

CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

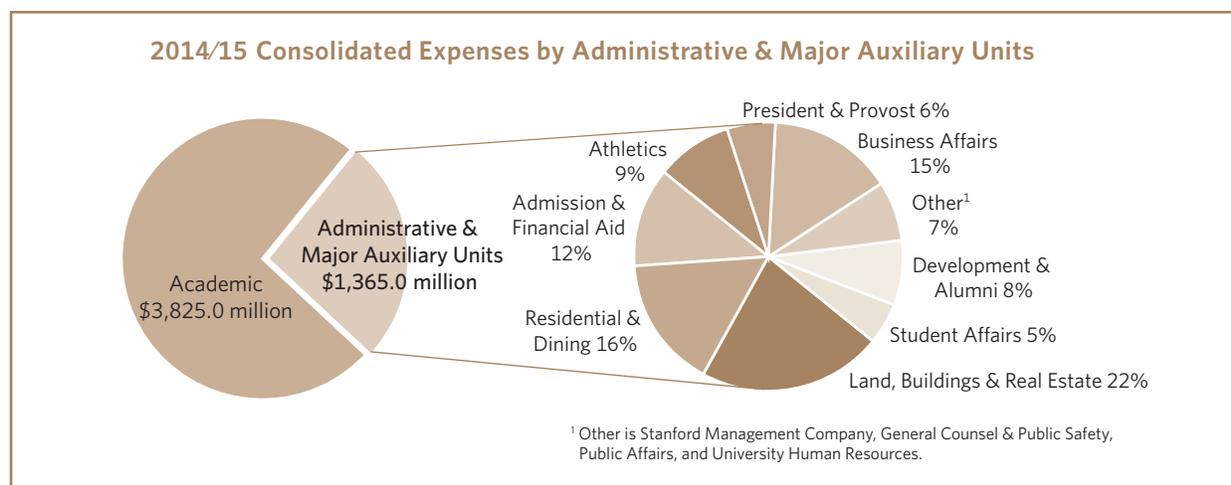
ADMINISTRATIVE UNITS

This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university.

CONSOLIDATED BUDGET FOR OPERATIONS, 2014/15: ADMINISTRATIVE & MAJOR AUXILIARY UNITS

[IN MILLIONS OF DOLLARS]

	TOTAL REVENUES AND TRANSFERS	TOTAL EXPENSES	RESULT OF CURRENT OPERATIONS	TRANSFERS (TO)/FROM ASSETS	CHANGE IN EXPENDABLE FUND BALANCE
Administrative Units					
Business Affairs	205.0	206.0	(1.0)	(2.1)	(3.2)
Development	64.8	65.6	(0.8)	0.0	(0.8)
General Counsel & Public Safety	34.6	34.6	0.0	0.0	0.0
Land, Buildings and Real Estate	308.4	302.2	6.2	(5.2)	1.0
President and Provost Office	88.2	88.6	(0.4)	0.5	0.1
Public Affairs	11.1	11.2	(0.1)	0.0	(0.1)
Stanford Alumni Association	41.6	42.0	(0.4)	0.0	(0.3)
Stanford Management Company	34.1	34.1	0.0	0.0	0.0
Student Affairs	64.2	64.3	(0.1)	0.0	(0.1)
Undergraduate Admission and Financial Aid	167.2	167.9	(0.8)	0.0	(0.8)
University Human Resources	12.9	13.6	(0.7)	0.1	(0.6)
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	116.2	117.8	(1.6)	1.7	0.1
Residential & Dining Enterprises	216.2	217.2	(0.9)	(0.1)	(1.0)
Total Administrative & Auxiliary Units	1,364.5	1,365.0	(0.6)	(5.1)	(5.6)



BUSINESS AFFAIRS

The Business Affairs organization provides administrative infrastructure, systems, services, and support for the benefit of the university community. Business Affairs units include Financial Management Services (Controller's Office, Treasurer's Office, Purchasing & Payments); University IT (IT Services, Administrative Systems, Information Security Office); Research Administration (Office of Sponsored Research, Research Financial Compliance and Services); Audit, Compliance and Privacy; Risk Management; and Business Development.

The 2014/15 consolidated budget for Business Affairs shows revenues and transfers of \$205.0 million and expenses of \$206.0 million, resulting in an operating loss of \$1.0 million. Business Affairs is investing its reserves in strategic priorities, including IT infrastructure improvements and systems. Approximately \$2 million of reserves will be used to fund one-time requests from operations, including the procurement transformation and privacy and security initiatives. Fund balances are projected to total approximately \$26 million at the end of 2014/15, a reduction of \$3.2 million from 2013/14. Of this \$26 million, over half is held for IT projects. Commitments are made to systems projects that span fiscal years, resulting in growth or depletion of reserve funds each year, depending on the projects undertaken.

Expenses are projected to be 1% higher in 2014/15 than in 2013/14. In 2013/14 Business Affairs has undertaken several IT security initiatives that incorporate \$7 million in one-time spending. Excluding one-time spending, Business Affairs expenses are projected to be 4% higher than in 2013/14. Of this increase, 60% is in compensation due to 2% headcount growth plus annual salary increases. Business Affairs will add 13 staff members in 2014/15 to strengthen key compliance and service areas, including information security, privacy, and payment card services. These positions are funded with a mix of base and one-time general funds and other funding sources.

