

SECTION 3

CAPITAL PLAN AND BUDGET

CAPITAL PLAN

The Stanford campus is a unique resource that helps to shape and define University life. The central campus has more than 670 major buildings providing over 13 million gross square feet (gsf) of physical space for the University to carry out its academic mission. This physical plant has an historical cost of \$1.5 billion and a replacement cost of \$5.0 billion as of 1998/99. The Capital Plan represents the University's ongoing efforts to restore, maintain and improve campus facilities for teaching, research and related activities. Stanford's principal goals in capital planning are to protect and extend the useful life of existing facilities; to create appropriate new facilities where necessary to support the work of students, faculty and staff; and to integrate facilities and support systems into a coherent, effective and attractive campus. The plan is carefully balanced to meet the widespread institutional needs for new and renovated facilities within the constraining factors of limited development, entitlements and available funding.

The 2000/01–2002/03 Capital Plan is based on a projection of the major capital projects that the University intends to pursue. This list of projects relates to the central campus and does not include Stanford Hospital and Clinics, Faculty & Staff Housing or Stanford Management Company projects. The three-year plan shown in the tables on pages 35-37 identifies 46 construction projects and an infrastructure program that cumulatively amounts to a \$1.3 billion program.

The Capital Plan is divided into three parts:

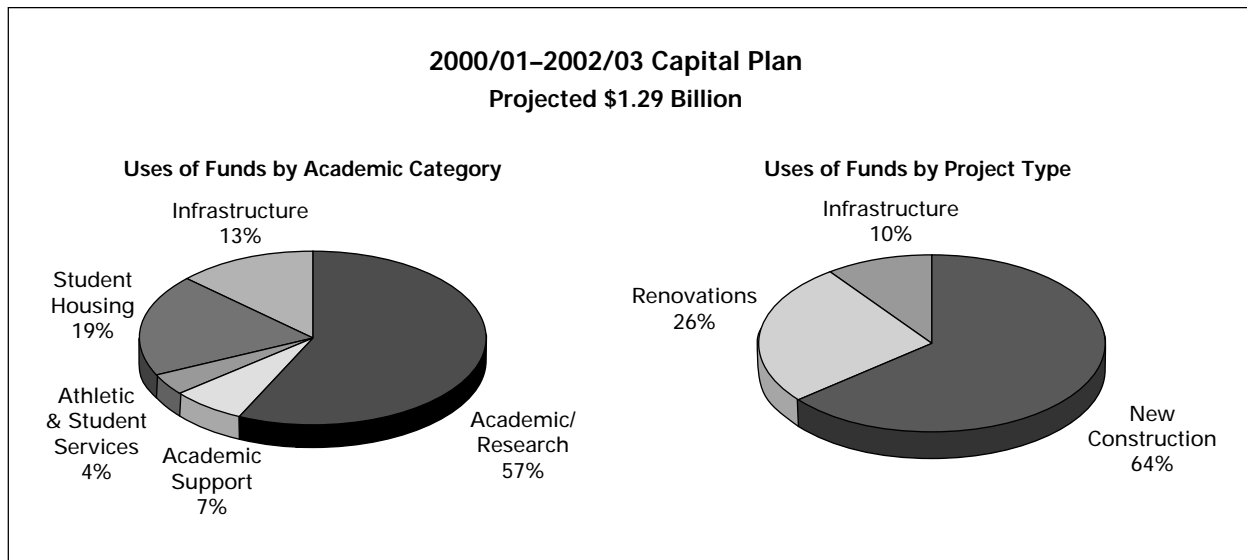
- Projects in Design and Construction – The 14 projects in this category listed in the table on page 35 represent \$598.1 million of the total

three-year plan. These projects have already been approved by the Board of Trustees and will continue to be active in 2000/01.

- Forecasted Construction Projects – These 32 projects shown in the table on page 36 total \$601.0 million. We plan to present these to the Board of Trustees for Concept Approval prior to the completion of 2002/03. Construction of many of these projects will be completed in subsequent years.
- Infrastructure Programs – These projects include utility systems, ADA work, landscaping, and transportation programs, and comprise the remaining \$130.0 million.

The chart on the next page presents the 2000/01–2002/03 Capital Plan by academic category and project type. The Academic/Research category encompasses the majority (57%) of projects. The 19% investment in Student Housing reflects Stanford's efforts to provide more affordable housing for graduate students amidst the Silicon Valley housing shortage. Other housing needs are being addressed by the Office of Faculty and Staff Housing.

