



# SAN DIEGO COMMUNITY COLLEGE DISTRICT

## Administrative Procedure

### CHAPTER 6 – BUSINESS AND FINANCIAL SERVICES

#### AP 6950.1 Auxiliary Organizations

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Office(s) of Primary Responsibility:

Chancellor  
Vice Chancellor of Business Services  
Vice Chancellor of Student Services  
Auxiliary Organization

#### 1.0 Definitions

- 1.1 Board of Directors: The term Board of Directors as used herein means the governing board of an Auxiliary Organization.
- 1.2 Board of Trustees: The term Board of Trustees as used herein means the Board of Trustees of the San Diego Community College District.
- 1.3 Board of Governors: The term Board of Governors as used herein means the Board of Governors of the California Community Colleges.
- 1.4 Chancellor: The term Chancellor as used herein means the Chancellor of the District or designee.
- 1.5 District: The term District as used herein means the San Diego Community College District.
- 1.6 Associated Student Body: The terms Associated Student Body, Associated Student Organization, Student Association, Student Organization, or ASB as used herein means an organization formed by any group of students from a College of the District in accordance with the provisions of Education Code Section 76060. All clubs and organization recognized by an Associated Student Body or Organization shall be included in any Auxiliary Organization established by the Student Body or Organization.

## 2.0 Recognition and Establishment of Auxiliary Organizations

- 2.1 The Chancellor shall submit a recommendation to the Board of Trustees to establish an Auxiliary Organization when the organization will serve the District. The recommendation includes, but is not limited to, the following:
  - 2.1.1 The purpose(s) for which the Auxiliary Organization is to be established.
  - 2.1.2 Whether the proposed Auxiliary Organization will primarily serve the District or a particular college or Continuing Education.
  - 2.1.3 The functions which the Auxiliary Organization is intended to perform.
  - 2.1.4 The proposed bylaws and articles of incorporation for the Auxiliary Organization, including the size and composition of the Board of Directors.
  - 2.1.5 The proposed written agreement between the Auxiliary Organization and the District, as required in Title 5, Section 59257.
- 2.2 The process of recognition shall be as follows:
  - 2.2.1 When the Chancellor receives a request to establish an Auxiliary Organization, the Chancellor shall submit a recommendation concerning the establishment of said organization to the Board of Trustees within three (3) months.
  - 2.2.2 The Board of Trustees shall hold a public hearing on each recommendation concerning the establishment of an Auxiliary Organization.
  - 2.2.3 At a subsequent scheduled meeting after the public hearing, the Board of Trustees shall announce its decision concerning the establishment of the organization, and, if approved, authorize the functions it may perform, identify the number and category or categories of the Board of Directors and approve the written contractual arrangements.
- 2.3 At such time as the District recognizes an Auxiliary Organization, it shall submit to the state Chancellor's Office any written agreements with the Auxiliary Organization, as well as the articles of incorporation, bylaws, or other governing instruments.

## 3.0 Recognized Services, Programs and Functions

- 3.1 Auxiliary Organizations may be recognized and established by the Board of Trustees to perform the following services, programs and functions but such functions are not required to be established as auxiliary organizations:
  - 3.1.1 Student association or organization activities;
  - 3.1.2 Bookstores;
  - 3.1.3 Food services;

