



# S·U·B·O·A

STATE UNIVERSITY OF NEW YORK BUSINESS OFFICERS ASSOCIATION

## Standing Committee Report

# SUNY AUXILIARIES - READY FOR THE CHALLENGES

Report of the SUNY Auxiliary Services Association (SASA) 2000

## SUNY'S AUXILIARY SERVICES: THE HISTORIC PERSPECTIVE

In the 1950s, the State University campuses organized and chartered not-for-profit corporations under the "Membership Corporation Law" (Chapter 40 of the Laws of 1909) to administer a fairly small set of campus enterprise activities, later classified as campus auxiliary services. This was done, in part, to further insulate NYS from services with high liability exposure and because NYS agency requirements and systems for accounting, reporting, and budgeting can not effectively accommodate retail and consumer service enterprises. Section 355(6) of the State Education Law specifically authorized the University Board of Trustees to enter into contracts necessary for carrying out the purposes of the University, including contracts "...with non-profit corporations organized by officers, employees, alumni or students..." of the University. This provision was first enacted by Chapter 494 of the Laws of 1958 and it is quite possible that this reference was intended only to authorize contracts with ASCs without competitive bidding. The Not-for-Profit Corporation Law was then enacted by Chapter 1066 of the Laws of 1969, effective September 1, 1970. As such, today's corporations are organized under the State's Not-for-Profit Corporation Law, in the same way as any other not-for-profit corporation. Each ASC is independently audited.

Most campuses had created these entities called Faculty Student Associations (FSAs) to provide basic food services, bookstores and limited vending programs. In the ensuing years, the rapid influx of students,

faculty and staff to SUNY put new emphasis on the services and products offered by the associations and the increasing important role of FSAs in accommodating the expansion of campuses across the university

By the mid 60s, the associations were thriving businesses with sizable payrolls, extending a broadening array of services across campus and generating modest profits to be shared with their campus community. Governance of each campus association was largely in the hands of campus administration with minimal participation by faculty and students.

In 1967, the Vice Chancellor for Business and Finance appointed a statewide committee to review FSAs scope, management and Board of Directors structure throughout SUNY state operated campuses, while the SUNY Community College FSAs continue to operate under the procedures of their local county governments. For state operated campuses, the committee recommended a standardized comprehensive contract between SUNY Central for the benefit of each campus administration and the local auxiliary corporation. Under the review of the SUNY Board of Trustees, the contract and guidelines permitted certain basic services, instituted new system-wide financial reporting and audit accountability procedures, and required a more balanced representation among faculty, staff and students on each Board of Directors. The SUNY Board of Trustee Guidelines on Auxiliary Services are attached as EXHIBIT 1. The latter requirement was included to provide new oversight and participation among the primary stakeholders within the campus community. Thus, the rather informal association governance style attendant to campus FSAs gradually gave way to the more structured membership corporation model we have today, collectively referred to as Auxiliary Service Corporations (ASCs).

As a result of those Guidelines, student involvement on the ASC Board of Directors varies from campus to campus from not less than one-third, to not more than one-half of the make-up of the Boards. Many auxiliary service professionals view this student participation as integral in developing policy, including services, budgets and prices. Student participation requires ASC professionals to dedicate the time necessary to educate student participants in their corporate roles, which not only assists each ASCs responsiveness to the largest constituency on most campuses, but also affords real life educational experience to the student participants in a corporate environment. The vast majority of ASCs have evolved under this model while continuing to respond and meet individual campus missions.

In the early 1970s, another Vice Chancellor's taskforce was appointed to

review and make recommendations on contract provisions. A group consisting of the principle auxiliary service professional at each SUNY campus was initially organized to conduct a collaborative review of the standard contract format and represent the interests of all the corporations in the system. That group evolved into the SUNY Auxiliary Services Association (SASA). From time to time over decades, some ASCs experienced financial, legal, or organizational crisis. As necessary, and to ensure the interests of SUNY and local campuses, SUNY Central (now System Administration) worked collaboratively with SASA to develop appropriate oversight and control mechanisms to forestall problems and keep the ASCs financially solvent and organizationally stable. The most recent contract formats recognize the localized relationship and accountability of each ASC to its home campus. Since its original charter, SASA has been an effective spokes-group, advocate, and resource for the university's ASCs.

Paralleling the development of the university, the original mission of the campus ASCs to offer food, books and vending products blossomed into a wide proliferation of other services such as laundry, amusements, resort facilities, faculty/student housing, hair salons, accounting and computer services for campus organizations, check cashing, campus transportation, rubbish removal and cleaning services. The National Association of College Auxiliary Services (NACAS), having a membership of almost 1400 college campuses, identified [110?] campus service functions provided by their members under the general title of "auxiliary services" (see EXHIBIT 2). While no single campus ASC provides all services; collectively, they were well represented across the system.