Looking at the uses of funds by project type, the 64% investment in new construction is representative of the need for updated facilities; many of these projects are replacement facilities which include demolitions of existing buildings. Renovations represent 26% of all projects in the three-year plan. These projects address the need to upgrade facilities for code and program changes, including ADA, seismic and systems improvements. The remaining 10% represents infrastructure programs.



New Construction & Replacement

New construction accounts for \$827.0 million in the three-year plan. These projects range in size from \$5.0 million to \$130.0 million and span across all academic categories. A description of some of the major projects by category follows:

ACADEMIC/RESEARCH

- The Clark Center is a 225,000 square foot innovative flexible laboratory facility that was inspired by a bold academic initiative to create a center to foster the integration of leading-edge research in basic, applied and clinical sciences.
- The Mechanical Engineering Department's 48,000 square foot laboratory will allow for research and teaching in the areas of combustion science, advanced manufacturing and design, and bio-mechanical engineering and micro-scale engineering.
- The 85,000 square foot Chemistry and Biology Building will provide laboratories for the chemical intensive research of Synthetic Chemistry, as well as new laboratories for the Biology Department.

ACADEMIC SUPPORT

The 116,000 square foot Alumni Center will serve as the welcoming entrance for University alumni. The Center will include major public space such as a great hall, reading room, history room, café and business/conference center. The upper floors provide contiguous office space for the Alumni Association and the Office of Development.

ATHLETIC AND STUDENT ACTIVITIES

A new 50-meter training pool and a new diving pool and diving tower were completed this spring as Phase I of the Aquatics Complex project. Phase II will include renovations to the existing pools. Both the Cowell Student Health Services Building and the Career Development Center will be replaced with new buildings that address current inadequacies within existing facilities, including seismic and inefficient space needs.

STUDENT HOUSING

Phase I of the Escondido Village Graduate Student Housing projects is scheduled to open in 2000/01 and will provide 508 additional graduate student housing beds. Three more graduate student housing projects are included in the plan providing an estimated 1,025 additional beds.

**2000/01–2002/03 Capital Plan
Projects in Design & Construction**
(in millions of dollars)

	Project Schedule	Estimated Project Cost	Capital Budget 2000/01	Project Funding Source				Annual Continuing Costs		
				Current Funds ¹	Gifts ²	Service Center/ Auxiliary Debt	University Debt	Debt Service	Operations, Maintenance & Utilities	
Grant/Alway/Lane/Edwards	2000-05	185.0	25.0	41.8	143.2					0.3
Phase 1.0 Grant-MEP (Lane/Alway) (\$16.9)										
Phase 2.0 Lane/Alway (\$70.4)										
Phase 3.0 Education Building (\$39.2)										
Phase 4.0 Grant & MEP (\$30.7)										
Phase 5.0 Alway (\$13.5)										
Project Contingency & Financing (\$14.3)										
Clark Center BioEngineering/Campus Drive Crossing	2000-03	130.0	68.1		130.0					5.7
Escondido Village Graduate Housing Phase I (508 beds)	1999-01	67.5	17.5			67.5			5.0	0.8
Chemistry/Biology New Building	1999-02	50.0	12.0		20.0		30.0		2.2	1.3
Alumni Center/Office of Development	1998-01	33.0	9.6		33.0					0.7
Mechanical Engineering New Lab & Building 570	1999-03	33.0	15.7	13.0	2.0		18.0		1.3	0.5
Building 160 Seismic & Program Renovation	2000-02	32.0	16.0		7.5		24.5		2.1	
Stockfarm Road Parking Structure	2000-01	18.8	15.0	18.8						0.1
Aquatics Complex Phase I & II	1999-01	15.8	2.0	1.5	11.8		2.5		0.2	0.8
Student Health Service Building	2000-02	9.0	2.2	5.0		4.0			0.3	
Art Gallery Seismic Strengthening	1999-01	7.5	4.0				7.5		0.7	
CDC/DRC Student Service Building	2000-02	6.5	2.5				6.5		0.5	
Jasper Ridge Biological Preserve Field Station	1999-02	5.0	2.0		5.0					0.1
Redwood City Boathouse Facility	1999-02	5.0	2.5		5.0					0.2
Subtotal - Projects in Design & Construction		598.1	194.1	80.1	357.5	71.5	89.0	12.3	10.3	

¹ Includes funds from University and School reserves, and the Stanford Infrastructure Program.