- 3.1.4 Student union programs;
  - 3.1.5 Facilities and equipment, including parking;
  - 3.1.6 Loans, scholarships, grants-in-aid;
  - 3.1.7 Workshops, conferences, institutes and federal and specially funded projects;
  - 3.1.8 Alumni activities;
  - 3.1.9 Supplementary health services;
  - 3.1.10 Gifts, bequests, devises, endowments and trusts; and
  - 3.1.11 Public relations programs.
- 3.2 No Auxiliary Organization shall be authorized by the Board of Trustees to engage in any other function, unless the Board of Governors amends Section 59259 of Title 5, by adding said function to the list of approved functions of Auxiliary Organizations; or unless said function is essential to satisfy the non-profit corporation or tax laws of the State of California or the Federal tax laws.
- 3.3 Operations of commercial service on campus shall be self supporting when operated by an auxiliary organization.
- 4.0 Authority and Responsibility of Auxiliary Organizations
- 4.1 Enrollment in courses or programs offered by Auxiliary Organizations shall not be included in reports to the state for the purpose of receiving apportionment funding.
- 4.2 All services, programs and activities that may be undertaken by an Auxiliary Organization shall be maintained for the general benefit of the educational program of the district. Upon Board of Trustees' approval, an Auxiliary Organization may assume any of the services, programs and activities in order:
- 4.2.1 To provide the fiscal means and the management procedures that allow the District to carry on educationally related activities not normally funded by State apportionment;
  - 4.2.2 To eliminate the undue difficulty that would otherwise arise under the usual governmental budgetary, purchasing and other fiscal controls; or
  - 4.2.3 To provide fiscal procedures and management systems that allow effective coordination of the Auxiliary activities with the District in accordance with sound business practices.
- 5.0 Composition of Boards of Directors
- 5.1 The Board of Directors of each Auxiliary Organization shall have the following composition:
- 5.1.1 Student Associations or Organizations Established as Auxiliary Organizations: The Board of Directors shall consist primarily of students. The Vice Chancellor of Student Services or designee may attend and participate in meetings of the Board of Directors, in order to advise on

policy and to provide for the control and regulation required by Education Code Section 76060.

5.1.2 Other Auxiliary Organizations: Any other District approved Auxiliary Organization that is established pursuant to Section 72670 et seq., of the Education Code shall have a Board of Directors appointed in accordance with the organization's articles of incorporation or bylaws and consisting of voting membership from one or more of the following categories: faculty, administration, staff, students, members of the community.

5.2 The size of the Board of Directors of any Auxiliary Organization shall be at least large enough to accommodate the one or more categories from which board members are selected.

5.3 The Board of Directors shall have the advice and counsel of at least one attorney admitted to practice in California and at least one certified public accountant. Neither the attorney nor the public accountant need be a member of the Board of Directors.

#### 6.0 Conduct of Boards of Directors

6.1 No membership of the Board of Directors of an Auxiliary Organization shall be financially interested in any contract or other transaction entered into by the Board of which he/she is a member. Any contract or transaction entered into in violation of this section is void.

6.2 No contract or other transaction entered into by the Board of Directors of an Auxiliary Organization is void under the provisions of Education Code Section 72677; nor shall any member of such board be disqualified or deemed guilty of misconduct in office under such provisions, if pursuant to Education Code Section 72678 both of the following conditions are met:

6.2.1 The fact of such financial interest is disclosed or known to the Board of Directors and noted in the minutes, and the Board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose, without counting the vote or votes of such financially interested member or members, and

6.2.2 The contract or transaction is just and reasonable as to the Auxiliary Organization at the time it is authorized or approved.

6.3 The provisions of Section 6.2 above shall not be applicable if any of the following conditions exist:

6.3.1 The contract or transaction is between an Auxiliary Organization and a member of the Board of Directors of that organization.

6.3.2 The contract or transaction is between an Auxiliary Organization and a partnership or unincorporated

- 6.3.3 Association of which any member of the governing board of that Auxiliary Organization is a partner or in which his/her is the owner or holder, directly or indirectly, of a proprietorship interest.
  - 6.3.4 The contract or transaction is between an Auxiliary Organization and a corporation in which any member of the Board of Directors of that Auxiliary Organization is the owner or holder, directly or indirectly, of five percent or more of the outstanding common stock.
  - 6.3.5 A member of the Board of Directors of an Auxiliary Organization is interested in a contract or transaction within the meaning of Education Code Section 72677, and without first disclosing such interest to the governing board at a public meeting of the Board, influences or attempts to influence another member or members of the Board to enter into the contract or transaction.
- 6.4 It is unlawful for any person to utilize any information, not a matter of public record, which is received by the person by reason of her/his membership on the Board of Directors of an Auxiliary Organization, for the personal pecuniary gain, regardless of whether he/she is or is not a member of the Board at the time such gain is realized.

