



Section 3

Capital Plan and Budget

This section outlines the 2003/04-2005/06 Capital Plan. The Capital Plan forecasts \$837 million in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years. This section also includes the one year outlook for the 2003/04 Capital Budget, which represents \$151.6 million of cash outlays and associated funding of the Capital Plan for the next year.

The Capital Plan is a three-year rolling capital project forecast with budget commitments made to the first year, and then only for projects which have fully identified funding. The plan is set in the context of a longer-term (10 year) Capital Plan for the university. The details of the longer-term plan are less clear than the three-year plan, as we cannot anticipate all of the needs that may emerge over the long-term horizon. In addition, project plans inevitably change over time, particularly over a 10-year period, as some projects prove more feasible than others and as funding realities and academic priorities evolve and change.

This year's Capital Plan has been significantly affected by affordability constraints, debt capacity limits, and challenging fundraising prospects for capital projects. This also was true of last year's plan, but the limitations are even more evident this year. For several projects, a large portion of the funding required is listed either as fundraising goals (Gifts in Hand/Pledged or Gifts to be Raised) or as Resources to be Identified. These fundraising goals have been developed by the Office of Development. The Resources to be Identified are expected to come from sources other than these fundraising targets. This might include additional school or departmental reserves or other funds yet to be identified. In some cases it will be possible to raise all of the funds required for projects, while in others the challenges of the economic environment will result in projects being scaled back, delayed or even cancelled. The rapid pace of facilities development that we

experienced in the 1990s has clearly slowed due to our financial constraints.

The university's debt capacity also has decreased in this economic climate, and so our very limited supply of available debt has been carefully allocated throughout the Capital Plan. The highest priority use for debt in the Capital Plan has been in support of the following areas:

- Life safety and code compliance issues, particularly the completion of the seismic renovation program,
- Ongoing university operations such as infrastructure needs of the physical plant,
- New housing required to meet community needs and requirements under the General Use Permit (GUP), and
- Highest priority university-wide academic initiatives.

The following sections present the details of this year's Capital Plan.

THE CAPITAL PLAN, 2003/04 – 2005/06

Stanford's central campus, including the Medical School but excluding the hospitals, has 664 major buildings providing over 14 million gross square feet (gsf) of physical space. The physical plant has an historical cost of \$3.66 billion and an estimated replacement cost of approximately \$5 billion. The campus is a treasured resource that supports and sustains the academic life of the university.

The Capital Plan is a forecast of Stanford's annual programs designed to restore, maintain and improve campus facilities for teaching, research, housing and related activities. Stanford's needs for new and improved teaching and research facilities emerge every year and are planned in a coordinated manner across the university. The Capital Plan carefully balances

SUMMARY OF THREE YEAR CAPITAL PLAN 2003/04-2005/06
[IN MILLIONS OF DOLLARS]

	Estimated Project Cost	Capital Budget 2003/04	Project Funding Source				Annual Continuing Costs		Project Expenditures Anticipated Cash Outlay					
			Current Funds ¹	Gifts in Hand or Pledged	Gifts To Be Raised	University Debt Service Center/ Auxiliary Debt	Resources To Be Identified ²	Debt Service	Operations Maintenance & Utilities	Through 2002/03	2003/04	2004/05	2005/06	Thereafter
Projects in Design & Construction	173.3	60.8	31.5	40.1	69.3	24.4	8.0	1.8	1.7	28.9	60.8	83.7		
Forecasted Projects	567.0	54.6	40.0	43.8	377.8	88.2	17.2	7.5	10.7	0.6	54.6	94.0	147.1	270.7
Total Construction Plan	740.3	115.4	71.5	83.9	447.1	112.6	25.2	9.3	12.5	29.5	115.4	177.6	147.1	270.7
Infrastructure Programs	96.8	36.2	50.3			10.6		4.7	0.3		36.2	31.6	29.0	
Total Three-Year Capital Plan 2003/04-2005/06 before Internal Charges	837.0	151.6	121.8	83.9	447.1	123.2	25.2	14.0	12.8	29.5	151.6	209.2	176.1	270.7
Less: Stanford Infrastructure Surcharge ³	(32.6)	(5.1)	(32.6)											
GUP Entitlement Fee ³	(47.2)	(7.8)	(47.2)											
Total Three-Year Capital Plan 2003/04-2005/06 after Internal Charges	757.3	138.7	42.1	83.9	447.1	123.2	25.2	14.0	12.8	29.5	151.6	209.2	176.1	270.7

¹ Includes funds from university and school reserves, GUP Mitigation assessments and the Stanford Infrastructure Program.

² Anticipated funding for this category is through a combination of gift raising and school, department and university reserves.