² Includes gifts that have been identified, pledged and those to be raised.

**2000/01 – 2002/03 Capital Plan
Forecasted Construction Projects**
(in millions of dollars)

	Project Schedule	Estimated Project Cost	Capital Budget 2000/01	Project Funding Source				Annual Continuing Costs				
				Current Funds ¹	Gifts ²	Service Center/ Auxiliary Debt	University Debt	Debt Service	Operations, Maintenance & Utilities			
Fairchild Sciences/Research Animal Facility III	2003-05	102.2			102.2							
Escondido Village/EI Camino Grad Housing Phase II 500	2001-03	61.0	7.3		15.0	46.0				3.4	0.8	
School of Engineering Center	2003-05	60.0			60.0						0.6	
Computer Science/Electrical Engineering Growth	2002-04	50.0			50.0						1.1	
Ginzton/Applied Physics Replacement	2001-03	45.0	5.4		45.0						0.4	
Law Student Housing Quad (300 beds)	2003-05	45.0			15.0	30.0				2.4	0.5	
Law School Programs Building	2003-05	30.0			30.0						0.6	
Escondido Village Grad Housing Phase III (225 beds)	2003-04	27.0			7.0	20.0				1.5	0.4	
Pasteur Parking Structure	2000-04	25.0	5.0		4.0	21.0		20.0		1.5	0.1	
Old Union/Clubhouse/Building 590	2002-04	20.0							20.0	1.8	0.2	
Branner Seismic Renovation (CIP Program Year 9)	2001-03	13.5	1.7			13.5				1.2		0.1
Landau Annex	2001-02	10.0	2.1									0.2
Maples Pavilion Expansion	2002-03	10.0			10.0							0.1
Offsite Library Collections	2001-02	10.0	2.1					10.0		0.7		0.1
Crown Hall Library/Program Space Renovations	2003-04	9.0			9.0							
Knoll Seismic Renovation	2003-04	8.0			4.0							
Crothers/Crothers Memorial Hall Renovations (CIP Year 12)	2003-04	7.6				7.6				0.7		
Mirrieles Seismic Phases I & II	2001-02	7.5	1.5			7.5				0.7		
Wilbur Kitchen Consolidation (CIP Program Year 9)	2000-01	6.0	4.8			6.0				0.5		
Building 170 Renovation	2001-02	5.0	1.0						5.0	0.4		
Building 630 Seismic Renovation	2002-03	5.0							5.0	0.4		
Crown Hall Classroom Technology Upgrades	2001-04	5.0	2.0				5.0					0.5
Mudd Renovations	2003-04	5.0								0.4		
1450 & 1454 Page Mill Road	2001	5.0	5.0							0.7		
Escondido Village (CIP Program Year 9)	2001	4.7	4.7							0.4		
Row Houses Renovation (CIP Year 11)	2003	4.3				4.7				0.4		
Bakewell Renovation	2001-02	4.0	0.8			4.3				0.4		0.1
Meyer Library Seismic & Systems Renovation	2001-02	4.0	0.8						4.0	0.4		
Escondido Village (CIP Program Year 10)	2001-02	4.0	0.8						4.0	0.4		
Florence Moore Seismic Upgrade	2002	3.1							3.1	0.3		
Jordan Hall Renovation Phase I	2002	3.1							3.1	0.3		
Storke Student Publications Renovation/Replacement	2001	3.0	3.0									
	2003	3.0				3.0						
Subtotal Forecasted Construction Projects		601.0	47.2		11.0	365.2		166.8	58.0	18.5	5.6	

1 Includes funds from University and School reserves, and the Stanford Infrastructure Program.
2 Includes gifts that have been identified, pledged and those to be raised.