Each year Business Affairs focuses on a specific group of principal initiatives, many of which span multiple years, with annual milestones and deliverables. These initiatives work toward continuous improvement in delivering excellent service to Business Affairs clients, as well as on further increasing efficiency, addressing new compliance requirements, and mitigating enterprise risk.

Significant current Business Affairs initiatives include the following:

- **Research administration transformation:** Phase 1 development of the Stanford Electronic Research Administration (SeRA) system is completed. This system is used by every principal investigator and research administrator at Stanford, and is the core system for managing central sponsored research activities. The project team is transitioning from development to ongoing support, maintenance, and enhancement. The current focus is on systems integration, reporting, and future enhancements.
- **Procurement to pay transformation:** The current focus is on obtaining strategic sourcing insight through implementation of a spend analytics solution while continuing to optimize purchasing and roll out replacement payment solutions. Going forward, Procurement's focus will expand to a strategic approach, utilizing the spend analytics data to stretch budget dollars through spend management.
- **Evolution and consolidation of financial planning and reporting:** This is a multiyear initiative to consolidate and update tools for financial management reporting, with the ultimate goal of moving reporting content to the Oracle Business Intelligence Enterprise Editions (OBIEE). The first project, payroll and labor management reports, was released in the fall 2013. The second phase is under way and is focused on delivering comprehensive reporting for payments and expenditures.
- **Payroll distribution reporting and certification:** Business Affairs has implemented and rolled out this process in support of a major new federal compliance requirement, with completion in spring 2014.
- **Privacy and information security:** This initiative will improve the university's profile on privacy and information security risks. It includes hiring a privacy director, updating privacy policies, conducting campus-wide endpoint encryption, and meeting payment card industry compliance requirements.
- **Endowment payout:** Business Affairs is completing the implementation of revised endowment income allocation/payout/shortfall processes.
- **Partnership with SLAC:** Business Affairs is migrating SLAC employees to the university payroll system and completing a review of SLAC research policies and procedures.

- **Global initiatives:** Business Affairs will continue to support growing global activities, including operationalization of the governance committee for Stanford University Global LLC, a company to hold Stanford's foreign subsidiaries, currently with branches in Beijing and Ghana.
- **Research computing:** Business Affairs is opening the Stanford Research Computing Facility at SLAC, with several clusters to be installed and operational by mid-2014.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects revenues and transfers of \$64.8 million and total expenses of \$65.6 million in 2014/15. A transfer from reserves will cover the resulting deficit of \$824,000, and fund balances will decline accordingly. The deficit results from increased investments in Dean of Research, arts, and School of Earth Sciences development, as well as ongoing IT investments. The main funding sources remain general funds and support from the School of Medicine and Stanford Hospital and Clinics for costs associated with Medical Center development.

Total expenses for 2014/15 are 7.4% higher than the 2013/14 year-end projection of \$61.1 million. Much of this growth beyond cost rise results from the Campaign for Stanford Medicine, which was launched in May 2012, and expansion of Medical Center development.

In February 2014, the Council for Aid to Education released fundraising results for colleges and universities during 2012/13. For the ninth consecutive year, Stanford received more philanthropic support than any other U.S. college or university. While overall dollars raised fell slightly, the numbers of donors and gifts increased, reflecting a trend of increasing activities for the last four years. Looking ahead to 2014/15, OOD will continue to engage existing and prospective donors in key university and hospital priorities. This outreach will be facilitated by the investment of incremental general funds, as well as OOD reserves, in a few critical areas consistent with OOD's five-year strategic goals:

- **Create, support, and integrate best-in-class donor life cycle management, which includes the most efficient and effective processes that ensure the best donor experience:** OOD has completed its effort to optimize and reduce the size of major gift officer portfolios. As a result, OOD will create a premier level of direct appeal to prospects without a primary fundraiser assignment

in order to better understand their interests and communication preferences.

- **Focus on staff, making OOD a highly desirable employer:** OOD has undertaken a careful review of field staff compensation to ensure development officers are paid at market rates, and will make investments accordingly. The department continues to create opportunities for promotion, growth, and development to retain its talented team.
- **Articulate a compelling and comprehensive vision for the university:** OOD has launched its FOCUS series, creating a place for all fundraisers to come together and learn more about campus-wide initiatives. A new database will launch in spring 2013/14 to create a central repository for all gift opportunities.
- **Engage volunteer leaders:** The Development Volunteer Engagement Task Force is now refining its recommendations, and OOD will review and implement them in 2014/15.
- **Develop systems and business processes that maximize Stanford's ability to engage donors and prospects in timely, meaningful, personalized, and tailored ways:** OOD is in the midst of a functional review to plan for the replacement or significant overhaul of its 20-year-old IT infrastructure and plans to begin implementation efforts in 2014/15 once the right platform is identified and additional funding is secured.