With most ASCs showing modest profits during the later 70s, and when public (tax based) support of SUNY began to shrink, campus administrations sought support and underwriting for (non-educational) development activities and other initiatives that could not be funded through SUNY's state budget appropriations. Such assistance from ASCs came forth under the banner of "program funding". Each ASC, working collaboratively through its Board of Directors, soon developed its own methodology or formula by which it would allocate a portion of excess revenues to these purposes according to each corporation's resource and asset structure, while maintaining fiscal stability.

The consumer revolution in retail and dining services of the last two decades, and given the demands of service and other marketing dynamics, ASCs have renovated or upgraded their facilities. Whereas the original facilities were provided by the university in its major build-out in the 1960s

and 1970s, the cost of new facilities and renovations has been borne largely by the corporations. In particular, campus stakeholders wanted major national franchises represented on their campuses, and services that better reflected the off campus retail consumer environment. Most ASCs responded by integrating national brands into their services, with many of the most popular national franchise operations. ASCs responded to student desires for improvements to dining hall menus, food quality, dining areas and dining plans. ASCs' marketing and customer service strategies have become much more sophisticated in the recent era, accounting for, if not anticipating demand for convenience, value, flexibility, and choice.

ASCs have also been in the forefront of providing consumer e-services, such as campus electronic ID card systems, debit account services and emerging Internet retail applications that respond to individual campus needs.

Today, the ASCs not only provide a full complement of ancillary services, but also provide substantial funds to each campus. Funds include facility development, utility offsets, and program funds to help mitigate the declines in state support of traditional campus operations as well as enrich the overall quality of campus life for SUNY to better compete in the higher education marketplace.

Clearly the role of the campus ASC has evolved over the years. For most of the years since 1950, the ASCs mission was to offer quality food, books and vending services at the lowest possible price. Focus has more recently been placed on entrepreneurial initiative, managing comprehensive and diversified services, and competitive marketing to maximize customer service and campus financial support.

The future holds many challenges for System Administration, the ASCs and campus administrators as they collaborate on the opportunities that confront them. SASA is a critical partner in the evolution of the ASCs throughout the university. SASA will continue to provide the vision, leadership and professional management resources necessary to assure the best outcomes for the university, campuses, and customers alike.

## SASA ANNUAL REPORT FOR FY1999-00

### SERVICES PROVIDED:

SUNY ASCs serve their campus communities through a wide array of enterprise operations and direct services based on local campus needs and opportunities. SUNY's ASCs derive most of their revenue from services such as dining services, campus store operations, convenience stores, laundry services, and food and beverage vending programs. A scan of ASC operations around the state also reveals other, less common entrepreneurial ventures such as telecommunications services, student health insurance, computer shops, photocopy services, check cashing, campus ID and related card services, campus transportation, and retail storage services. Several ASCs also provide facilities and services for conferencing, parking, off-campus student housing, and off-campus outdoor education and recreation facilities. Most ASCs fulfill their local campus service commitments through a combination of self-operated and subcontracted operations. There are advantages and disadvantages associated with directly-run operations versus sub-contracted operations. Each campus utilizes the delivery mode that best suits the individual campus needs. One notable advantage of providing services through the ASC is that the campus maintains the ability to change between the two delivery models.

EXHIBIT (3) indicates the services offered on SASA affiliated campuses, the sales volume in each category of service, and the mode of delivery, i.e. self-operated or contracted.

### IMPACT TO CAMPUS and REGIONAL ECONOMY

ASCs contribute significantly to the campus economy as well as the regional economies throughout New York State. Most significantly is the employment of full and part time staff, with comprehensive benefit packages, associated with the services each ASC provides to each campus, and the significant volume of students employed in auxiliary services that contribute to the students' ability to fund their higher education expenses.

In FY 99, SASA affiliated ASCs reported they employed directly or through subcontractors a state-wide total of 3,042 full and part time members of the surrounding communities of each campus as well as 4,277 students in a part time capacity, thereby contributing to the campus and regional economy.

### VALUE ADDED ASSETS TO SUNY

In addition to ASCs service commitments on campus, each corporation invests in its assigned facilities and equipment assets required to support its operations. Many ASCs provide SUNY and the State with independent and comprehensive liability insurance on equipment and structures. Investments include but are not limited to capital equipment acquisitions, state of the art computerized systems, lease-hold improvements, alterations and renovations associated with ASC operations are primarily funded through corporate resource structures, either reserves established for such purposes or debt financing. Over the past five years the ASCs members report that in total they have invested \$33,148,670. in improvements to state owned facilities.