**2000/01–2002/03 Capital Plan
Infrastructure Programs**
(in millions of dollars)

	Project Schedule	Estimated Project Cost	Capital Budget 2000/01	Project Funding Source				Annual Continuing Costs	
				Current Funds ¹	Gifts ²	Service Center/ Auxiliary Debt	University Debt	Debt Service	Operations, Maintenance & Utilities
Capital Utilities Program (CUP)									
System Expansion	2001-03	11.2	4.4			11.2			1.2
Wear-Out	2001-03	9.2	1.8			9.2			1.0
Controls	2001-03	3.3	1.4			3.3			0.3
Regulatory	2001-03	3.3	0.2			3.3			0.3
Subtotal-CUP		27.0	7.8			27.0			2.8
Systems									
Applications	2001-03	50.7	26.7	50.7					
Communications Facilities	2001-03	9.6	2.8	1.9	5.5	2.2	0.2		
Infrastructure	2001-03	8.4	4.6	8.4					
Subtotal-Systems		68.7	34.1	59.1	1.9	5.5	2.2		0.2
Compliance and Other									
East & West Campus Storm Drains	2001-03	7.6	2.5						0.8
ADA Barrier Removal	2001-03	7.5	2.5	1.5					0.5
Emergency Generators	2001-03	2.1	0.7						0.2
Subtotal-Compliance and Other		17.2	5.7	1.5			15.7		1.5
Stanford Infrastructure Program (SIP)									
Campus Landscaping and Planning Projects									
Circulation Projects	2001-03	6.6	2.8	6.6					
Landscape Projects	2001-03	3.7	0.8	3.7					
Outdoor Art Program	2001-03	0.3		0.3					
Habitat Mitigation	2001-03	0.1		0.1					
Subtotal-Campus		11.0	3.7	11.0					
Parking and Transportation Services									
Parking Systems & Facilities									
(Excluding Parking Structures)	2001-03	2.6	1.5	2.6					
Projects & Programs	2001-03	3.5	0.6	3.5					
Subtotal-Parking and Transportation		6.1	2.1	6.1					
Subtotal-SIP		17.0	5.8	17.1					
Subtotal - Infrastructure Programs		130.0	53.4	77.7	1.9	32.5	17.9		4.5

1 Includes funds from University and School reserves, and the Stanford Infrastructure Program.

2 Includes gifts that have been identified, pledged and those to be raised.

SUMMARY OF 2000/01–2002/03 CAPITAL PLAN

(in millions of dollars)

	Estimated Total Cost	Projected Funding Sources				Projected Annual Continuing Costs	
		Current Funds ¹	Gifts ²	Auxiliary Debt	Service Center/ University Debt	Debt Service	Operations, Maint. & Utilities
Projects in Design & Construction	598.1	80.1	357.5	71.5	89.0	12.3	10.3
Forecasted Projects	601.0	11.0	365.2	166.8	58.0	18.5	5.6
Subtotal Construction Plan	1,199.1	91.1	722.7	238.3	147.0	30.8	15.9
Infrastructure Programs	130.0	77.7	1.9	32.5	17.9	4.5	0.1
Subtotal	1,329.1	168.8	724.6	270.8	164.9	35.2	16.0
Less: Stanford Infrastructure Surcharge ³	(39.9)	(39.9)					
Total	1,289.2	128.9	724.6	270.8	164.9	35.2	16.0

1 Includes funds from University and School reserves, and the Stanford Infrastructure Program.

2 Includes gifts that have been identified, pledged and those to be raised.

3 Represents 7% Stanford Infrastructure Program charge included in the Projects in Design & Construction and Infrastructure Programs costs.

Renovation

The Capital Plan allocates \$336.0 million toward the renovation of more than one million square feet of existing space. Renovations generally address seismic, system and program upgrades. The major renovation efforts are described below:

ACADEMIC/RESEARCH

Building 160 is the last of the Main Quad buildings to be seismically strengthened in accordance with Stanford's agreement with Santa Clara County following the 1989 Loma Prieta earthquake to retrofit or vacate all unreinforced masonry (URM) buildings. The project will transform this prominent campus building into an innovative instructional space as envisioned by the Stanford Learning Lab.

The School of Medicine has a \$185.0 million initiative to renovate and/or replace the 389,000 gsf of the Grant, Alway, Lane, and Edwards Buildings over six years. These buildings were constructed in the early 1960's. The Grant, Alway, and Lane Buildings will be renovated. The Edwards Building will be replaced to provide contemporary research labs and instructional facilities.

STUDENT HOUSING

Student Housing and Dining Services is in the ninth year of a 16-year Capital Improvement Program (CIP) intended to address deferred maintenance, seismic upgrade, code compliance and major programmatic improvements in all areas of the student housing system. Renovations planned for years 9, 10 and 11 include the Branner, Crothers Hall/Crothers Memorial Hall, Florence Moore, and Mirrielees student residences.