³ Stanford Infrastructure and GUP Entitlement Fee surcharges are included in the Estimated Project Cost of the Construction Plan. These surcharges are the funding mechanism for GUP Mitigation Costs and the Stanford Infrastructure Program (see Infrastructure Projects and Programs table). As a result, the consolidated Construction and Infrastructure Plans include these surcharges twice; as a cost to the construction project and as a cost to the infrastructure programs. As a result, the surcharges included in the construction costs are eliminated on the Summary of Three Year Capital Plan table to avoid overstatement.

institutional needs for new and renovated facilities with our very real and increasingly challenging constraints of limited development entitlements, available funding, and affordability.

The 2003/04-2005/06 Capital Plan, which includes 25 major construction projects in various stages of development and numerous infrastructure projects and programs, totals \$837 million. This plan is significantly smaller in cost and scope than last year's Capital Plan, which totaled \$1.067 billion. The chart below compares the last two years, showing that the 2003/04-2005/06 Capital Plan is 22% less than the 2002/03-2004/05 Capital Plan, reflecting the effects of our funding constraints and affordability issues.

PROJECT CATEGORY [IN MILLIONS OF DOLLARS]	2002/03- 2004/05 CAPITAL PLAN	2003/04- 2005/06 CAPITAL PLAN
Design/Construction	319.9	173.3
Forecasted	531.7	567.0
Infrastructure	216.0	96.8
Total	1,067.6	837.0

As shown in the above table, the projects in Design and Construction have decreased \$147 million. This is largely the result of the substantial completion in 2002/03 of both the Clark Center (\$146.6 million) and Lokey Laboratory (\$62.3 million) and the decline in the number of projects in the Design and Construction phase, from eleven projects in prior year's Capital Plan to seven in this year's Capital Plan.

The Forecasted projects shown in the above table have increased by \$35 million due to the addition of several new projects, including the New Biology Building (\$72.3 million), Art to the Old Anatomy Building (\$38 million), and the School of Engineering Center (\$126.4 million). This was offset somewhat by project deferrals, reduction in scope (from over \$3 million to under \$3 million, and thus not included in the Capital Plan) of several projects, and projects moving from the Forecasted phase to Design and Construction. Projects deferred include the School of Medicine Research Facility Expansion (\$7.8 million), Building 630 Seismic Renovation (\$6.4 million), Crothers and Crothers Memorial (CIP) (\$15.2 million), Herrin Hall Renovation (\$7.8 million), and Row House Renovation (CIP-Storey, Columbae) (\$5.1 million). Projects with

scope reductions from budgets over \$3 million to budgets under \$3 million include Mudd Teaching & Laboratory Renovation (decreased from \$9.2 million to \$2.5 million) and Hopkins Agassiz Seismic (decreased from \$4.6 million to \$2.8 million). Four projects moved from Forecasted to Design and Construction: Law School Student Housing, Maples Pavilion Renovation, Lucas Center Expansion, and the Building 500/510 Renovation.

Infrastructure projects have declined by \$120 million due to the substantial completion of the software applications and system conversion programs, the Pasteur Parking Structure, the Marguerite bus acquisition and the ADA barrier removal and emergency generator programs. The Family Farm Road & Sediment Control project has been deferred.

A summary table of the three-year Capital Plan and expenditures by fiscal year is displayed in the table on the facing page. In addition, a detailed list of these projects is provided in the tables at the end of this section. These tables list the projects that require approval by the Board of Trustees – that is, those projects \$3 million and above in cost. Projects under \$3 million do not require a Board process and are not listed.

The Stanford Hospitals and Clinics (SHC) and Lucile Packard Children's Hospital (LPCH) and Stanford Management Company (SMC) are not included in the Capital Plan tables due to their independent organizational structures. In order to present a comprehensive view of all planned construction on Stanford land, they are mentioned in the text.

The projects in the Capital Plan are divided into three parts.

- **DESIGN & CONSTRUCTION** – The seven projects in Design and Construction represent \$173.3 million of the plan. Some of these projects, such as the Lucas Center Expansion, are scheduled for Board of Trustees construction approval in June of 2003. Other projects, such as the Knoll renovation and the Kavli Particle Astrophysics and Cosmology Institute, are in the design phase. Construction on these projects, especially the Law School Student Housing, is contingent on securing funding.
- **FORECASTED CONSTRUCTION PROJECTS** – Forecasted projects include our proposed projects, listed by anticipated Board of Trustee concept approval date and by project size. Only those projects with an

anticipated concept approval in 2003/04 and fully identified funding are considered budget commitments in this rolling three-year plan. These include 13 projects totaling \$352.4 million. Of these projects, \$91.1 million in funding is identified (\$2.4 million in current funds, \$44.9 million in debt, and \$43.8 million in gifts in hand or pledged.) Of the remaining funds, \$258.4 million needs to be fundraised and \$3 million needs to be identified. The second and third years of the rolling three-year plan include five significant capital projects that are planned for Board of Trustee review in 2004/05 and 2005/06. These projects total \$214.6 million of estimated costs, 62% of which need to be fundraised or identified. Construction of many of these projects will be completed in subsequent years.