GENERAL COUNSEL AND PUBLIC SAFETY

The Office of General Counsel (OGC) projects a balanced consolidated budget of \$12.9 million in 2014/15, a 4% increase over the 2013/14 year-end projection. OGC anticipates some increase in operational costs impacting general funds in 2014/15, including costs of an additional part-time attorney who will focus on compliance issues and a full-time paralegal to work primarily on e-discovery and corporate entity governance issues. OGC also anticipates increased rates for outside counsel. OGC did not receive an incremental allocation of general funds to compensate for these but will try to limit the firm rate increases and reduce law firm utilization if necessary to balance the budget. The proposed level of general funds along with anticipated client retainers is expected to cover operating expenses absent any unanticipated extraordinary matters in 2014/15.

OGC will continue to focus on its main strategic priorities: (1) proactively trying to constrain costs by increasing efficiency; (2) identifying risk; (3) implementing mitigation strategies, including preventative counseling and more comprehensive client training; and (4) resolving disputes early. OGC will continue its effort to maintain an optimal balance between inside and outside counsel to provide cost-effective, high-quality service. Internal operating costs are already lean, and there is not much opportunity for further cost reduction.

OGC anticipates providing legal services at the required level, although prioritizing risks. It may not provide some services so long as doing so does not increase risk too much. OGC expects that it has adequate reserves to back-stop a shortfall should one occur.

Consolidated 2014/15 revenues and transfers for Public Safety, including both the Stanford Department of Public Safety (DPS) and the contract for fire protection and emergency communications services with the City of Palo Alto, are budgeted at \$22.2 million, \$1.4 million higher than the 2013/14 year-end projection of \$20.8 million. Expenses for 2014/15 are budgeted to be \$21.6 million, resulting in a projected surplus of \$567,000, assuming anticipated salary savings from partial-year position vacancies. Approved programmatic changes for DPS in 2014/15 include increased staff to support patrol and campus security needs as well as an additional sergeant to manage the behavioral threat assessment program and update policies and procedures. Additional general funds allocations and transfers in from other units will support these programs.

Budget projections for the 2014/15 fire contract are based on the 2013/14 adopted budget from the City of Palo Alto with anticipated growth. The university has provided notice of termination of the current fire contract to Palo Alto and is presently developing options for alternative fire service models. Alternate fire services are expected to be implemented early in 2015/16; the specific timing and nature of the changes have not yet been determined.

Areas of specific focus for DPS operations in 2014/15 will include the addition of non-sworn officers to support patrol functions and special events management; a review and update of department policies and procedures to ensure compliance with applicable laws and regulations; continued efforts to improve network and data security compliance; and, in collaboration with OGC, implementation of a new fire services model.

LAND, BUILDINGS AND REAL ESTATE

Land, Buildings and Real Estate (LBRE) is responsible for developing and implementing the university's Capital Plan; managing and developing commercial real estate on endowed lands; managing campus utilities, grounds, and parking and transportation; and providing stewardship for 8,180 acres of campus and contiguous land, as well as 35 acres of commercial offices and lands in Redwood City. LBRE also manages operations and maintenance (O&M) for 340 buildings, including Hopkins Marine Station and other off-campus facilities. Those on the Stanford campus total approximately 10 million of the 15 million square feet (sf) of buildings on campus.

During 2014/15, LBRE estimates revenues and transfers of \$308.4 million and expenses of \$302.2 million, yielding operating results of \$6.2 million. After an expected transfer of \$5.2 million for capital renewal projects, LBRE forecasts a planned surplus of \$1.0 million, or 0.3% of total revenues and transfers.

Total expenses in 2014/15 are expected to increase by \$26.2 million, or 9.5%, over 2013/14 as a result of:

- higher utilities expenses of \$5.4 million due to increases in purchased utilities and higher debt amortization expenses resulting from Stanford Energy System Innovations (SESI);
- incremental O&M costs of \$5.0 million resulting from new campus structures (e.g., the McMurtry Building, the Anderson Collection at Stanford University, the 408 Panama Mall Office Building, and Bioengineering/Chemical Engineering); and
- general increases in compensation and materials.

In addition to the responsibilities described above, LBRE leads numerous initiatives that typically span years from concept to completion. The following completed milestones are representative of LBRE's multiyear initiatives:

- Approval by the U.S. Fish and Wildlife Service of the Habitat Conservation Plan (HCP), which allows Stanford's incidental "take" of protected species. The HCP covers approximately 4,400 acres of Stanford's lands, including the central campus, the lower foothills, and the Matadero/Deer Creek Basin south of the Stanford Research Park.
- The securing of entitlements for the Redwood City campus, paving the way for development of up to

1,518,000 sf. The approved entitlements include a precise plan, rezoning, a certified environmental impact report, and a detailed 30-year development agreement.

- 100% execution of lease extension offers by the 123 residential leaseholders in the Menlo Park subdivisions of Stanford Creek and Stanford Hills. Stanford's goals for the offer were both to allow leaseholders to remain on the properties for an extended period, and to create opportunities for Stanford to acquire the leaseholds and use the properties in the faculty housing program.