INFRASTRUCTURE PROGRAMS

Stanford's ongoing effort to renew its infrastructure is reflected in a \$130.0 million budget in the Capital Plan, including utilities, administrative information systems, communications facilities, and other infrastructure programs, as described below.

- **CAPITAL UTILITY PROGRAM (CUP)** – CUP includes projects to improve and enhance electrical, steam, water, chilled water and sewage systems. The program is driven by four conditions: system replacement, regulatory issues/code compliance, system expansion and system controls. The three-year plan allocates a total of \$27.0 million for CUP projects.

- Systems – A total of \$68.7 million has been allocated for administrative information systems including information systems and infrastructure development for upgrades to networks and communication systems.
- Compliance and Other – A total of \$17.2 million has been allocated toward the implementation of three compliance projects: the ADA Barrier Removal Program which funds general accessibility improvements, the East & West Campus Storm Drain Improvements program, and the installation of emergency generators within various campus facilities.
- Stanford Infrastructure Programs (SIP) – SIP consists of campus planning and transportation projects and programs proposed and developed for the improvement and general support of the University’s academic community and physical plant. SIP is supported by a 7% charge on most building projects apportioned at 3% for the campus planning program and 4% for transportation programs. Campus planning expenditures are expected to total \$11.0 million over the three-year period. These projects include improvements to roads, paths, outdoor art, outdoor lighting, landscaping and signage. Transportation expenditures are expected to total \$28.9 million over the three-year period. Anticipated contributions of \$22.8 million for the Pasteur Parking Structure (\$4.0 million) and the Stockfarm Parking Structure (\$18.8 million) comprise the majority of this total. The remaining \$6.1 million, shown in the table on page 37, will provide for the construction of small increments of additional parking, campus transit improvements, parking lot infrastructure improvements, and enhancements to support bicycle use.

CAPITAL PLAN FUNDING SOURCES

Stanford’s Capital Plan relies on a number of funding sources: Current Funds, Gifts, Service Center/Auxiliary Debt and University Debt. As the chart to the right illustrates, gifts represent the largest funding source (56%), followed by the total of all debt classes (34%) and current funds (10%).

Current Funds

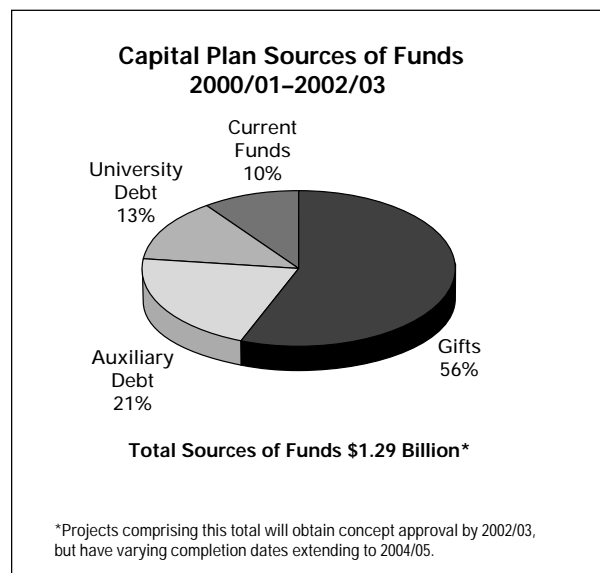
The three-year plan anticipates that approximately 10%, or \$129.0 million, will be funded by current funds, primarily from school reserves, department reserves and the Stanford Infrastructure Program.

Gifts

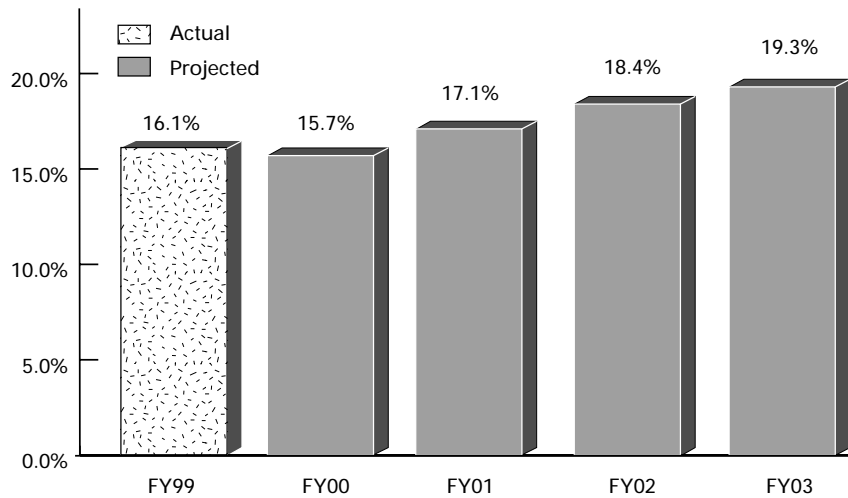
At approximately \$725 million, gifts represent the single largest source of funding over the next three years. Stanford depends on the continued generous support from donors to accomplish this ambitious program. To date, only 28% of the gifts needed for the capital plan as it is outlined have been raised or pledged. The remaining 72% have yet to be raised. In general, projects will not proceed into construction without gifts in hand or committed pledges.