## 7.0 Bylaws

- 7.1 The bylaws of an Auxiliary Organization shall include, but not be limited to, the following:
  - 7.1.1 The number of members of the Board of Directors, the categories from which members shall be selected and the method by which they shall be selected.
  - 7.1.2 The size of the Board of Directors.
  - 7.1.3 That at least one public business meeting will be held each quarter. The Board of Directors shall conduct its business in public meetings in accordance with the provisions of the Ralph M. Brown Act, Government Code Sections 54950, *et seq.*
  - 7.1.4 The timetable for the preparation and adoption of its program and annual budget and the submission of both for review to the Chancellor.
  - 7.1.5 That an attorney admitted to practice in this state, and a licensed certified public accountant, shall be selected to provide advice and counsel to the Board of Directors. Each shall have experience appropriate to the responsibility and shall have no financial interest in any contractor other transaction entered into by the Board, which he/she serves. Neither the attorney nor the certified public accountant needs to be a member of the Board of Directors.
  - 7.1.6 The procedures for approving expenditures.

7.1.7 The procedures for accepting gifts, donations, bequests, trusts and specially funded grants and other income.

## 8.0 Master Agreement between District and Auxiliary Organizations

- 8.1 In the recognition and establishment of an Auxiliary Organization, there shall be a written agreement between the District and the Auxiliary Organization, which sets forth the purposes of the Auxiliary Organization as permitted under this regulation, and Title 5 Section 59259.
- 8.2 Should an Auxiliary Organization provide more than one service, program or function, such service, program or function may be authorized in one or more written agreements with the District. Such services, programs and functions thereby performed by an Auxiliary Organization may also be part of a joint powers agreement in accordance with Education Code Section 72671 and Government Code Section 12580, *et seq.*
- 8.3 An Auxiliary Organization shall provide only those services, programs or functions authorized by a written agreement. No other service, program or function shall be permitted or performed unless a written agreement between the District and the Auxiliary Organization is amended to provide otherwise.
- 8.4 The agreement shall include, but is not limited to, the following provisions:
- 8.4.1 The services, programs, or functions the Auxiliary Organization is to manage, operate or administer;
- 8.4.2 A statement of the reasons for administration of the function by the Auxiliary Organization instead of by the District under usual District procedures;
- 8.4.3 The areas of authority and responsibility of the Auxiliary Organization and the District or college;
- 8.4.4 The facilities and services to be made available by the District to permit the Auxiliary Organization to perform the services, programs or functions specified in the written agreement;
- 8.4.5 The charge or rental, if any, to be paid to the District by the Auxiliary Organization for the facilities used or services provided in connection with the performance of its function. The charge or rental specified shall be identified in sufficient time before it is incurred so that the Auxiliary Organization may determine to what extent it is liable;
- 8.4.6 Full reimbursement to the District for services performed by the District or by District employees in support of the Auxiliary Organization. Student Body auxiliary organizations may be exempt from reimbursing all or any portion of the costs of such services. Methods of pro-ration where services are performed by District employees for the Auxiliary Organization shall be as mutually determined.