Ongoing initiatives include the following:

- **Real estate commercial development:** The current development pipeline is robust, propelled by a strong market and expiring ground leases with obsolete buildings. A five-year look projects a Stanford development pipeline of approximately 500,000 sf of potential new construction at an investment of \$320 million. Two projects under way in the Stanford Research Park will replace 130,000 sf of older existing facilities and, upon completion and occupancy, will generate \$11.5 million annually in net operating income (stabilized in 2016) that will benefit general funds. Menlo Park's approval is being sought for the development of approximately 100,000 sf of office space and 250 rental apartment units on the former El Camino auto dealership sites. Additionally, numerous ground lessees plan 746,000 sf of new development at an anticipated \$482 million investment.
- **Growth and transportation alternatives:** An ongoing study of "big ideas" is considering both capacity-enhancing and transportation demand management (TDM) strategies to relieve local and regional traffic congestion. The current situation, wherein regional and local roadway networks are at capacity, transit systems face severe and variable budget limitations, and Stanford's TDM programs, though effective, are reaching the point of diminishing returns, means the university must look to new solutions for reducing auto dependency.
- **Searsville Dam:** An extensive examination of existing conditions and possible alternatives for the future of Searsville Dam and Reservoir commenced in 2011. Because of accumulating sediment, today's water volume is 10%-15% of its estimated original 1,100 acre-feet. Without remediation, sediment will fill in the reservoir in 20-45 years, although large storms, seismic events, and/or fire in the watershed could shorten that time frame. A steering committee, involving prominent

faculty and senior campus leadership staff, and a working group are investigating and evaluating the effects of various alternatives. These comprise actions addressing water supply, potential flooding, academic research, sediment management, and biological and cultural resources. A community advisory group has also been formed to provide additional input to the steering committee. The steering committee will produce a recommended set of actions for the president and provost's further consideration in 2014.

Stanford continues to construct and develop a high volume of academic and real estate properties but faces ongoing challenges, including a difficult, politically charged entitlement environment, constrained internal resource management, and campus disruption, the latter largely due to the construction of the SESI project and hospital expansions. LBRE is mitigating these constraints to the extent possible. Additionally, Stanford's 2,035,000-sf General Use Permit entitlement, which governs growth on campus, is 68% allocated to projects that received their building permits as of August 31, 2013.

PRESIDENT AND PROVOST OFFICE

The Office of the President and Provost (PPO) comprises a collection of small administrative units. The unit has changed in size and composition as groups have been moved administratively around the university. In addition to the operations of the President's Office and the Provost's Office, the PPO includes the University Budget Office, the Academic Secretary's Office, the Ombuds Office, Continuing Studies, the Diversity and Access Office, the Office for Religious Life, the Vice Provost of Online Learning, and several other small units that support university-wide services. Over the past 14 years PPO has built reserves to assist these units with staffing needs and special requests, and to cover year-end and unbudgeted expenses. PPO projects total revenues and transfers of \$88.2 million and expenses of \$88.6 million, including an expected transfer in from plant funds of \$522,000. PPO forecasts a surplus of \$148,000 for 2014/15.

In 2013/14 PPO projects a \$1.7 million deficit due to the transition of certain Stanford Pre-Collegiate Studies (SPCS) courses to a licensee. SPCS, part of Continuing Studies, comprises three main program families: the Online High School (OHS), the Pre-Collegiate Institutes, and the Collegiate Programs. The OHS continues to grow rapidly

and will approach \$6 million in revenue in 2014/15. The Pre-Collegiate Institutes have augmented their residential activities with a number of short-duration, nonresidential on-campus activities, including the Pre-Collegiate Science Conference, leading to a small gain in revenue. New to the SPCS family this year is the Office of College Programs, consisting of the Stanford Summer College and the Stanford Summer College Academy. These programs allow students to earn credit during the summer through residential and hybrid online/residential programs, and the latter is anticipated to grow substantially. The licensing of the older Education Program for Gifted Youth (EPGY) courses, under way since 2011/12, was finally completed in 2013/14. While this will negatively impact revenue and profitability until 2015/16, depending on the success of the licensee, it should produce a small royalty stream through 2019/20.

In 2013/14, the Vice Provost for Online Learning (VPOL) continues to develop online course material, driven by faculty interest, to improve teaching and learning at Stanford and beyond. VPOL has built a stable resource for online course development through its instructional design, production, and platform teams. Since the first three Stanford massive open online courses (MOOCs) were offered in 2011, VPOL has helped more than 145 faculty members from all seven schools deliver nearly 250 online courses for Stanford student and/or public use. Over 160 of these were unique courses created for Stanford student use, and nearly two million people have registered for one or more of the free public courses taught by faculty members.

In 2014/15, VPOL's objective is to continue working with faculty to design and produce new online course materials, extending its reach to new campus departments, centers, and institutes. In addition, VPOL will expand the collection, organization, and delivery of data to support research on course usage, engagement, and outcomes. VPOL will fund new initiatives from a variety of sources, including grants; fundraising in collaboration with the Office of Development; and expansion of the Stanford Digital Learning Forum, a new affiliates program.

For 2014/15, incremental general funds have been added to support a new position, the Title IX coordinator. The position oversees investigations and accommodations in student cases of sexual assault, harassment, and gender discrimination. The Title IX coordinator works with student services personnel across the university, as well as with the Sexual Harassment Policy Office.