Debt

Debt remains a significant financing source for the University’s Capital Plan. Approximately one third of projected expenditures will be funded by \$435.7 million of debt. Of this amount, \$270.8 million will be serviced by the budgets of auxiliaries and service centers, principally Student Housing & Dining Services and the CUP program, respectively. Another \$158.4 million will be supported by the unrestricted funds budget. The remaining \$6.5 million will be supported by School reserves.



**Leverage Ratio (Debt to Unrestricted and Temporarily Restricted Net Assets)
1998/99 – 2002/03**



CONSTRAINTS

The Capital Plan reflects the balancing of Stanford's facilities needs within the constraints of limited entitlements, debt capacity, and affordability.

Entitlements

Development on Stanford's central campus falls under the jurisdiction of Santa Clara County. In 1989 the County approved a General Use Permit (GUP). The GUP governs the extent to which Stanford is entitled to build on campus (measured by additional gross square footage) and to add to its daily population (students, faculty, staff, visitors, etc.). The last of the entitlement rights under the 1989 GUP will be expended by projects approved in 1999/00. In November 1999 Stanford submitted an application for a new General Use Permit which reflects academic facilities needs for the next decade. The three-year Capital Plan anticipates approval of the new GUP by November 2000. Delays or restrictions placed on the approval may have significant impacts on the implementation of the Capital Plan.

Debt Constraints and Capacity

University debt levels are projected to increase by approximately \$149 million between 1999/00 and

2000/01. This is the net effect of the implementation of the Capital Budget, the completion of the Sand Hill Road projects and the projected usage of commercial paper, offset by scheduled principal repayments. This represents an approximate debt increase of 13%, between 1999/00 and 2000/01, as compared to an average annual increase of 16% over the previous three-year period.

The Debt Policy approved by the Board of Trustees limits the University's overall debt level to an amount which is the lesser of:

- A total debt level up to 20% of the Unrestricted and Temporarily Restricted Net Assets (Leverage Ratio); or
- A total debt level on which interest payments are less than 5% of Total Revenue (Debt Burden Ratio).

The chart above presents the actual and projected Leverage Ratio by year. Given the current assumptions for debt usage and growth projections for unrestricted and temporarily restricted net assets, the Leverage Ratio approaches the policy constraint in 2002/03. The Debt Burden ratio is not expected to be limiting in the foreseeable future.

In addition to the overall debt limits described above, the debt policy imposes an internal

constraint for management purposes. This constraint limits the level of internal debt service repayments on capital projects (exclusive of SLAC, Sand Hill Road projects, auxiliaries and service centers) to 5.0% of unrestricted funds (i.e., general funds plus designated funds). The proposed three-year plan includes \$164.9 million of debt to pay for academic projects. At the substantial completion of the proposed three-year plan (completion dates range from 2000/01-2004/05), these internal repayments of debt service will total \$35.6 million, or 3.9% of unrestricted funds.

The impact of this policy is that the University will have approximately \$91.0 million in remaining debt capacity (net of a \$25.0 million reserve) for projects supported by unrestricted funds, after funding the three-year Capital Plan. Over time, capacity will grow as debt is paid down and unrestricted funds increase.