### SPACE and UTILITY SUPPORT

Under the previous contract periods ASCs bore the major share of utility and energy costs associated with their operations through space and utility fees based on negotiated formulae endorsed with System Administration and campus business officers. In the current contract period, this annual amount is established at each individual campus level. In FY99, SASA affiliated ASCs report more than \$4,951,133. in campus utility and space costs statewide.

### DIRECT PROGRAM SUPPORT

As not-for-profit corporations, many ASCs are able to provide direct, mission related "program funding" from net revenue derived from operations. This long-standing practice provides funding that would not otherwise be available for purposes such as student social and cultural programs, visitor hospitality, special recruitment and retention initiatives, stipends and benefits for student tutors and student residence hall employees, art and non-sponsored research efforts, athletics, and numerous other special projects and programs intended to enrich campus life and support the missions of ASC served institutions. ASC members report that such program funding exceeded \$6,976,281. in FY99.

Recently, ASCs have begun to team-up with their commercial business partners and local institutional foundations to provide "sponsor funding" for special development initiatives and fund raising campaigns on campus. This mechanism recognizes the common interests and stakeholder relationships among ASCs, their business partners, and the campuses they serve. Sponsor funding is a relatively new and growing trend, and is estimated to have provided approximately \$5,306,100 to SASA affiliated campuses in FY99, although the actual amount is likely much higher since

several campuses did not report specific amounts (considered confidential, often by the sponsor).

### ASC / CAMPUS CONTRACTUAL RELATIONSHIP

All SUNY ASCs now operate under the authority of an independent contract with their institutions. The stipulations, conditions, and provisions for each ASC to operate on its campus are similar in content and contract format, yet each contract reflects local campus conditions and demands for service. The contract provides for accountability, governance, and oversight within the constraints of SUNY Board of Trustee guidelines. Most contracts renew on five-year intervals, with some ASCs having extended terms based on specific longer-term financial obligations.

The current contract ends June 30, 2002 and a SASA committee has begun work on proposals for the next contract period. It is hoped that this will be a more collaborative process than in the past.

### ORGANIZATIONAL STRUCTURE

Most SUNY ASCs are organized as tax-exempt 501(c)(3), not-for-profit, membership corporations under the Not-for-Profit Corporation Law of the State. \* The corporations' memberships represent, in varied proportions, the primary constituencies of their local campuses, i.e. students, faculty, and administration with no single constituency in majority. In accordance with each organization's by-laws, a Board of Directors, elected by or serving as the membership, oversees activities of the corporation, creates policy, authorizes a budget, and provides direction to its management. Management and staff employed by the corporation pursue the goals and directives of the board of directors and see to day-to-day business and service activities.

\*In recent years, at least one ASC has formed For-Profit subsidiary corporations for specific operations.

## **SASA ORGANIZATIONAL ACTIVITIES FY1999-00**

### **SASA CONSTITUTION AND BY-LAWS**

The SASA Constitution and By-Laws as revised on June 23, 1994, include Articles outlining its name, purpose, membership, officers, meeting

guidelines and dues structure. The purpose as outlined in the constitution is consistent with SASA's revised mission/vision and the State University of New York Board of Trustee Auxiliary Services Guidelines.

Membership, as stated in the constitution, is restricted to professional managers whose responsibilities include management of the campus auxiliary services at State University of New York campuses, including System community colleges. The principle auxiliary service professionals are collectively referred to as General Managers of each of the ASCs.

### SASA COMMITTEE STRUCTURE

SASA provides for on-going internal organizational development activity in a number of specific auxiliary service areas through an internal committee structure. These include:

Standing Committees: These include Food Service Managers, Bookstore Managers, Human Resource Managers and Controllers. In addition to the General Manager's participation in SASA, the principle professional within each ASCs organization with direct responsibilities for the above activities serve on these standing committees. SASA General Managers provide organizational support to each of these groups, fosters inclusively among the professionals, and assigns appropriate tasks as needed. Joint meetings within the General Managers meeting schedule are held whenever a professional development topic is germane to a committee.

Mission/Vision Workgroups: These include groups on Professional Development, Membership Growth, Enhancing the Stature of SASA, and Entrepreneurial Opportunities. General Managers serve on these workgroups to further SASA' mission and vision as explicated in the strategic plan below.