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues of \$11.1 million and expenses of \$11.2 million, resulting in a net operating deficit of \$120,000. This planned deficit reflects the use of reserves to fund the TEDxStanford and Roundtable events in 2014/15.

Total revenues are budgeted to increase 8.2% from \$10.2 million in 2013/14, while total expenses are expected to increase 6.1% from \$10.5 million. Incremental base general funds allocated to OPA include funding for two new positions, conversion of a current part-time position to full time, and conversion of a one-time funded position. Revenue from Stanford Video and Stanford Ticket Office is expected to decrease slightly from 2013/14.

OPA forecasts an ending balance of \$284,000, of which approximately \$75,000 is restricted to specific project and endowment-related expenditures. The unrestricted balance will be used to maintain a modest reserve and to support OPA events, such as the Roundtable and TEDxStanford, and other internal and external programs.

OPA is a group of organizations dedicated to protecting and advancing Stanford University's mission and reputation as one of the world's leading research and educational institutions. Its three major departments, Government and Community Relations, the Office of Special Events & Protocol, and University Communications, work together to accomplish this mission by providing strategic advice and support to the entire campus community on internal and external reputational matters; building and fostering relationships with local, state, and federal officials; managing and coordinating internal/external communications through traditional and new media platforms; responding to increasing public and international interest; and planning and producing Stanford's highest-profile events and ceremonies.

The confluence of several important trends puts OPA, and in particular University Communications, at a strategic inflection point.

- Stanford's profile has risen rapidly and profoundly in the past decade, particularly in the past five years. This change has brought significant opportunities and challenges, all demanding increased communications support.
- The communications landscape has radically changed over the same time period. The complexity and impact

of this continuous evolution, particularly in digital communications, require more and varied skills, as well as resources.

- The university's peers are investing heavily in digital communications—many at levels far beyond Stanford's—with the result that in some cases Stanford's programs and efforts in this space do not compare favorably with others.
- Preeminence in digital communications is expected of Stanford, given its historic positioning in technology and Silicon Valley. Yet Stanford's overall central communications resources have remained flat for a decade, and its digital media resources are significantly less than those of its peers.

OPA received some incremental funding to address its increased need for support as follows:

- Base funding to convert the Media Initiatives and Outreach Program (one FTE) from one-time funding. This program's innovative multimedia efforts strategically highlight Stanford's people, research, and global impact to engage key communities, stakeholders, and influencers.
- Funding for 1.5 FTE in Web communications and digital media to further strengthen Stanford's digital and social media impact and presence.
- Funding for one FTE to develop Stanford's Online Accessibility Program to provide university-wide leadership on matters related to online accessibility; train Web staff in accessible design, coding, and content production; and assess new and existing sites for consistency with appropriate accessibility standards.
- Base funding to convert the Stanford Web Services group from start-up to continuing status. This group was launched in 2011/12 in partnership with IT Services to improve the efficiency, cost effectiveness, and quality of Stanford's website communications.

In addition, OPA is restructuring its Government and Community Relations department to account for the retirement of long-time Associate Vice-President Larry Horton. Funding will be reallocated internally as needed to hire two new program manager positions to support federal, state, local, and community relations work and to hire additional outside consultants as needed.

Stanford's media exposure is exploding, and the need to effectively manage this scrutiny is at an all-time high. Greater investment from the university is critical to address this demand and put OPA in a better position to take advantage of strategic opportunities and proactively protect Stanford from potentially damaging reputational risks.

THE STANFORD ALUMNI ASSOCIATION

The Stanford Alumni Association (SAA) projects \$41.6 million in gross revenue and operating transfers and \$42.0 million in total expenses in 2014/15, resulting in a reduction of \$334,000 in its consolidated fund balance after asset transfers. Reserve balances are projected to stand at \$3.4 million at the end of 2014/15.

Business and program revenues, coupled with income from life membership, building, and other endowment fund payouts, will generate roughly 70% of SAA's gross revenue. The remaining 30% will come from base and one-time general funds and one-time presidential funds. Gross revenue and expense will be higher than 2013/14 projected levels by 4.5% (\$1.8 million) and 2.8% (\$1.1 million), respectively, excluding the one-time costs and funding in 2013/14 of Rose Bowl activities. These increases are largely fueled by SAA's Travel/Study program and additional investment in alumni outreach programs.

In 2013/14, SAA used one-time general funds to continue enhancing student-focused programming, services, and networking opportunities. These efforts have served to strengthen the connection and engagement between students and alumni while also supporting a strong sense of class identity within the undergraduate student cohorts.

SAA also used one-time general funds in 2013/14 to bring alumni a wide range of meaningful, topical, and thought-provoking Stanford academic and intellectual content through a variety of programs, services, and media platforms. Alumni education was already a key component of many SAA offerings. A number of the new efforts in 2013/14 have focused on partnering with other Stanford units to leverage the exciting work taking place in this arena across the university, particularly around the online delivery of content. SAA will continue its focus on alumni education in 2014/15 with funding from internal SAA revenue streams and reserves.

Stanford+Connects, an alumni outreach program launched in 2012/13, remains a key priority for SAA. This program brought faculty, students, and the university president to four cities in the United States and Europe in 2013/14 and will reach another five cities in 2014/15. Presidential funds support this effort.

