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| Policy Title: | Fiscal Management of Auxiliary Enterprises and Other Self-Liquidating Activities |
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| Governing Body:   | Southern Oregon University                  | Policy Number: | IMP 6.500 |
| Policy Contact:   | Vice President for Finance & Administration | Date Revised:  | July 2016 |
| Custodial Office: | Finance & Administration                    | Date Approved: | July 2016 |
| Approved By:      | President                                   | Next Review:   | July 2019 |
| Related Policy:   |   |                |           |

Revision History

| Revision Number: | Change:         | Date:     |
|------------------|-----------------|-----------|
| -                | Initial version | July 2015 |
| 1                | Revision        | July 2016 |

A. Purpose

This policy codifies and revises as Southern Oregon University Policy the rule previously adopted by the State Board of Higher Education concerning this topic and transferred to SOU by operation of law on July 1, 2015.

B. Policy Statement

**A. 6.500 Policy for Education-Related Business Activities**

The primary mission of the institution is the creation and dissemination of knowledge. To carry out this mission, the institution engages in education-related business activities, i.e., activities which enhance, promote or support instruction, research, public service or other education-related activities where goods or services being sold or rented are directly and substantially related to an educational or research program.

The Board affirms that all institution education-related business activities shall meet the following conditions:

1. The activity is deemed to be an integral part of, and directly and substantially related to, the fulfillment of an institution's instructional, research, public service or other education-related mission.
2. The activity is operated for the primary benefit of the students, staff and faculty associated with and served by the institution or its affiliated units. The activity is needed to provide goods or services at a reasonable price, on

reasonable terms, and at a convenient time and location. Sales or rental of services and products to on-campus visitors and campus conference participants are considered incidental to the purpose of these activities.

Some typical products, services and facilities provided at or in close proximity to an institution to meet the needs of its constituents are instruction-related materials; housing and food services; student health services; and athletic, cultural and recreational activities; including the facilities where such products and services are provided.

In furtherance of education-related business activities, the institution shall provide for the following:

(a) When determining whether any particular education-related business activity should be provided by the institution, the President or designees shall consider whether the activity is currently and adequately provided by private businesses. If the services of private businesses are considered adequate but the activity is nevertheless deemed important to be provided by the institution, the President or designee shall state in writing the justifications for providing the activity. A copy of the statement shall be submitted to the Board.

(b) To ensure recovery of direct costs of engaging in the education-related business activities, the institution shall charge students, faculty, staff, campus conference participants and the public to participate in institutional events, for the purchase of the goods or services, and for the rental of any facilities. The President may waive charges for selected education-related business activities.

(c) The institution may make its services and facilities available to nonprofit or community organizations without recovering all direct costs, provided there is sufficient inventory or capacity. The institution may also make its services and facilities available to for-profit community businesses and organizations provided there is sufficient capacity and availability. Charges to profit-making organizations shall cover the direct and indirect costs of the use of the facilities and services provided. Services, products and facilities may similarly be provided to federal, state, and political subdivisions, subject to negotiated charges, terms and conditions.

(d) The institution may promote and market in off-campus public media only those services and events which are of interest to the general public, such as cultural presentations, intercollegiate athletics contests and educational programs.

(e) Following approval by the President to provide goods, services and facilities referenced above, the institution shall adopt a fee schedule or, in cases where prices fluctuate, a pricing markup policy for those services, products and facilities.

## **B. 6.520 Budgeting for Auxiliary Enterprises and Other Self-Liquidating Activities**

1. The institution shall prepare and submit budgets for auxiliary enterprise and other self-liquidating activities (housing, student centers, intercollegiate athletics, health services, parking, bookstores, other rentals, other auxiliaries, service departments, designated operations) as a part of the annual operating budget development process.

2. The budgets shall be prepared based on the flow of economic resources measurement focus as required for financial reporting by the Governmental Accounting Standards Board.

3. The budgets shall conservatively anticipate income from user fees and other sources to provide for all operating expenses (including depreciation) and for the establishment and maintenance of bond sinking funds, including the repayment of any outstanding obligations, the establishment and maintenance of building/IOTB repair and

equipment replacement reserves, and the elimination of prior year cash overdrafts and/or negative net asset balances, subject to policies governing service departments approved by the institution's federal cognizant agency. If income has been or appears likely to be insufficient for these purposes, the proposed budget shall identify the sources from which needed resources are required to eliminate such deficiencies.

4. If any auxiliary enterprise or other self-liquidating activity ends a fiscal year with a cash overdraft, a negative working capital position or a negative net asset balance, the institution will submit a revised budget plan for eliminating the cash overdraft(s), the negative working capital position, and/or the negative net asset balance(s) to the Board for approval after consultation with institution management.

5. Exceptions to the requirements of subsections 1 through 4 above may be granted by the Board.

This policy may be revised at any time without notice. All revisions supersede prior policy and are effective immediately upon approval.

#### C. Policy Consultation

This policy was transferred to SOU by operation of law on July 1, 2015 from the State Board of Higher Education's set of policies known as the Internal Management Directives. Revisions to the text of the policy were posted for campus comment on June 21, 2016.

#### D. Other Information

The Policy Contact, defined above, will write and maintain the procedures related to this policy and these procedures will be made available within the Custodial Office.