- **INFRASTRUCTURE PROJECTS & PROGRAMS** – These projects and programs include a new parking structure, as well as a number of utility systems, information technology and communication systems, storm drain improvements, transportation programs, GUP mitigation, and other infrastructure projects. These projects and programs comprise the remaining \$96.8 million of the Capital Plan.

In the following section we address the Capital Plan from several different perspectives: its funding sources; the use of funds by program category (e.g., academic/research, housing); the use of funds by type of project (e.g., new construction, renovation); other Stanford projects; and the Capital Plan's resource constraints.

CAPITAL PLAN FUNDING SOURCES

Stanford's Capital Plan relies on several funding sources: current funds, gifts, service center/auxiliary debt, and academic debt. In a number of cases not all of the funding sources are known; these projects include a portion of their costs in a Resources to be Identified column. Although it is our expectation that some of these resources will in fact be identified, it is very possible in this economic climate that they may not and that some projects will have to be cancelled, delayed or scaled back in scope.

Current Funds

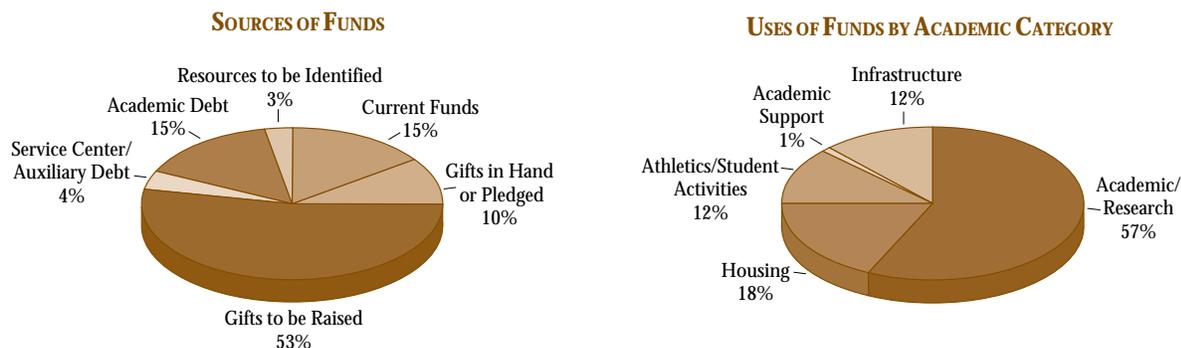
The three-year forecasted plan anticipates that \$121.8 million, or 15% of the Capital Plan, will be funded through Current Funds. These include school, department and university reserves as well as assessments from GUP Entitlement Fees and the Stanford Infrastructure Program (SIP).

The GUP Entitlement Fee is an assessment levied on capital projects that increase the school's/department's current core campus space allocation. These fees provide funding for conditions made under the 2000 General Use Permit and the Community Plan. SIP assessments are levied on all capital projects and fund parking, transportation, and campus planning programs.

Gifts

The three-year Capital Plan includes gifts of \$531 million representing 63% of the Capital Plan. These gifts are a combination of gifts in hand or pledged (\$83.9

THE CAPITAL PLAN 2003/04 – 2005/06: \$837 MILLION¹



¹ Amount includes Stanford Infrastructure Surcharge and GUP Entitlement Fees charged to projects.

million or 10%), and gifts to be raised (\$447.1 million or 53%.) The Office of Development has reviewed the gift projects listed in the plan, and assessed that the gift targets we have listed are feasible. However, given historical levels of annual giving for buildings, it is likely that the gift timetable will be stretched out.

Debt

Debt funding reliance dropped 50% from the 2002/03-2004/05 Capital Plan, although it remains one of the key financing sources for the Capital Plan. Approximately 19% of projected expenditures in the Plan will be funded by \$159.1 million of debt. Of this amount, \$35.9 million is auxiliary and service center debt, principally Residential and Dining Enterprises and the Capital Utilities Program. Another \$123.2 million is academic debt.

Resources to be Identified

As mentioned above, given the constraints of the economic climate at this time, not all of the funding sources are known for all projects in the Capital Plan. The Resources to be Identified category amounts to \$25.2 million in the plan, or 3% of the total funding required. While it is possible that funds will be identified within this category, it is not clear at this time that this funding need will ever be met.

USES OF FUNDS BY PROGRAM CATEGORY

The Capital Plan is divided into the following program categories: Academic/Research, Housing, Athletics/Student Activities, Academic Support, and Infrastructure.

The chart on page 42 shows these uses by academic category.

Academic/Research

Academic/Research projects directly support Stanford's teaching and research mission, and include buildings that have offices, classrooms and laboratories used by faculty, students and staff. The 15 Academic/Research projects in the plan amount to \$475.6 million, or 57% of the total plan.

Projects Completed in 2002/03:

Projects described in last year's Capital Plan that will be substantially complete in 2002/03 included the following: Clark Center, Lokey Laboratory, and Skilling Classroom Renovation.