SAA's digital presence continues to reach alumni in ever-greater numbers. One-time general funds in 2013/14 were used to enhance the mobile functionality of critical areas of the SAA website, and to develop and test new mobile functionality designed to enrich the alumni/student experience in a number of SAA program areas. In 2014/15, a total of \$312,500 in continuing one-time general funds will partially fund seven billets shared by SAA and the Office of Development (OOD). In addition to supporting the technology needs of existing SAA and OOD offerings and activities, a key focus for this shared IT team in 2014/15 will be to identify and begin implementing a new technology platform to provide a technologically current, dynamic tool to meet future SAA and OOD needs, as well as those of alumni, donors, and campus partners.

SAA received new base general funds for 2014/15 to support Reunion Homecoming infrastructure needs driven by growing numbers of both the youngest and the most senior attendees, and to fund ongoing efforts to drive greater student connection and engagement with the broader alumni network. New 2014/15 base general funds will also support SAA's compliance and data security efforts.

SAA's greatest challenge is to keep itself—and Stanford—relevant and value-creating to over 215,000 alumni while staying mindful of its financial realities. SAA looks to the strategic investments discussed above to deliver a significant return to the university in terms of heightened connection, active engagement, and a stronger community of alumni. SAA also remains focused on cost management, revenue enhancement, and process improvements across its operations. SAA staff at all levels are enlisted to aid in these efforts, which ultimately allow the organization to better realize its mission to reach, serve, and engage all alumni and students; to foster a lifelong intellectual and emotional connection between the university and its graduates; and to provide the university with goodwill and support.

STUDENT AFFAIRS

Student Affairs' primary mission is to promote student learning and development as an essential component of the student experience, and as a complement to learning that occurs in academic settings. In 2014/15, Student Affairs anticipates total revenues and operating transfers of \$64.2 million and total operating expenses of \$64.3 million, resulting in an operating deficit of \$119,000 and consolidated fund balances totaling \$22.5 million at year-end.

Projected 2014/15 revenues and transfers will exceed those for 2013/14 by \$3.4 million, or about 6%. Of the increase, \$2.6 million is incremental base funding that will support the following strategic initiatives and priorities:

- **A new model for career services:** Student Affairs is implementing a new organizational/service delivery model for the Career Development Center (also see sidebar on page 19) by adding new positions and converting existing part-time positions to full time and existing soft-funded positions to continuing, base-funded positions.
- **Student safety and well-being, compliance, and risk management:** Student Affairs is converting fixed-term staff positions in the Office of Alcohol Policy and Education (OAPE) and an assistant dean position in the Dean of Student Life Office to continuing status. OAPE will also receive one-time funds for programming and outreach/education expenses.
- **Graduate student support:** Student Affairs is adding graduate student community associate positions for new/renovated graduate residences, and is converting a fixed-term graduate student program developer position in El Centro Chicano to continuing status.
- **International student support:** Student Affairs is providing ongoing support for international student orientation programming, including its expansion.

The balance of the division's net funding increase will consist of base and rent funding increments to cover cost rise.

Total projected expenses will exceed 2013/14 levels by \$2.3 million, or 3.7%. The increase will accrue in the operating budget and include a net of \$1.3 million of actual incremental expense to be supported by new base funds. The balance of the net expense increase will be attributable to standard cost rise.

Several points are of note in regard to planned uses of funds for 2014/15:

- Having received incremental base funding to support its new service delivery and staffing model, the Career Services Center will begin to replenish its reserves, which have been drawn down by \$450,000 since the spring of 2013 to support new initiatives and an interim reorganization. The center will use its designated revenues to support non-compensation expenses for its ongoing operations and new strategic initiatives.
- The Office of the Vice Provost will use central reserves to support enhancements to the division's Web presence and architecture and new initiatives in the student community centers.
- For 2013/14, the Haas Center for Public Service received base funding to stabilize financial support for its education partnership programs. These funds have helped alleviate drawdowns against reserves to support these programs, and the center has been able to shift more focus to expanding and enhancing the programs, as well as fundraising for them.
- Vaden Health Center will use reserves to further assess a number of issues and trends that may affect service-level demand and methods and costs of delivering health-care services. These include impacts of health-care reform under the Affordable Care Act and possible systems/process enhancements for recovering revenues from the medical plan carrier.

In 2014/15, Student Affairs will continue assessing and evaluating programs and operations to refine its strategic focus and direction. One priority will be for Student Affairs and key university stakeholders to assess and develop strategies for complying with mandates regarding sexual violence and relationship abuse, including Title IX requirements for institutional reporting, investigation, and response and more recent federal guidelines regarding gender-based discrimination. This evaluation will include review of current programs and responsibilities of the Office of Sexual Assault and Relationship Abuse Education and Response.

