

## **Facilities Rental Revenue Sharing Policy and Procedures**

### **Background**

In the context of higher education affordability concerns, U-M continues to be proactive in looking for ways to restrain tuition cost increases. To that end, the University is in the process of examining strategies that will contribute to the goal of providing both a high-quality and affordable education by enhancing revenue and achieving additional operational efficiencies.

Collaboration across the University is needed to address our budget challenges and to maintain our unwavering commitment to access, affordability and a world-class education.

### **Policy**

Effective July 1, 2012 for rental agreements entered into July 1, 2012 and thereafter, University auxiliary activities units shall pay 10% of gross revenues associated with external uses of University of Michigan facilities (i.e.: buildings) or land (e.g.: parking lots, fields, etc.) that are managed by auxiliary units (i.e.: by a major auxiliary unit such as Hospitals & Health Centers, University Housing, Michigan League, Intercollegiate Athletics, etc. – but excluding small activities within a non-auxiliary unit such as a small auxiliary activity within a school or college) on the Ann Arbor, Dearborn, and Flint campuses to the Provost of Ann Arbor or Chancellor of Dearborn or Flint as more fully described below. The managing auxiliary units may (but need not) add an 11% surcharge (or some lesser amount) to the rental charged in order for the auxiliary unit to recoup all or a portion of the 10%.

This policy applies to the one-time, short-term or occasional use of University facilities or land (this policy applies to events that are occasional even if held with regularity, such as annual use of housing facilities by Summer Sports Camps) and that are operated by the following auxiliary units:

#### Ann Arbor Campus Auxiliary (Excluding those within Schools and Colleges)

- Hospitals and Health Centers
- Information & Technology Services
- University Housing
- Intercollegiate Athletics
- Parking Operations
- Transportation Services (no applicable activities as of this writing; vehicles are not facilities)
- League, Union, and Commons
- Others in the future as would be appropriate

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Dearborn Auxiliary (Excluding those within Schools and Colleges)

- Enrollment, Mgmt, and Student Life-University Center (929050)
- Enrollment, Mgmt, and Student Life-Athletics Facilities (929400)
- Academic Affairs-Fairlane Center (916000/14231)
- Environmental Interpretative Center (924400)
- Others in the future as would be appropriate

Flint Auxiliary (Excluding those within Schools and Colleges)

- Auxiliary Services-Event Building Services
- Auxiliary Services-North Bank Center Executive Suite
- Auxiliary Services-Parking
- Auxiliary Services-Student Housing
- Others in the future as would be appropriate

The revenues generated by the 10% surcharge will be allocated to the Provost/ Chancellor of the campus that operates the facility. The Provost's/Chancellor's share of the revenues will be used to support high priority needs of the University.

The Chartfields identified to accept the surcharge revenue are:

Ann Arbor Campus - 10000/514800/FACOT/46000

Dearborn Campus - 10000/916000/14361/11000

Flint Campus - 10000/950600/10370/11100

This surcharge is only applied whenever an external entity rents or leases University facilities for a one-time, short-term or occasional use but is not applied when the unit renting or leasing the space is a University unit, an entity that has an agency relationship with the University, or an external entity providing ongoing or retail operations that serve the University community.

Exceptions to this policy can be made on rare occasions. The Provost/Chancellor shall have authority to resolve any unusual circumstances and may grant exceptions to this policy.

### **Collection**

Auxiliary units that rent or lease their facilities to external parties must:

1. Collect the surcharge fees (surcharge fees need not be labeled as such, and units need not charge external units an amount greater than charged to UM internal units; however 10% of gross revenues net of subsequent collection write offs and refunds must be transferred to the Provost/Chancellors).
2. Keep records of transactions.
3. Report and submit the collected surcharge revenue (10% of gross revenues [e.g.: a unit would have to increase their charge by approximately 11% in order for the unit to net approximately the same amount pre-surcharge implementation] on a monthly basis.

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### Procedure

#### RESPONSIBILITY

#### ACTION

Auxiliary Unit

1. Determine whether the transaction is subject to the 10% surcharge.
2. Record (credit) gross revenue subject to the 10% using account #413590. This will result in the accounting system automatically sweeping 10% of the month's activity by debiting account #413591 in the auxiliary unit and crediting account #413591 in one of the Provost, Chancellor Dearborn or Chancellor Flint monthly. Refunds and accounts receivable write-offs should be debited by the unit using account # 413590 (note: the monthly sweep will credit account # 413591 and debit account #413591 in the appropriate chartfields for refunds and write-offs).
3. This applies when revenue is recorded, whether payment is received or a receivable is booked. If cash received is offset with deferred revenue, then only when deferred revenue becomes revenue is the amount credited using account # 413590. For cash basis accounting revenue is charged using account # 413590 when the payment is received.
4. Quarterly, prepare Facilities Surcharge report and forward to Financial Operations by the 12<sup>th</sup> calendar day, of the following month.
5. Maintain supporting records on all external facilities usage for a period of 7 full years.

**Exception:** In infrequent cases there may be an approved "surcharge" of other than 10% (e.g.: a fixed price surcharge). In this case gross revenue will not be recorded using account # 413590. And the unit will need to write a journal entry to credit account 413591 in the surcharge amount to the chartfields of the Provost or applicable Chancellor.

Financial Operations

6. Monitor transactions to assure compliance with the

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policy.

7. Prepare a monthly University wide consolidated report of collected surcharge revenue using from the data in accounts 413590 and 413591.

Prepare a quarterly reconciliation between each Financial Operations prepared quarter ending monthly report and the quarterly reports received from the units.