Projects in Design and Construction:

The following five projects are currently in design and

construction within the current three-year plan:

- The Lucas Center Expansion will extend the existing MSLS/Lucas Building underground to accommodate innovative research with a new high-field magnet and Molecular Imaging Center. The project involves an addition of 28,000 gross square feet.
- The Kavli Institute for Particle Astrophysics and Cosmology, formerly listed as the Chen Institute, is a 25,000 gross square foot state-of-the-art research facility being developed at SLAC.
- The Knoll Seismic Renovation is planned to upgrade this historic building (19,000 gsf) to meet current seismic requirements, address deferred maintenance and ADA requirements, and meet program needs for music performance and studio space in the Humanities and Sciences Music department.
- The renovation of Building 500 will create a home for the Archaeology Center, as well as upgrading the building to current seismic, MEP, ADA, and life safety codes. Building 500 is one of the remaining unreinforced masonry (URM) buildings to be renovated on campus. In addition, a second floor with an additional 5,890 gsf will be created within the building.
- A new building for CSLI (the Center for the Study of Language and Information)-Media X and EPGY (the Education Program for Gifted Youth) is being planned adjacent to Ventura and Cordura Halls. The building (10,000 gsf) will house faculty, visitors, postdoctoral students, students, and staff from both of these independent research center programs.

Forecasted Construction Projects:

Additional Academic/Research projects planned for Trustee concept approval in the next three years include 10 new and renovated buildings. Projects in Medicine include a new School of Medicine Information and Learning Environment (known as SMILE) (220,000 gsf requested) and seismic upgrades of the Lane, Edwards and Alway Buildings (262,000 gsf). In the sciences and engineering, plans include a new School of Engineering Center (206,978 gsf requested), a new Biology building (120,000 gsf requested) and a renovation of the HEPL End Station (37,062 gsf) for additional laboratory space.

Other projects include an office space renovation in the Lou Henry Hoover Building for the Hoover Institution (20,000 gsf), a renovation and upgrade of the former

Career Planning and Placement Center (CPPC) for the School of Education (8,328 gsf), and a renovation and upgrade of the Old Anatomy building for the Art department (gsf to be determined).

Housing

Housing projects represent \$151.6 million, or 18% of total Capital Plan expenditures. These projects reflect the efforts of the university to provide more affordable housing for graduate students and to upgrade existing facilities for both graduate and undergraduate students. The conditions of the General Use Permit also require the university to build new housing as academic space is built. The Capital Improvement Program (CIP) is intended to address deferred maintenance, seismic upgrades, code compliance, and major programmatic improvements in all areas of the student housing system. Several CIP projects are anticipated in the coming years, particularly related to improvements and upgrades to the Row Houses. Most of these projects fall in the under \$3 million range.

Projects Completed in 2002/03:

Last year's Capital Plan described the following projects, which will be substantially completed in 2002/03: Escondido Village Graduate Studios 5 & 6 (326 new studio units), User Lodging Facility at SLAC, Branner Hall, and the Buck Estate renovation.

Projects in Design and Construction:

- The Law School Student Housing project is planned to provide up to 400 units of housing for law students (total gsf to be determined), located adjacent to the Law School academic campus. This housing facility is key to the integrated learning environment of the school, which is a hallmark of the school's identity.

Forecasted Construction Projects:

Future housing projects include a Manzanita III Hall and Dining project, which will add 125 new undergraduate beds in addition to a new dining facility, and a Graduate School of Business housing addition of up to 280 beds.

Athletics/Student Activities

The Athletics/Student Activities category covers those facilities that support campus athletics and recreation functions, and other non-academic resources/services for students. Projects supporting Athletics/Student Activities represent \$103.9 million, or 12% of total Capital Plan expenditures.

Projects Completed in 2002/03:

Last year's Capital Plan described the Redwood City Boathouse Facility, which was substantially completed in 2002/03.

Projects in Design and Construction:

The following project is in Design and Construction:

- The Maples Pavilion Renovation will expand the existing facility by 18,153 new gross square feet and renovate the existing space in order to better meet the needs of the sports teams that use the facility as well as the fans that attend sports events. The building's systems, seismic, and code needs will be addressed as well.

Forecasted Construction Projects:

Additional projects planned in the near future for Athletics include the new Arrillaga Family Recreation Center and a renovation of the Golf Clubhouse and related facilities. In the student activities area, the renovation of the Old Union, Clubhouse, and Nitery (90,486 gsf) is planned, which will create additional student activity and support space. In addition, plans are underway for a new Graduate Community Center (12,000 gsf) to be located in Escondido Village.

Academic Support

The Academic Support category consists of facilities that help support the academic mission of the university. This category generally includes administrative space, as well as facilities such as libraries and museums. Academic Support projects total \$9.1 million, or 1% of the plan.

Projects Completed in 2002/03:

Last year's Capital Plan described the Off-Site Library Collections project (SAL III), which will be substantially complete by the end of 2002/03.

Projects in Design and Construction:

There are no Academic Support facility projects currently in design and construction.