The division also plans to review programs for diversity education and outreach, including those that support first-generation students and those for developing student leadership. Infrastructure issues that will be explored this year include space use/optimization, to help ensure the

available space portfolio is aligned with strategic priorities and service/operating needs, and possible alternatives to the current IT infrastructure funding model.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES

Undergraduate Admission & Financial Aid projects total consolidated revenues and transfers of \$167.2 million and expenses of \$167.9 million, resulting in an operating deficit of \$800,000 and 2014/15 ending fund balances of \$7.2 million. The consolidated budget is divided between the student aid and administrative budgets as follows:

- The budget for undergraduate need-based aid includes revenues of \$156.7 million and expenses of \$157.3 million, resulting in a net operating deficit of \$500,000. This deficit is composed chiefly of endowment funds that had no qualifying recipients in prior years and will be spent down in the coming year. Ending student aid fund balances for 2014/15 are projected at \$4.7 million.
- The administrative budget projects revenues of \$10.4 million and expenses of \$10.6 million, resulting in a net operating deficit of \$250,000 and administrative ending fund balances of \$2.5 million.

The following information pertains exclusively to the administrative operations of Undergraduate Admission.

Total 2014/15 expenses are budgeted to be higher than the \$10.2 million projected for year-end 2013/14. Compensation costs are expected to increase in line with trend growth. Non-salary costs are expected to increase modestly.

Undergraduate Admission is funded almost entirely from general funds. Gifts, campus tour fees, and the sale of related merchandise generate minimal additional revenue. Undergraduate Admission is not requesting any incremental funding beyond base funding. All potential special projects with costs exceeding the base allocation will be paid for out of accumulated reserves.

In recent years, Undergraduate Admission's reserves have increased significantly, from \$861,000 in August 2006 to \$3.6 million in August 2013. Much of this increase has stemmed from position vacancies. The tabling of certain outreach activities until a later date has also been a contributing factor.

Undergraduate Admission has plans to use these reserves over the coming two to four years. Planned 2014/15 uses include a new staffing structure, which will increase salary costs; additional updates to print collaterals and promotional videos; social media presence expansion and other marketing campaign measures; ramped-up outreach activities, including domestic and international travel and targeted marketing; and expansion of the number of Outreach Volunteer Alumni Link interview cities, which will require additional travel and training of alumni volunteers to interview prospective applicants.

Undergraduate Admission has developed a premier organization to attract and yield the brightest undergraduate students. Despite scaled-back outreach since 2008 due to the economic downturn, the university received 42,167 applications in 2013/14 for the fall 2014 enrollment, the largest number in its history and 8.6% more than in 2012/13. This success brings additional needs, however, as Undergraduate Admission must maintain its careful attention to the proper processing, screening, and review of an ever-increasing volume of applications.

UNIVERSITY HUMAN RESOURCES

The purpose of University Human Resources (UHR) is to advance Stanford's position as the best-led, best-managed university in the world. UHR facilitates the university's mission of excellence in teaching, learning, and research by supporting academic and research priorities with a high-caliber workforce; reducing administrative burden related to employee processes; establishing infrastructure for a high-performing, engaged set of employees; and fostering a workforce that feels valued, supported, and respected. The units within UHR include Benefits, Employee and Labor Relations, Operations and Systems, Staff Compensation, Talent Management, and Workforce Strategy, as well as the WorkLife Office and daycare centers, the Help Center, and the Transaction Center.

In 2013/14 UHR became a separate unit from Business Affairs. The 2014/15 consolidated budget shows revenues and operating transfers of \$12.9 million and expenses of \$13.6 million. UHR will use approximately \$470,000 in reserves to fund initiatives associated with its strategic plan. Another \$230,000 will initially come from reserves to fund Performance Management@Stanford but will be recovered from participating areas.

Expenses are projected to be 4.1% higher in 2014/15 than in 2013/14. Nearly all of the increase is in compensation. The FTE headcount stands at 116 and has not changed since last year. Most of the growth over the past two years is due to one-time initiatives.

UHR is completing the third year of a strategic plan with three foundational elements: leadership and management development, HR operations and development, and employee engagement. It is engaging in the following key initiatives:

Job Classification Initiative: UHR has completed standardized job descriptions, created an online job description library, and completed initial job assignments after conducting a "test drive." Implementation of the new system is planned for April 2015, and a set of robust communications plans has been developed for late 2014. As part of this initiative, UHR will use reserves to fund the Career Services program to provide a framework for staff to develop skills and competencies and navigate their careers within the new classification system. It will also allocate funds to the job classification work needed to redesign the salary structure and update salary survey analysis.

HR transactions: The HR Transaction Center of Expertise (CoE) was established to provide transaction services for all university organizations (except Humanities & Sciences, the School of Medicine, and SLAC, which use clusters). The CoE is providing full or partial transaction services to all 22 target schools and departments. Over the past year, it has processed over 50% of all transactions and 34% of academic transactions with a 99.9% accuracy rate. The shift to the CoE reduced the number of transactors for the target schools and departments by 23%, and redeployed or eliminated 6.0 FTE. Base funding is approved for 2014/15 for a total of 4.0 FTE. In addition, one-time, multiyear funding was approved for 3.0 FTE to assume transaction management for School of Medicine faculty and academic staff activity beginning in May 2014.

Manager Academy: This management training has graduated 353 managers in its first year. In an assessment conducted by the Evaluation Institute, 99% noted that they had "acquired new learning, tools, insights or motivation." Under a shared-funding model, UHR, departmental, and participant Staff Training Assistance Program funds cover over 80% of the cost of the program. The 2014/15 proposal includes a base funding request.