Affordability

General funds of the University pay a portion of the debt service on capital projects, as well as the operations, maintenance and utility (O&M) costs. These capital-related costs compete directly for this limited resource against academic program initiatives. When the projects in the three-year plan (completion dates range from 2000/01 to 2004/05)

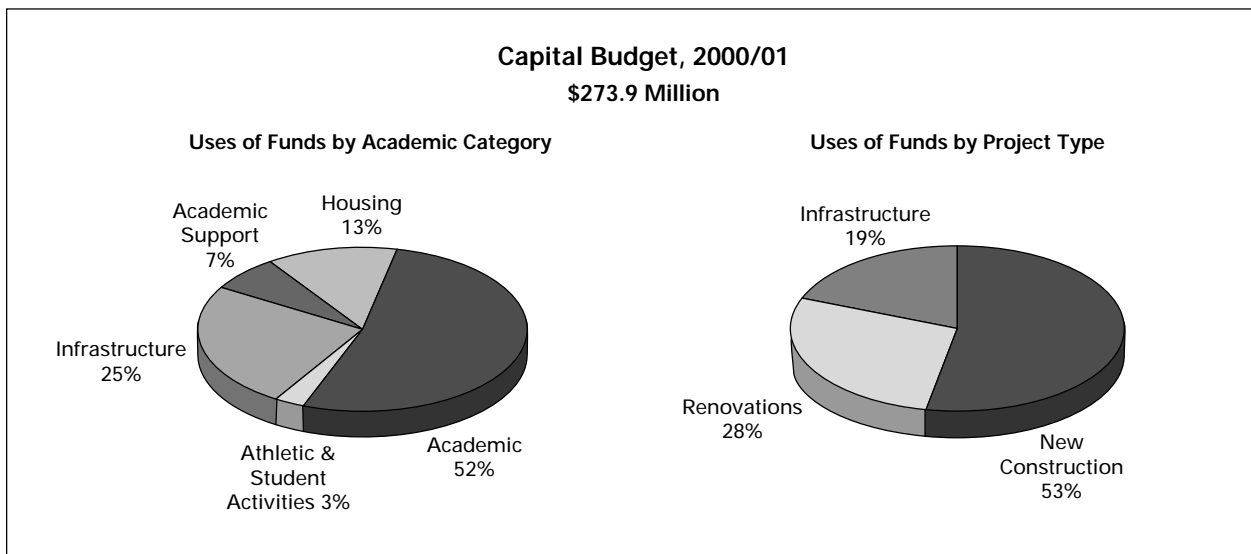
are complete, \$35.2 million will have been added to current levels of debt service. Of this amount, \$21.4 million will be serviced by auxiliary or service center operations. The remaining \$13.8 million will be borne by the unrestricted University budget.

The additional annual O&M costs expected at the completion of all projects commencing in the three-year plan total \$16.0 million. Of this amount, \$2.7 million will be borne by auxiliary and service center operations. The remaining \$13.3 million will be borne by the unrestricted University budget.

THE 2000/01 CAPITAL BUDGET

The 2000/01 Capital Budget represents capital expenditures for the upcoming fiscal year. Most of these expenditures reflect only a portion of the total costs of the capital projects listed, as most projects have a duration exceeding one year. The 2000/01 Capital Budget is \$273.9 million and is shown on the table on the next page. Of this total, \$241.3 million is directed to building construction projects. The remainder will support infrastructure projects.

An estimated 53.0% of the 2000/01 Capital Budget will be spent on new construction projects. The majority of these expenditures are to fund the



Summary of The Capital Budget, 2000/01

(in millions of dollars)

	Capital Budget 2000/01	Current Funds ¹	Gifts ²	Service Center/Auxiliary Debt	University Debt
Projects in Design & Construction	194.1	18.6	126.2	17.5	31.8
Forecasted Projects	47.2	6.0	16.8	14.7	9.7
Subtotal Construction Plan	241.3	24.6	143.0	32.2	41.5
Infrastructure Programs	53.4	38.7	1.9	7.8	5.0
Less: Stanford Infrastructure Surcharge ³	(20.8)	(20.8)			
Total Capital Budget 2000/01	273.9	42.5	144.9	40.0	46.5

1 Includes funds from University and School reserves, and the Stanford Infrastructure Program.

2 Includes gifts that have been identified, pledged and those to be raised.

3 Represents 7% Stanford Infrastructure Program charge included in the Projects in Design & Construction and Infrastructure Programs costs.

GALE-New Education Building, EV Housing Phases I & II, New Chemistry/Biology Building, Stockfarm Parking Structure, and New Mechanical Engineering Building projects. Approximately 28% will be spent on renovation projects and the remaining 19% on Infrastructure, prior to the offset of the Stanford Infrastructure Program surcharge.

