for explaining their purposes to the public.

It is applicable to all auxiliary enterprises operated by the University, or by organized groups affiliated with the University which are authorized to operate auxiliary enterprises. Service activities (including computer centers) operated by the University which primarily provide goods and services to University departments and whose costs are primarily recharged to departmental budgets, are excluded from the scope of this policy. Academic support units and the incidental sales and services income of academic units also are excluded from this policy.

A. CHARACTERISTICS OF AN AUXILIARY ENTERPRISE

Auxiliary enterprises are self-supporting activities which provide non-instructional support in the form of goods and services to students, faculty, and staff upon payment of a specific user charge or fee which is at least equal to the full direct and indirect cost of providing the goods and service. The general public may be served only incidentally by these enterprises. Examples of auxiliary enterprises are housing operations, non-housing food service operations, parking operations, bookstores, student centers/unions, and child-care centers. Any accumulated surplus produced by the auxiliary enterprise, other than bonded indentured activities, after all

the needs of the activity have been met is used for University purposes in accordance with University policies or pursuant to any implementing guidelines established by the Chancellor.

B. RATIONALE FOR ESTABLISHMENT AND OPERATION OF UNIVERSITY AUXILIARY ENTERPRISES

1. Need and Cost-Effectiveness

The need for certain goods and services shall be identified which, if provided at a reasonable cost and at a convenient location, would enhance and support the University's instructional, research, or public service programs. The plan to provide these goods or services through a University-operated or affiliated auxiliary enterprise shall take into account the availability, the price, and the quality of any such goods or services offered by the local business community. When such goods or services are reasonably available under more favorable commercial terms and conditions, the determining factor in the decision to operate the particular auxiliary enterprise must be the demonstration of the greater benefit which would accrue to the instructional, research, or public service programs of the campus from University operation.

2. Direct and Indirect Costs

Auxiliary enterprises bear all direct costs and, to the extent required, bear a full share of their own costs of utilities, custodian services, and other maintenance and business services. On an exceptional basis, chancellors have the authority to subsidize from the University Registration Fee or other non-State revenue sources, student/ASUC-operated enterprises and/or childcare centers if the operation of the enterprise requires subsidy.

3. Clientele

Auxiliary enterprise operations shall be conducted in a manner to serve primarily University students, faculty, and staff and such operations should only incidentally serve members of the general public. Bookstores and snackbars are examples of activities directed primarily towards the University's educational community, but which also may serve the surrounding community.

C. CRITERIA FOR ESTABLISHMENT OF NEW AUXILIARY ENTERPRISES

A new auxiliary enterprise can be established by a campus only upon written determination of need by the Chancellor after examination of at least the following criteria:

1. The need for the proposed auxiliary enterprise, the type or types of goods and services to be provided, the primary clientele to be served, and the methods of customer solicitation to be used;
2. The availability of the intended goods and services in the local business community;

3. The costs and benefits of providing the intended goods and services by the University rather than by the local business community, including a comparison of price and quality;
4. The proposed budgets, operating statements, and balance sheets for the first three years, including funding source(s) required to establish the auxiliary enterprise and to enable its continued operation on a self-supporting basis; and the proposed pricing policies; and
5. All other factors at the campus which are pertinent to the establishment and operation of the proposed auxiliary enterprise.

After the decision is made to start a new auxiliary enterprise, the enterprise shall be formally established in accordance with the provisions of the Planning and Budget Manual, Operating Budget Amendments, Chapter 4010, VII.B.4. and VIII.B.4. Documentation sustaining the determination of need shall be available as requested for review by Systemwide Administration.

D. REQUIREMENT FOR REVIEW OF EXISTING AUXILIARY ENTERPRISES

All existing campus auxiliary enterprises shall be reviewed periodically by each Chancellor, but not less frequently than once every five years, to assure that each enterprise continues to serve an important University need, is cost-effective considering business community alternatives, and serves the University community as its primary clientele. Each evaluation shall result in a written report which justified the decision by the Chancellor to continue or discontinue the enterprise. Documentation of this decision shall be available as requested for review by Systemwide Administration.

Please direct questions about these policies to Meta.Clow@vcadmin.ucsb.edu. For questions or comments regarding the format of the above information, please contact webcontact@ucsbuxa.ucsb.edu.

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