

Toro Auxiliary Partners Net Earnings Distribution Policy

Effective Date: *June 12, 2025*

Recommended by: TAP Finance and Investment Committee – *May 22, 2025*

For Final Approval by: TAP Board of Directors – *June 12, 2025*

I. Purpose

This policy establishes a standardized framework for the allocation and use of net revenues generated by TAP-managed auxiliary enterprises. The intent is to ensure financial sustainability of enterprise operations while supporting TAP's oversight responsibilities, policy compliance, and long-term risk mitigation in service to California State University, Dominguez Hills (CSUDH).

II. Scope

This policy applies to all TAP-administered auxiliary enterprises, including but not limited to:

- University Bookstore operations
- Dining and vending services
- Real estate leasing and space rental (including cell towers and ATMs)
- Centralized services for student and grant programs
- Other entrepreneurial activities authorized by the Board

III. Guiding Principles

- TAP enterprises must be self-supporting, recovering all direct and indirect costs associated with operation, including depreciation, maintenance, and university assessments.
- Enterprise revenues will be used to advance TAP's purpose as a nonprofit auxiliary of CSUDH, ensuring compliance with CSU policies, GAAP, and nonprofit best practices.
- The net earnings distribution process will reinforce enterprise accountability, strategic reinvestment, and leadership infrastructure that ensures institutional compliance, fiduciary oversight, and risk management.

IV. Net Earnings Distribution Structure

Net revenues (after operating costs, obligations, and reserves) from TAP auxiliary enterprises shall be distributed as follows:

A. Cost Recovery for Central Administrative Services

A fixed percentage of net enterprise revenues shall be retained annually to fund TAP's central administrative services, including:

- Executive leadership and governance
- Legal, risk management, and compliance services
- Financial and audit oversight
- Strategic planning and reporting
- Campus-wide enterprise policy development

This percentage shall be reviewed annually and approved by the TAP Finance Committee to reflect operating demands and CSU policy alignment.

B. Reinvestment in Enterprise Operations

A portion of retained earnings shall be earmarked for:

- Capital improvements and equipment replacement
- Facility maintenance and technology upgrades
- Staff training and professional development
- Enterprise innovation and pilot programming

C. Strategic University Support

Subject to available resources and board authorization, discretionary allocations may be made to support university-wide initiatives that align with TAP's mission, including:

- Student success and engagement initiatives
- Faculty and staff recognition or development
- Emergency response or critical infrastructure projects

Any such allocations must be approved by the TAP Board of Directors and documented in the annual financial plan.

V. Reserve Requirements

TAP shall maintain operating and contingency reserves in accordance with CSU guidelines. These reserves shall ensure:

- Continuity of operations during revenue fluctuations
- Emergency response capabilities
- Protection against unforeseen enterprise or compliance liabilities

VI. Transparency and Review

All net earnings distributions and enterprise fund balances shall be:

- Documented in TAP's annual budget and financial reports

- Reviewed quarterly by TAP's Finance and Investment Committee
- Audited annually as part of TAP's external financial review

VII. Contractual Concessions and Forgiveness Thresholds

To ensure fiscal responsibility and minimize undue impact on TAP's ability to retain revenue or recover expenses, any contract or agreement that proposes fee forgiveness, discounts, or other financial concessions exceeding \$50,000 must be submitted for review by the TAP Finance and Investment Committee. Final approval must be granted by the TAP Board of Directors.

TAP staff, enterprise managers, and any university or third-party personnel acting on behalf of or in coordination with TAP-managed auxiliary operations are prohibited from unilaterally authorizing concessions above this threshold.

Additionally, TAP must refrain from offering financial concessions that may materially impact the financial sustainability of auxiliary operations without prior committee review and board oversight. This includes, but is not limited to, waivers of lease fees, fee reductions, rent abatements, and in-kind contributions not previously budgeted or approved.

All proposed concessions—regardless of size—should be documented and assessed for their long-term fiscal impact as part of TAP's enterprise oversight process.

VIII. Policy Review and Updates

This policy shall be reviewed at least every three years or as necessary to remain compliant with CSU Executive Orders, applicable laws, and evolving enterprise needs.

Date of Adoption:	06/12/2025
Date of Implementation:	07/01/2025
Date of Last Review:	06/12/2025

Approval Date and Subject of Amendments:

06/12/2025	This policy outlines TAP's approach to managing and reinvesting auxiliary net revenues in alignment with long-term institutional goals.
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