There are several important renovation projects set to begin next year, including the Jordan Hall renovation, the renovation of the Wilbur Hall kitchen and serving areas, substantial work on Buildings 160 and 170 in the main quad, and initial work on the renovation of the Bakewell building. In the Infrastructure area, almost two thirds of the funding will support systems projects. Other major infrastructure expenditures will include utilities system expansion and renovation, as well as assorted landscaping and circulation projects. As has been the case in recent years, next year will again be a very active year of construction projects on the Stanford campus.

A breakdown of the 2000/01 Capital Budget can be seen in the table above. Gifts will fund approximately 53% of total expenditures for the fiscal year. Of this amount, approximately 78% of gifts are in

hand. Debt funding represents 32%, of which 17% is university debt and 15% is auxiliary/service center debt. Current funds represent 15% of total funds for the fiscal year.

Capital Budget Impact on 2000/01 Operations

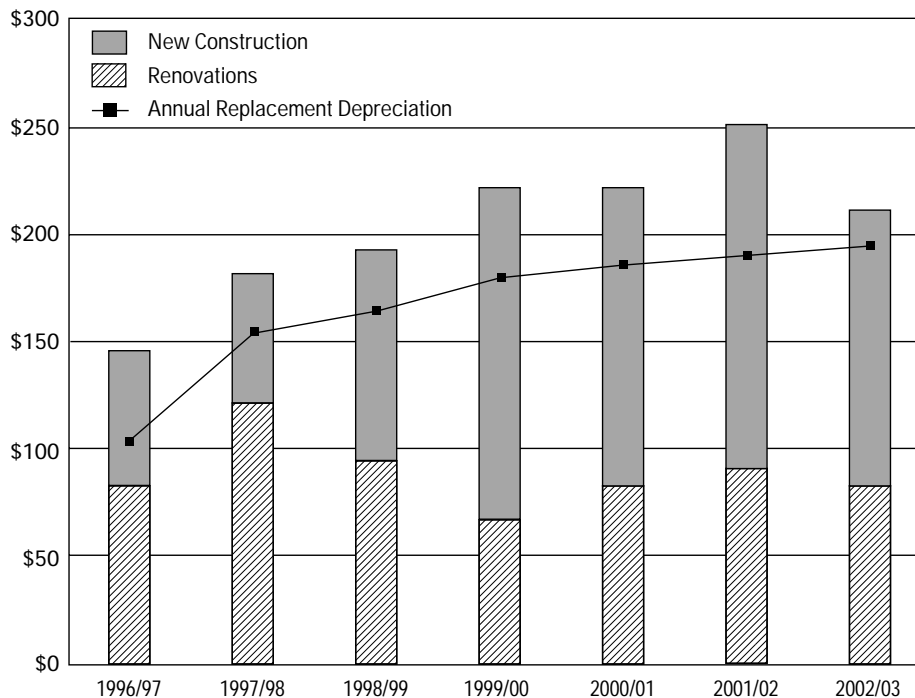
The 2000/01 Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2000/01. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 1999/00 that were operational for less than twelve months in 1999/00.

The projected net additional debt service funded by the 2000/01 Consolidated Budget is \$3.6 million, of which \$2.6 million will support academic projects and \$1.3 million in auxiliaries. Service center debt service will be reduced by \$300,000.

Incremental O&M costs totaling \$2.9 million will be funded by the unrestricted University budget in 2000/01; \$653,000 is due to the completion and occupancy of the Alumni Center, and will be paid by general funds. The remaining \$2.2 million will be paid by the School of Medicine for maintenance of the Center for Clinical Sciences Research (CCSR).

Three-Year Capital Plan

Annual Investment in Plant vs. Annual Replacement Depreciation



Total Investment in Capital Assets

The adequacy of investment in facilities has been an important capital planning issue in higher education. To assess the level of Stanford’s investment, projected annual capital spending is compared to the approximate annual depreciation charge computed on a replacement cost basis. An adequate annual reinvestment should equal or exceed the replacement cost depreciation.

The chart above illustrates reinvestment against the approximate annual depreciation charge on both

an historic and prospective basis. The approximate annual depreciation charge is computed on a replacement cost basis for both periods.

In 2000/01, the estimated annual replacement cost charge is \$185.0 million, compared to an annual investment in facilities of \$221.3 million.

Prospectively, annual spending is expected to exceed the estimated depreciation charge as additional space becomes available.