Task Forces: These groups area assigned individual specific tasks evolving from SASA Mission/ Vision Workgroups. SASA General Managers serve on individual Task Forces that are created as needed for limited short-term projects.

SASA also participates with other SUNY professional organizations. For example, SASA's Executive Committee members participate in SUBOA subcommittee on auxiliary services.

### **SASA STRATEGIC PLAN FY 1999-00**

Over the past year SASA has developed and executed a comprehensive strategic planning program to better focus its efforts as a professional organization. The results of that process include:

SASA MISSION STATEMENT:

Our mission is to provide a forum for Auxiliary Service professionals to share information, promote professional development of its members and develop entrepreneurial opportunities in a way that strengthens organizational and individual effectiveness so that value is added to campuses. We will be an advocate for Auxiliary Services by providing information to other constituencies in support of the mission of the University system.

SASA VISION:

To become a model management resource for excellence and leadership in higher education auxiliary services.

SASA GOALS:

To realize SASA's vision, specific goals were established:

1. Professional Development
2. Membership Growth
3. Enhance the Stature of SASA within the State and SUNY Systems
4. Create more Entrepreneurial Opportunities for the Auxiliary Corporations

To help accomplish its goals, SASA established committees to further each respective goal. Over the past year significant progress has been made to put its strategic plan to work.

- The membership committee conducted a survey to identify concerns of the different campus auxiliaries with respect to SASA in order to increase participation of members. Key concerns included scheduling and location of meetings and meeting formats that include salient professional development for members.
- SASA extended an invitation to system community college ASCs to participate and affiliate with the organization. Participation from community college auxiliary professionals continues to grow.
- The Professional Development Committee programmed four

sessions in FY1999-00 to further enhance the members' professional development.

1. The Future of SUNY Card, July '99. An educational session of state of the art carding technologies, as well as planning the evolution of increased flexibility in the SUNY Card contract renewal.
2. Bookstore E-Commerce Issues, Oct '99. The opportunities and challenges of E-competition were reviewed and discussed among both self-operated and contracted stores.
3. Legal Issues in the Auxiliaries, Dec '99. Each year auxiliary businesses become more challenging with respect to legal issues. This seminar addressed the more pressing topics including labor relations, regulation E, bonding, and contract issues. Significant time was devoted to educating the membership on IDA financing and the opportunities they provide for handling aged infrastructures on campuses and new projects.
4. Disaster and Risk Management, Feb '00. How to best plan and react to disasters impacting the corporations. Both internal campus disasters as well as regional disasters were reviewed in which Auxiliary Services played a critical role for the campus and local communities. Drawing upon the experience of others who have been forced into emergency planning and action, this seminar covered many of the risks we may face as well as fostering readiness to react rapidly.
5. The Press, April '00. Campus Auxiliaries often are in the midst of media events. Tips on dealing with the print, radio and TV media were shared in an interactive discussion with campus and System Administration media relations professionals.

- SASA will continue to enhance its relationship with the campus business officers through SUBOA, and specific effort will be made to develop relationships with other SUNY professional organizations and groups such as, OSC and OGS and the Chancellor's office with the goal of improving communications.
- The organization has opened an environment to foster entrepreneurial business development and organizational streamlining within the ASCs. In response to the "*Re-Thinking SUNY*" project, SASA has reshaped itself as a professional resource and support group as members faces new business challenges.

- A high priority issue for the ASCs is securing long term tax-exempt financing for capital improvements to corporation and State owned facilities. Many of the facilities in need of major renovations are between 30 and 40 years old. The changes required to these facilities are not cosmetic changes but will require significant structural modifications in order to meet up-to-date expectations of the customers. Additionally, changes in health codes, environmental regulations and safety requirements have created very different facility needs. This is an issue that will require changes to the ASC Guidelines as well as demonstrated support by SUNY and the Board of Trustees. In order to obtain the best financing rates for capital dollars, individual campuses will need to extend the length of their contracts with SUNY. SASA will work hard to resolve this critical issue with SUNY and the State of New York.
- Within SASA, there are sub-groups that focus on issues and common concerns related to specific operating and administrative divisions including Dining Services, Campus Stores, Human Resources, Financial Management, and SUNY Card. Each semi-autonomous group reports to SASA. SASA has fostered this affiliation of specialized professionals working within campus ASCs.

SASA will continue to refine its strategic plan in the coming year. SASA will collaborate and develop its strategies and tactics to accomplish its goals, assess its progress and refresh its vision for the future of SASA and SUNY's ASCs. Expansion of its membership, entrepreneurial issues, professional development, long term financing and SUNY-ASC contract development are targeted issues for SASA in FY 00-01 to better serve its constituencies.