Forecasted Construction Projects:

Forecasted Academic Support projects in the Capital Plan include a renovation of the Bakewell Building to house Admissions, Financial Aid, and the Visitor Information Center (17,000 gsf), and a Public Safety Annex (gsf to be determined). The Bakewell project was originally scheduled for 2003/04, but has been deferred to 2004/05 due to affordability and debt constraints.

Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a \$96.8 million budget (12%) in the Capital Plan. The majority of the infrastructure programs are comprised of the Capital Utility Programs (CUP) and Information Technology & Communication Systems. The remaining programs include Parking, GUP Mitigation, and other infrastructure projects and programs, as described below. Note that the GUP Mitigation and Stanford Infrastructure Programs are funded through construction project surcharges.

Parking

Approximately \$7.2 million will be spent on the new East Campus Parking Structure, which will provide approximately 400 parking spaces to replace those displaced by the Law School Housing project.

Parking is generally funded through a combination of funds from the Stanford Infrastructure Program and GUP Entitlement Fees. SIP provides funding for parking that has been *displaced* and the GUP Entitlement Fee funds parking that *increases* the net number of parking spaces on campus. The maximum net increase in parking allowed is 2,300 spaces under the 2000 GUP, most of which is attributable to planned increases in on-campus student housing.

Capital Utility Program

The three-year plan allocates a total of \$30 million for CUP projects. These projects aim to improve and enhance electrical, steam, water, chilled water, and wastewater utility systems. The program is driven by three conditions: system expansion, system replacement, and system controls.

Information Technology & Communication Systems

A total of \$37.3 million has been allocated for information systems applications, infrastructure development, and upgrades to networks and communication systems.

Compliance and Other

A total of \$5.7 million has been allocated toward the ongoing implementation of the East and West Campus Storm Drain Improvements program.

GUP Mitigation Costs

The three-year Capital Plan addresses capital expenditures for GUP mitigation. These planned expenditures represent the conditions of approval under the General Use Permit and Community Plan approved by Santa

Clara County in December 2000. Expenditures to meet these conditions total \$9.4 million and relate to Trail Easements, Water Conservation, and Transportation Demand Management Programs. Funding for these expenditures will be generated by an internal expansion fee. This fee will be levied on capital projects that increase the school's/department's current core campus space allocation.

Stanford Infrastructure Program

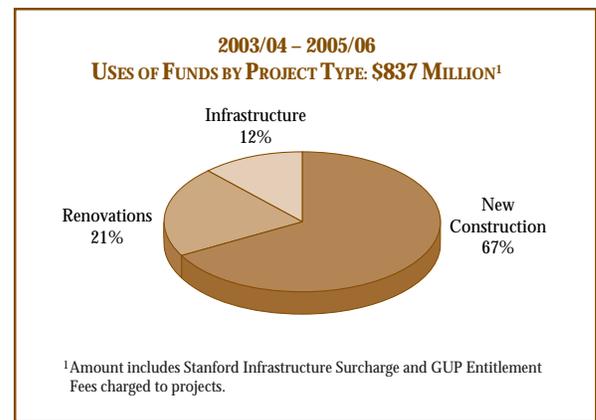
SIP consists of campus planning and transportation projects and programs proposed and developed for the improvement and general support of the university's academic community and physical plant. SIP expenditures are expected to total \$7.2 million over the three-year period. Of this total, \$1.2 million is allocated to Parking and Transportation Services projects. These projects include the construction of small increments of additional parking, campus transit improvements, parking lot infrastructure improvements, and enhancements to support bicycle use. The remaining \$6 million represents campus landscaping and site improvement projects, including bicycle and pedestrian paths, lighting, outdoor art, and habitat mitigation.

USES OF FUNDS BY PROJECT TYPE

New Construction

Of the 25 major construction projects, the three-year forecasted plan anticipates 12 new buildings. These projects account for \$563.5 million or 67% of the three-year plan, ranging in size from \$3.1 million to \$140.5 million.

These buildings will support academic and research programs, increase student housing, and athletic/student facilities.



Renovations

As is illustrated in the chart on the facing page, 13 Renovation projects represent \$176.7 million, or 21% of the total project costs over the three-year period. Three of the renovation projects represent the final phase of the unreinforced masonry (URM) building seismic upgrades. The URM program has been a significant part of the Capital Plan since the 1989 Loma Prieta earthquake. These URM renovations include Building 500/510, Bakewell, and CPPC. The remaining projects include major renovations of some of Stanford's older buildings, including the Old Union.

Infrastructure

Infrastructure projects and programs totaling \$96.8 million comprise the remaining 12% of the Capital Plan.

OTHER STANFORD ENTITIES

In 2003/04, as has been true for the last two years, the Capital Planning process has included all Stanford entities. Due to their independent organizational structures and specific Board delegations, projects managed by Stanford Management Company and Stanford Hospital & Clinics have not been included in this Capital Plan/Budget. A brief description of these projects follows:

Stanford Management Company

FACULTY AND STAFF HOUSING – The Stanford Management Company continues to plan both rental and for sale housing units for faculty and staff of the university over the next ten years. This effort addresses a university priority to recruit and retain faculty and staff.

