



## College Policy 5.07.01

### Auxiliary Operations

for College Policy 5.03

## Part 1. Authority

College Policy 5.02, Finance and Administrative Authority, delegates to the Vice President of Finance & Operations authority to develop procedures to implement this policy.

## Part 2. Purpose

Auxiliary enterprises are a significant part of the colleges' financial affairs. They are vital components of the total academic experience, and their proper and efficient management is an important determinant of student satisfaction.

## Part 3. Definitions

**Enterprise Funds:** The Governmental Accounting Standards Board defines enterprise funds as those funds used "to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and /or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes."

**Auxiliary Enterprises:** Within the Minnesota State Colleges and Universities the term "auxiliary enterprises" is used at various times to refer to types of operations meeting the definition of enterprises fund activities.

In the MnSCU accounting system, "auxiliary enterprises" are usually designated by appropriation ENT or REV and are largely limited to housing services, food services, retail sales (including the retail operations of the student centers and bookstore sales), loan programs and parking.

Minneapolis Community and Technical College maintains the following auxiliary enterprises:

- Parking
- Bookstore
- Space Rental
- Copy Center
- Food Service
- Vending

Any additional Auxiliary Enterprises will need President's Council approval and will need to present a business plan which reflects each of the below criteria.

## Part 4. Requirements and Practices

### Subpart A. Allowable Auxiliary Enterprises

All auxiliary enterprises must be integral to the fulfillment of the college's instructional, research or public service missions or must meet one of the other four criteria specified in College Procedure X.X.X. Competition with the Private Sector. An auxiliary enterprise is allowable only if:

1. there are compelling reasons of economic efficiency to do so;
2. the project or service is unavailable elsewhere in the community;
3. providing the product or service is a major convenience to the campus community or to members of the public participating in institutional activities; or,
4. offering the product or service is of major importance to maintaining the quality of the institution.

## **Subpart B. Cost Recovery**

Prices and rates should be established to recover full costs. The president may determine that specified other resources will be used to subsidize the enterprise. The president may also set prices in excess of those necessary to recover full cost in order to generate resources for student scholarships or activities that otherwise benefit students. In order to ensure that the providing of these goods and services are financed or recovered primarily through user charges, each area must pay both the direct and indirect costs of the enterprise. Indirect costs will be estimated based on square foot, in the cases where direct space costs are not recovered, for each enterprise.

## **Subpart C. Procedures**

Budgeting – Annually the Director of Auxiliary is responsible to provide a fully developed revenue and expenditure budget to the budget office during the all funds budget development process.

Pricing practices - Pricing/rates are established in a manner that considers funding equity among successive cohorts of students/customers by providing a two year projection for student costs at the beginning of each biennium. In order to ensure equitable pricing, the Director of Auxiliary is required to compile and document a market comparison analysis each year to ensure adequate price points and margins are reflected in the current year pricing.

## **Subpart D. Revenue and Loans**

Generally, revenues are to be expended for the auxiliary enterprise for which they were generated. Any subsidizing of one auxiliary enterprise by another auxiliary enterprise or by another fund, must be approved by the president, recorded in the accounting system and documented with a letter to the file regarding the circumstances.

All inter-program loans, including loans to general fund and special revenue fund supported activities, shall be approved by the president and recorded as a loan in the accounting system. A written agreement is required for a loan and must include a defined time period for repayment. Excess funds shall be invested in accordance with College Policy X.X, Financial Institutions and Investments.

## **Subpart E. Additional Management Expectations**

Multiple year budget and program planning is required to assure programmatic stability, fiscal soundness and funding equity among successive cohorts of students/customers.

## **Subpart F. Generally Accepted Accounting Principles**

The use of generally accepted accounting principles is expected for effective fiscal management in order to ensure that all revenues and expenses are recognized and matched in the appropriate periods, that liabilities are fully recognized and that assets and their impairment are fully considered.

## **Subpart G. Retained Earnings**

Minneapolis Community and Technical College has an annual review process and multi-year plan in place to ensure that adequate but not excessive retained earnings and designated reserves are established and maintained.

1. Retained earnings designated as reserves equal 30% of the prior year's operating expenses. Any retained earnings

accumulation exceeding 30% of the prior year's operating expenses must be approved by the president.

2. Any retained earnings accumulations in excess of the levels recommended in 1 above, must be clearly linked to specific programming and operating needs, such as student scholarships, establishing a quasi-endowment, or planned capital expenditures.
3. Except as provided in 2, above, funds in excess of acceptable levels should be used to reduce fees and charges in the next year's operating budget, or where appropriate, to address rate variation expected to occur over the next several operating budgets.

## **Part 6. Direct and Indirect Costs**

Auxiliary enterprise operations shall be allocated and may be charged for both direct and indirect costs as provided in College Procedure X.X.X., Cost Allocation, and related guidelines.

## **Part 7. Compliance**

Minneapolis Community and Technical College is responsible for ensuring the programmatic and fiscal soundness of their auxiliary enterprises and maintaining a written multi-year finance/business plan.

The Office of the Chancellor will monitor the fiscal soundness of auxiliary enterprises through normal budgetary reviews.

**Date of Adoption:** 12/27/2005

**Date of Implementation (if different from from adoption date):**

**Date of Last Review:** 12/27/2005

**Date and Subject of Revisions:**