- 8.4.7 A mutually agreed upon method of determining in advance to what extent the organization shall be liable for indirect costs relating to specially funded programs;
- 8.4.8 The responsibility for maintenance and payment of operating expenses;
- 8.4.9 Proposed expenditures for public relations or other purposes, which would serve to augment District appropriations for operation of the District. With respect to these expenditures, the Auxiliary Organization may expend funds in such amount and for such purposes as are approved by the Board Directors of the Auxiliary Organization. The Board of Directors shall file with the Chancellor a statement of such policy on accumulation and use of public relations funds. The statement shall include the policy and procedure on solicitation of funds, source of funds, amounts, and purpose for which the funds will be used, allowable expenditures, and procedures of control;
- 8.4.10 The disposition to be made of net earnings derived from the operation of the Auxiliary Organization, including earnings derived from facilities owned and leased by the Auxiliary Organization, and provisions for reserves;
- 8.4.11 The disposition to be made of net assets and liabilities on dissolution of the Auxiliary Organization or cessation of the operation under the agreement;
- 8.4.12 The covenant of the Auxiliary Organization to maintain its organization and to operate in accordance with Education Code Sections 72670 through 72682 and regulations contained in Title 5, Section 59250, *et seq.*, as well as District Board Policy and Administrative Procedures;
- 8.4.13 The understanding that the Auxiliary Organization shall obtain the services and counsel of an attorney admitted to practice in the State of California whenever the need arises;
- 8.4.14 The understanding that the Auxiliary Organization shall not enter into any contract or other business arrangement involving real property either by lease involving payments of more than \$25,000 per annum and duration terms more than one year, or by purchase without prior notification and consultation with the Chancellor.

## 9.0 Personnel

- 9.1 Each Auxiliary Organization shall develop general regulations to govern its operations, including policies and regulations concerning the salaries, working conditions and benefits of its employees.
- 9.2 The aforesaid regulations shall not conflict with the implementing policies adopted by the Board of Trustees or with these administrative procedures.

- 9.3 Except as otherwise provide in any board rules, The Board of Directors of each Auxiliary Organization shall, pursuant to Education Code 72672, provide salaries, working conditions and benefits for its full-time employees that are comparable to those provided District employees performing substantially similar services. For those full-time employees who perform services that are not substantially similar to the services performed by District employees, the salaries established shall be comparable to the salaries prevailing in other educational institutions in the area or commercial operations of like nature in the area.
  - 9.4 Regular District employees may be employed by the Auxiliary Organization. District employees must resign or request a personal leave of absence from the District in order to accept employment with an Auxiliary Organization.
  - 9.5 The Board of Directors of each Auxiliary Organization may provide retirement benefits different from those provided comparable District employees, and may withhold retirement benefits or permanent status benefits, or both, from temporary Auxiliary Organization employees. For purposes of this administrative procedure, a temporary employee is:
    - 9.5.1 An employee employed for a specific research project, workshop, institute, or other special project funded by any grant, contract or gift; or
    - 9.5.2 An employee whose contract of employment is for a fixed term not exceeding three years.
  - 9.6 An Auxiliary Organization may contract with the District for the services of a District employee and reimburse the District for that portion of the employee's full-time assignment (and corresponding benefits) that is spent in providing said services.
- 10.0 Accounting and Reporting for Auxiliary Organizations
- 10.1 The fiscal year of the Auxiliary Organization shall coincide with that of the District.
  - 10.2 Each Auxiliary Organization shall develop and accounting system that is in accordance with Generally Accepted Accounting Principles.
  - 10.3 The Auxiliary Organization shall implement financial standards that will assure its fiscal viability. Such standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations, capital replacements, contingencies and adequate provisions for new business requirements.
  - 10.4 Each Auxiliary Organization serving the District shall submit its programs and budgets for review at a time and manner specified by the Chancellor.
  - 10.5 Should the Chancellor determine that any program or appropriation planned by an Auxiliary Organization is not consistent with District policy or goals, the program or appropriation shall not be implemented. Further, should a program or appropriation which has received approval, upon review, be determined by the Chancellor to be operating outside the acceptable policy of the Board of



Governors or the District, then that program or appropriation shall be discontinued by direction of the Chancellor, until further review is accomplished and an appropriate adjustment is made.

10.6 The Board of Directors of an Auxiliary Organization shall approve all expenditure authorizations.

#### 11.0 Records and Annual Report of Auxiliary Organizations

11.1 Personnel and payroll records shall be maintained as permanent records by each Auxiliary Organization.

11.2 Adequate records of all other transaction of an Auxiliary Organization shall be maintained in a manner consistent with the records retention procedure of the District. Transactions of the organization include, but are not limited to, purchases, disbursements, investments and banking.