STANFORD RESEARCH PARK – Due to current market conditions and the economic environment that we anticipate over the next few years, redevelopment in the Stanford Research Park is unlikely. When this economic situation changes, such redevelopment could be considered.

Stanford Hospital & Clinics

SHC is constructing the Center for Cancer Treatment & Prevention/Ambulatory Care Pavilion, a 218,000 gsf project that is anticipated to be complete by December 2003. In addition, the Lucile Packard Children's Hospital is planning interior renovation projects to support current program needs. The Stanford Medical School, SHC, and the Lucile Packard Children's Hospital also are engaged in a long-range planning effort

that will outline and coordinate the space and program needs of the three entities over time.

CAPITAL PLAN CONSTRAINTS

Affordability

The additional internal debt service costs expected at the completion of all projects commencing in the three-year forecasted plan (completion dates will range from 2003/04-2008/09) total \$14 million; \$8.3 million of which will be paid for by unrestricted funds, and \$5.7 million will be serviced by auxiliary or service center operations.

The additional operations, maintenance and utilities (O&M) costs expected at the completion of all projects commencing in the three-year plan total \$12.8 million. Of this amount, \$3.3 million per year will be covered by auxiliary and service center operations. The remaining \$9.5 million per year will be paid by unrestricted funds.

General funds of the university pay a portion of the debt service on capital projects, as well as the O&M costs. These capital-related costs compete directly with other academic program initiatives. Our current forecast for the general funds portion of the Consolidated Budget for Operations includes these projected costs.

Debt Capacity

In March 2003, the university issued \$150 million of 30-year tax-exempt, commercial paper notes to finance capital projects. As of March 31, 2003 \$43 million has been drawn down under this facility. In conjunction with these debt offerings, Standard and Poors, Fitch Ratings and Moody's confirmed the university's AAA/Aaa bond ratings. Total university debt outstanding is projected to be \$1.3 billion at the end of 2002/03.

Approximately \$213 million of capacity from existing debt programs is currently available to finance capital projects, including \$12 million of unexpended bond proceeds, \$93 million of taxable commercial paper capacity and \$108 million of tax-exempt commercial paper capacity. An additional \$43 million is expected to become available through fiscal year-end 2003/04 from internal amortization payments on previous debt-funded projects.

We will require a total of \$317.2 million of debt to finance:

- \$163.7 million to complete projects currently committed or under construction,

- \$93.5 million for forecasted projects commencing in 2003/04, and
- \$60 million for the faculty mortgage portfolio through fiscal year-end 2003/04. A surge of mortgage refinancings has slowed growth in the mortgage portfolio to \$1.7 million year to date, down from a peak of \$45 million in Fiscal 2002. Future growth in the portfolio is difficult to predict in the current economic environment since the key drivers are local real estate prices and mortgage interest rates.

Funds available from existing debt programs will support capital expenditures through 2003/04. We will need to raise an incremental \$62 million in fiscal 2004/2005 to complete these projects. Projects identified in the three-year Capital Plan (including projects under \$3 million, financed equipment, and faculty mortgages) commencing after 2003/04 will require an additional \$205.6 million in debt. It is important to note that these projects are not currently committed and will be evaluated in the context of debt capacity and GUP limitations. On a pro-forma basis we expect to be in compliance with the university's debt policy at fiscal year-end 2002/03.

Entitlements

The Stanford campus is comprised of 8,180 acres, which fall within six jurisdictions. Of this total, 4,017 acres are within unincorporated Santa Clara County, including most of the central campus.

In December 2000, Santa Clara County approved a General Use Permit that allows Stanford to construct up to 2,035,000 additional gross square feet of academic-related buildings on the core campus. The GUP also allows for the construction of up to 2,000 new student-housing units and over 1,000 units of housing for post-doctoral fellows, medical residents, faculty, and staff.

Conditions of approval include:

- The creation of an academic growth boundary to limit the buildable area to the core campus.
- The stipulation that a sustainable development study be approved before new construction is developed beyond one million gross square feet.
- For each 500,000 gsf of new academic building, a total of 605 units of housing be constructed.

Given the stringent requirements imposed by the new GUP and the increasingly difficult entitlement environment, Stanford carefully manages the allocation of new growth. We originally projected that our GUP square footage allocation would be expended over 15 years – which would be at a rate of approximately 135,000 gsf per year. Funding constraints have slowed this GUP square footage projection; as of the end of 2002/03, we have committed only 51,000 gsf of GUP square footage. The three-year forecasted plan shows a projection of over 541,000 GUP square feet by the end of 2005/06; this is a forecast that could change over time.

