

# UNIVERSITY OF CALIFORNIA, BERKELEY

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SANTA BARBARA • SANTA CRUZ

OFFICE OF THE CHANCELLOR  
200 CALIFORNIA HALL #1500

BERKELEY, CA 94720-1500


November 16, 2001

VICE CHANCELLOR G. PADILLA  
VICE CHANCELLOR H. MITCHELL

Re: Delegation of Authority - Establishment and Review of Auxiliary  
Enterprises (BUS-72)

In accordance with BUS-72 of the Business and Finance Bulletin, I am delegating to each of you in your positions as Vice Chancellor-Undergraduate Affairs and Vice Chancellor-Business and Administrative Services the authority to review all existing campus auxiliary enterprises within your purview periodically, to ensure 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 justifies the decision to continue or discontinue the enterprise.

Please contact Manager Susan Combs in the Chancellor's Communications and Resource Center with any concerns you may have regarding this delegation of authority.

  
Robert M. Berdahl  
Chancellor

Cc: Assistant Chancellor J. Cummins  
Manager S. Combs



# UNIVERSITY OF CALIFORNIA

OFFICE OF THE VICE PRESIDENT  
BUSINESS AND FINANCE

## BUSINESS AND FINANCE BULLETIN

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| TITLE<br>ESTABLISHMENT AND REVIEW OF AUXILIARY ENTERPRISES |   | NUMBER<br>BUS-72   |
|  |   | EFFECTIVE DATE<br>May 1, 1981  |
| SYSTEMWIDE FILE REFERENCES<br>759-18                       | REFER ALL SYSTEMWIDE QUESTIONS TO:<br>Assistant Vice President--Business Management | PAGE 1 OF 5<br>AUTHORIZED BY<br><i>Bald J. Lanna</i><br>Vice President--Financial<br>and Business Management |
| CAMPUS FILE REFERENCES                                     | REFER ALL CAMPUS QUESTIONS TO:  |  |

### 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. Planning and Budget Manual, Operating Budget Amendments, Chapter 4010, VII.B.4. and VIII.B.4.
- D. Business and Finance Bulletin A-47 Revised, University Direct Costing Policy.

### II. INTRODUCTION

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. The Policy on Establishment and Review of Auxiliary Enterprises has been developed to define the legitimate purposes of such activities and to provide a uniform basis for evaluating existing and proposed University auxiliary enterprises.

### III. SCOPE OF POLICY

The Policy on Establishment and Review of Auxiliary Enterprises 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.

#### IV. 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 services. 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 an auxiliary enterprise, other than by indentured activities, after all the needs of the activity have been met is used for University purposes in accordance with University policies and pursuant to any implementing guidelines established by the Chancellor.\*

#### V. RATIONALE FOR ESTABLISHMENT AND OPERATION OF AUXILIARY ENTERPRISES

##### A. 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 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.

##### B. Direct and Indirect Costs

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

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\*The Vice President--Agriculture and University Services has equivalent authority within appropriate areas of jurisdiction.

**C. Clientele**

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

**VI. 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 analysis of at least the following criteria:

- A. 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;
- B. the availability of the intended goods and services in the local business community;
- C. 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 prices and quality;
- D. 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
- E. 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 the Vice President--Financial and Business Management.

**VII. 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

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report which justifies the decision by the Chancellor to continue or discontinue the enterprise. Documentation of this decision shall be available as requested for review by the Vice President--Financial and Business Management.

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SANTA BARBARA • SANTA CRUZ

Office of the President

BERKELEY, CALIFORNIA 94720

April 6, 1981

CHANCELLORS  
MEMBERS, PRESIDENT'S ADMINISTRATIVE COUNCIL

Dear Colleagues:

Policy on Establishment and Review of Auxiliary Enterprises

The following Policy on Establishment and Review of Auxiliary Enterprises is effective immediately.

It is the policy of the University of California to operate, or to authorize organized groups affiliated with the University to operate, auxiliary enterprises which support and enhance its instructional, research, and public service programs. Accordingly, auxiliary enterprises shall be conducted primarily for the convenience of University students, faculty, and staff, and may only incidentally serve members of the general public.

A decision to establish an auxiliary enterprise must include consideration of the possibility of obtaining the intended goods or services through alternative means, such as commercial services available in the community. Specific factors which must be considered include:

- (a) the degree to which the University must retain the control of the enterprise in order to achieve University program purposes;
- (b) the comparative convenience, cost, and quality of the goods or services from alternate sources; and
- (c) the availability of long-range continuing resources to support the enterprise.

Vice President Lamson will issue guidelines, in the form of a Business and Finance Bulletin, for implementing this policy.

Sincerely,

David S. Saxon  
President

cc: Laboratory Directors  
Principal Officers of The Regents  
Director Gross