11.3 An annual report shall be submitted to the Board of Directors of the Auxiliary Organization and to the Chancellor by a mutually agreed upon date. The report shall include, but is not limited to:

11.3.1 All financial statements required to be filed with the State Chancellor's office;

11.3.2 A comparison of budgeted and actual expenditures;

11.3.3 A description of the major accomplishments of the organization; and

11.3.4 A description of the fiscal and operational state of the organization.

#### 12.0 Annual Audit

12.1 Each Auxiliary Organization shall have an annual fiscal audit of any and all funds. The audit shall be performed by a certified public accountant in accordance with procedures prescribed by the Board of Governors. Copies of the annual audit report shall be submitted to the Board of Trustees and to the state Chancellor's Office within 30 days after it is received by the Auxiliary Organization. Thereafter, it shall be a public record, except as otherwise provided by law. Such audits may be conducted as part of the District's contracted fiscal audit.

12.2 Auxiliary Organizations shall annually publish an audited statement of their financial condition, which shall be disseminated as widely as feasible and be available to any person on request. A reasonable fee may be charged to cover the costs of providing a copy. An Auxiliary Organization shall comply with the requirement by:

12.2.1 Publishing the audited financial statement in a campus newspaper; or

12.2.2 Publishing a notice in a campus newspaper indicating the on-campus location where copies of the financial statement may be obtained or reviewed; or

12.2.3 Publishing or noticing the audited statement in a campus bulletin or other appropriate medium.

### 13.0 Insurance

13.1 An Auxiliary Organization shall secure and maintain insurance adequate to protect its operations from catastrophic losses and as required by law, including but not limited to the following:

13.1.1 Comprehensive liability;

13.1.2 Property and extended coverage, when applicable;

13.1.3 All risks, money and securities;

13.1.4 Fidelity and performance bonds covering its fiscal officer;

13.1.5 Automotive liability, when applicable; and

13.1.6 Workers' Compensation.

13.2 In any insurance policy secured by the Auxiliary Organization, the District shall be named as additional insured.

13.3 A copy of each policy or endorsement or insurance certificates setting forth the coverage and limits shall be provided to the District within 30 days from the receipt of the document.

13.4 In obtaining the insurance coverage, the Auxiliary Organization may secure the insurance directly through its own broker or through the district.

### 14.0 Auxiliary Organizations: Use of District Facilities

14.1 Facilities may be made available by the District to an Auxiliary Organization to perform the functions specified in these regulations or in an agreement, under the following circumstances:

14.1.1 The Auxiliary Organization may occupy, operate and use such District facilities as are mutually identified as appropriate for the functions and/or activities that have been undertaken by the Auxiliary Organization;

14.1.2 The Auxiliary Organization, by agreement, shall pay to the District a charge or rental for the District facilities to be used by it in connection with the performance of its function or functions;

14.1.3 The charge or rental to be paid by the Auxiliary Organization shall not require involved methods of computation, and shall be identified by the District and the Auxiliary Organization, in sufficient time before it is incurred so that the Auxiliary Organization may determine to what extent it shall be liable; and

14.1.4 The charge or rental to be incurred by an Auxiliary Organization for the use of District facilities in excess of five days shall be incorporated into the written agreement between the parties.