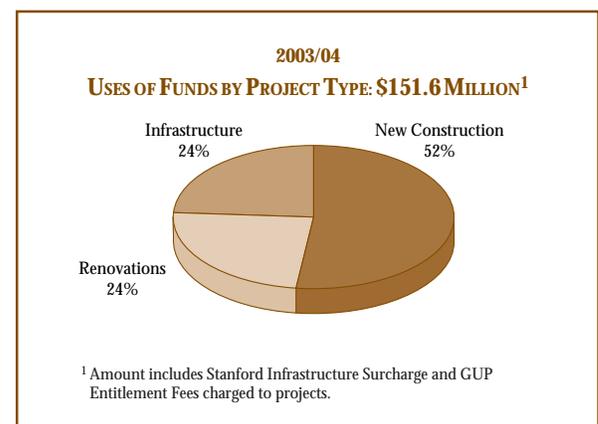
THE CAPITAL BUDGET, 2003/04

The 2003/04 Capital Budget represents capital expenditures for the upcoming fiscal year in the amount of \$151.6 million. 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.

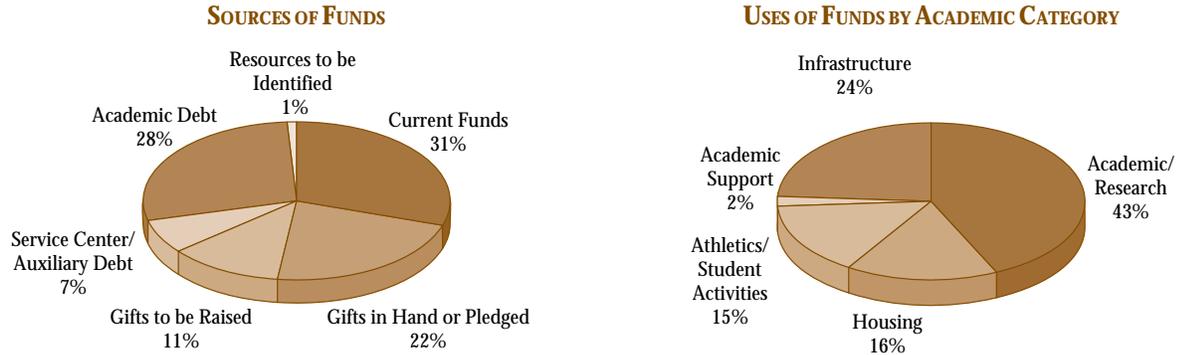
SOURCES AND USES

A breakdown of the Capital Budget's sources and uses of funds is presented in the following charts. Debt and Gifts represent 35% and 33% of the budget, respectively. Current funds (i.e., existing university reserves and fund balances) represent 31% with the remaining 1% to be identified.

Of the total \$151.6 million Capital Budget, 43% will be spent on Academic/Research projects. Infrastructure, Housing, and Athletics/Student Activities projects will represent 24%, 16% and 15% of the total budget respectively. Academic Support projects represent the remaining 2% of the total budget.



THE CAPITAL BUDGET 2003/04: \$151.6 MILLION¹



¹ Amount includes Stanford Infrastructure Surcharge and GUP Entitlement Fees charged to projects.

An estimated 52% of the budget will be spent on new construction projects. The majority of these expenditures are to fund the Law Student Housing, Lucas Center Expansion, and the School of Medicine Information and Learning Environment (SMILE) buildings. Another 24% will be spent on renovation projects such as the Maples Pavilion Renovation. The remaining 24% will be spent on Infrastructure projects and programs, including the East Campus Parking Structure. Other infrastructure initiatives in 2003/04 include Information Technology and CUP programs.

CAPITAL BUDGET IMPACT ON 2003/04 OPERATIONS

The 2003/04 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2003/04. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2002/03 that were operational for less than 12 months in 2002/03.

As noted in Section 1, Stanford borrows funds from capital markets and lends the proceeds to fund capital projects and programs. These capital projects and programs repay the funds plus interest over the remaining life of the project. These payments are known as internal debt service. Stanford is responsible for accumulating these funds for repayment to the external lender. The interest rate for internal debt service is calculated annually as a blended interest rate of all interest expense and bond issuance costs. The projected blended rate for 2003/04 is 5.65%.

The projected incremental internal debt service funded by unrestricted funds in 2003/04 is \$6.4 million. This amount represents the additional debt service on eight capital projects and programs, the most significant of which are the Information Systems Applications, Lokey Laboratory, and the Off-Site Library Collections project (SAL III). This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to \$36.9 million, equal to approximately 4.36% of unrestricted revenues.

Total internal debt service, including auxiliaries and services centers, will increase from \$86.3 million to \$100 million, an increment of \$13.7 million.

Additional O&M costs of approximately \$5.5 million will be funded by general funds and the Medical School. A significant portion of this amount is due to the scheduled completion of the Pasteur Parking Structure in March 2003, the Clark Center and the Lokey Laboratory in summer 2003, and the remaining portion of Off-site Library Collections (SAL III) in fall 2003. Branner Residence Hall, Kitchen, and Servedy will add approximately \$300,000 and will be funded through auxiliary operations.