#### **15.0 List of Auxiliary Organizations in Good Standing**

- 15.1 Each year, the Chancellor shall provide to the Board of Trustees, a list of all Auxiliary Organizations in good standing. All Auxiliary Organizations which, after periodic review in the manner specified hereinafter in these regulations, are found to be in compliance with applicable laws, policies and regulations shall be included in the list.
- 15.2 When the Chancellor has reason to believe that a particular organization should be removed from the list of Auxiliary Organizations in good standing, a conference shall be held to determine whether such grounds for removal do in fact exist. The Board of Directors of such Auxiliary Organization shall be entitled to participate in this conference, and shall have a minimum of 30 days notice to prepare a response to the issues that have been raised.
- 15.3 Based upon such conference, the Chancellor shall recommend to the Board of Trustees whether a particular Auxiliary Organization should be removed from the list of Auxiliary Organizations in good standing. The Board of Trustees may, in its sole discretion, remove such an Auxiliary Organization from said list, and may make such other provisions consistent with laws as may be appropriate with respect to an Auxiliary Organization not included on said list.
- 15.4 An Auxiliary Organization so removed shall not be permitted to do any of the following:
- 15.4.1 Use the name of the District;
  - 15.4.2 Have as a director any official in the District acting in his/her official capacity;
  - 15.4.3 Operate a commercial service for the benefit of the District or any of its colleges or Continuing Education; and
  - 15.4.4 Receive gifts, property or funds to be used for the benefit of the District, any of its Colleges or Continuing Education.
- 15.5 If the Auxiliary Organization is dissolved or ceases operations upon removal from the list of Auxiliary Organizations in good standing, its net assets and liabilities shall be distributed according to the terms of the written agreement between the Auxiliary Organization and the district.

#### **16.0 Limitation on Transfer of Funds to Auxiliary Organizations**

- 16.1 No funds or resources, other than funds or resources derived from gifts or bequests, shall be transferred by the District to any of its Auxiliary Organizations for the purpose of either avoiding laws or regulation which constrain community college districts or providing the District with an unfair advantage with respect to

the application of state funding mechanism. Such state funding mechanisms include, but are not limited to, general apportionment funding, capital outlay funding, Extended Opportunity Programs and Services funding, and funding for programs and services for handicapped students.

#### **17.0 Compliance Review**

- 17.1 All Auxiliary Organizations shall be reviewed to determine compliance with Education Code Section 72670, *et seq.*, and the policies, rules and regulations of the Board of Trustees of the District. The Chancellor shall designate the individual to conduct this review, which shall be conducted at the end of the first complete fiscal year after its establishment and periodically thereafter.
- 17.2 When the Chancellor's designee determines, after inspection and review, that certain Auxiliary Organization procedures and practices are not in compliance Education Code Section 72670, *et seq.*, or District policies, rules and regulations, a recommendation concerning the items of noncompliance shall be communicated in writing to the Chancellor and the Board of Directors of the Auxiliary Organization. The Board of Directors shall reply in writing within 30 days, either describing the actions which will be taken, including the time table, to bring said procedures and practices into compliance; or describing the reasons why the Board of Directors considers the procedures already to be in compliance.
- 17.3 If the Chancellor's designee considers the proposed corrective actions to be acceptable, the Auxiliary Organization shall be so informed. A second compliance review shall be held at the end of the time agreed to and the results communicated in writing to the Chancellor and the Board of Directors.
- 17.4 When the Auxiliary Organization fails to provide an acceptable proposal for corrective actions or fails to implement successful corrective measures within the agreed upon time, the Chancellor shall inform the Board of Directors of such further action as he/she considers appropriate, which may include a recommendation to the Board of Trustees for termination of the contract.

#### **18.0 Revisions of Rules and Procedures and Reports to the CCC System Office**

- 18.1 Rules and procedures for the administration of Auxiliary Organizations may be revised as necessary by the Chancellor or designee. The Board of Directors of each Auxiliary Organization in good standing shall be promptly notified in writing of such revisions and be informed of the date by which any changes in the Auxiliary Organization's procedures must be accomplished.
- 18.2 Any such revisions shall be submitted to the System Office for approval.
- 18.3 The District shall report, as may be required from time to time, on the operation of its Auxiliary Organizations.

References: BP 6950  
Education Code Section 72670 *et seq.*,  
Government Code Section 12580 *et seq.*,  
Title 5 section 59250 *et seq.*

Approved by Chancellor:

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Date

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Constance M. Carroll, Ph.D.

Reviewed by Cabinet on 9-22-09 and approved by concurrence.