CAPITAL PLAN PROJECT DETAIL

Tables showing the details for projects in Design and Construction, Forecasted Projects, and Infrastructure Projects and Programs follow on the next three pages.

2003/04-2005/06 CAPITAL PLAN
PROJECTS IN DESIGN & CONSTRUCTION
 [IN MILLIONS OF DOLLARS]

	School/ Department	Project Schedule	Estimated Project Cost	Capital Budget 2003/04	Project Funding Source				Annual Continuing Costs			
					Current Funds ¹	Gifts		University Debt		Resources To Be Identified ²	Debt Service	Operations Maintenance & Utilities
						Gifts in Hand or Pledged	Gifts To Be Raised	Service Center/ Auxiliary Debt	Academic Debt			
Law School Student Housing (400 units)	SLS	2003-05	90.1	22.5	4.2	64.3				1.5	1.0	
Maples Pavilion Renovation	DAPER	2003-05	30.0	9.0	29.0	1.0	21.6				0.3	
Lucas Center Expansion	SOM	2003-04	22.8	14.8	22.8						0.2	
Kavli Institute for Particle Astrophysics & Cosmology	SLAC	2003-05	10.5	3.2	7.5	3.0			5.2		0.1	
Knoll Seismic Renovation	H&S	2003-05	9.7	3.4	4.5				2.8		0.1	
Building 500/510 Renovation	H&S	2003-04	5.6	4.2	3.6	1.0				0.2	0.1	
CSLI-Media X and EPGY Building	DOR	2003-04	4.6	3.7	40.1	69.3	24.4		8.0	1.8	1.7	
Subtotal - Projects in Design & Construction ³			173.3	60.8	31.5	173.3	24.4		8.0	1.8	1.7	

¹ Includes funds from university and school reserves, GUP Mitigation assessments, and the Stanford Infrastructure Program.

² Anticipated funding for this category is through a combination of gift raising and school, department, and university reserves.

³ Stanford Infrastructure and GUP Entitlement Fee surcharges are included in the Estimated Project Cost of the Construction Plan. These surcharges are the funding mechanism for GUP Mitigation Costs and the Stanford Infrastructure Program (see Infrastructure Projects and Programs table). As a result, the consolidated Construction and Infrastructure Plans include these surcharges twice; as a cost to the construction project and as a cost to the infrastructure programs. As a result, the surcharges included in the construction costs are eliminated on the Summary of Three Year Capital Plan table to avoid overstatement.

2003/04-2005/06 CAPITAL PLAN
INFRASTRUCTURE PROJECTS & PROGRAMS
 [IN MILLIONS OF DOLLARS]

	School/ Department	Project Schedule	Estimated Project Cost	Capital Budget 2003/04	Current Funds ¹	Project Funding Source				Annual Continuing Costs		
						Gifts		University Debt		Resources To Be Identified ²	Debt Service	Operations Maintenance & Utilities
						Gifts in Hand or Pledged	Gifts To Be Raised	Service Center/ Auxiliary Debt	Academic Debt			
Parking Structures												
East Campus Parking Structure (400 spaces)	FAC OPS	2004-06	7.2	3.6	7.2							0.1
Subtotal – Parking Structures			7.2	3.6	7.2							0.1
Capital Utilities Program (CUP)												
System Expansion	FAC OPS	2004-06	16.2	4.5		16.2						1.6
System Replacement	FAC OPS	2004-06	11.6	4.8		11.6						1.2
Controls	FAC OPS	2004-06	2.2	0.7		2.2						0.2
Subtotal – CUP			30.0	10.0		30.0						3.0
Information Technology & Communications Systems												
Applications & Infrastructure	ITSS	2004-06	26.5	12.7	26.5							1.1
Communications and Networking Systems	ITSS	2004-06	10.8	2.6		5.9	4.9					1.1
Subtotal – Systems			37.3	15.3	26.5	5.9	4.9					2.2
Compliance and Other												
East & West Campus Storm Drains	FAC OPS	2004-06	5.7	2.5				5.7				0.6
Subtotal – Compliance and Other			5.7	2.5				5.7				0.6
GUP Mitigation Costs												
Trail Easements	FAC OPS	2004-06	6.0	2.0	6.0							
Water Conservation System	FAC OPS	2004-06	1.6	0.2	1.6							
Transportation Demand Management	FAC OPS	2004-06	1.8	0.2	1.8							0.1
Subtotal – GUP Mitigation			9.4	2.4	9.4							0.1
Stanford Infrastructure Program (SIP)												
Parking and Transportation Services ³	FAC OPS	2004-06	1.2	0.4	1.2							
Campus Planning Systems	UA/PO	2004-06	6.0	2.0	6.0							0.1
Subtotal – SIP			7.2	2.4	7.2							0.1
Subtotal – Infrastructure Projects & Programs			96.8	36.2	50.3	35.9	10.6					4.7

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

² Anticipated funding for this category is through a combination of gift raising and school, department, and University reserves.

³ Parking Structures are listed separately.