Performance Management@Stanford: 2013/14 starts the second year of a multiyear rollout toward an institution-wide performance management platform. The goal is to train all 14,000 employees and their managers to use the process and associated online system by 2016/17. To accelerate the program, UHR is designing streamlined training and a new cofunding model that will combine UHR funding and departmental support.

Stanford Training and Registration System revitalization: This is a multiyear project to improve compliance-related training. 2014/15 milestones are to improve the learner experience and delivery of profile management. The Learning Solutions Group supports over 45 learning organizations on campus with services for instructional design and course entry in the system. A base request for an additional 1.0 FTE was approved for 2014/15.

Welcome center: This joint project with Business Affairs will onboard new staff more efficiently and facilitate fast employee productivity from day one. A single center is being established that will bring together all campus services needed by new employees and utilize a “flipped classroom” approach. The project is funded by one-time start-up funding from Business Affairs reserves and existing departmental resources.

Benefits onsite services: UHR is establishing an in-house benefits services group. Funds will be redirected from the existing vendor providing these services. Employees and retirees will be able to contact members of the group to clarify key information and facilitate problem resolution related to benefits programs and plans.

MAJOR AUXILIARY UNITS

The budget lines for the School of Medicine, the Graduate School of Business (GSB), Humanities & Sciences (H&S), VPUE, and Stanford University Libraries (SUL) include auxiliary revenues and expenses. These auxiliary operations include the Blood Center at the School of Medicine, the Schwab Center of the GSB, and Stanford University Press in SUL, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. These items are separately identified in the schools' consolidated forecasts in Appendix A. Due to their size, Stanford University Press is also discussed in this chapter. The major independent auxiliaries are Athletics and Residential & Dining Enterprises (R&DE).

ATHLETICS

The fiscal outlook for the Department of Athletics, PE, and Recreation (DAPER) appears favorable in 2014/15, although challenges remain due to uncertainty in several revenue streams. DAPER projects a roughly balanced budget in 2014/15 based on projected revenues and asset transfers of \$118.0 million and expenses of \$117.8 million. Significant changes in revenues are anticipated in 2014/15 in key areas, although increases only slightly outweigh decreases creating an overall expected increase in revenue of 1.6% over the projection for 2013/14. Overall expenses are expected to shrink in 2014/15 by 1.4% from the projection for 2013/14. DAPER's consolidated budget consists of three distinct sets of activities: auxiliary operations (\$89.5 million), financial aid (\$21.6 million), and designated activities (\$6.9 million).

Auxiliary Operations

Auxiliary operations are made up of two primary areas, intercollegiate activities and ancillary activities, with net income from the later helping to support the former.

Intercollegiate Activities

Direct revenues and transfers from intercollegiate activities in 2014/15 are projected to be \$65.6 million. Projected expenses are \$68.6 million in 2014/15. The \$3 million deficit is funded through net income from ancillary operations, specifically the golf course and camp operations. As in most years, DAPER's actual revenues for the year in this area will largely be determined by the success of football ticket sales and annual fundraising efforts. In 2014/15, however, there is a potentially significant but uncertain new revenue source — the relatively new Pac-12 television network, which will be in its third year of operations. While only minimal incremental revenue from the Pac-12 network

is projected in 2014/15 due to the uncertainty in that area, there are several other key changes on the revenue side compared to the 2013/14 projection. Intercollegiate revenues are projected to increase only 3.1%. This is due to the combination of a significant increase (approximately \$2.7 million) in revenue from the Pac-12 conference as a result of the new football playoff system and a significant decrease (approximately \$2.4 million) in football ticket sales as a result of a less favorable home schedule. Expenses related to intercollegiate activities are expected to decline slightly, primarily related to one-time facility expenses in 2013/14 that will not be repeated in 2014/15. Expenses apart from this show relatively small changes as DAPER continues to work to hold expense growth down.

Ancillary Activities

Direct revenues and transfers from ancillary activities in 2014/15 are projected to be \$23.9 million. These revenues are comprised of general funds that support the PE, Recreation, and Wellness area of the department, a contribution from the university benefits pool to support facilities open to all students, faculty, and staff, the golf course, the equestrian center, the Stanford Campus Recreation Association (SCRA) and camp operations. Expenses related to these activities are projected to be \$20.9 million in 2014/15. The golf course and camp operations produce a surplus of approximately \$3 million that supports the intercollegiate side of operations. As one-time startup expenses for the new Arrillaga Outdoor Education and Recreation Center (AOERC) conclude, the budget for ancillary activities is expected to decline by 4.5% in 2014/15.

Financial Aid

DAPER's financial aid endowment continues to be a huge asset to the department. For several years the payout from

these endowments significantly overfunded financial aid needs. This allowed the department to work with donors to transfer the financial aid surplus to help with operating expenses. However, the decline in endowment payouts in 2009/10 and 2010/11, combined with continued increases in tuition costs, created financial aid expenses that exceeded the endowment payouts. Despite a rebound in the endowment and significant new gifts in this area, this shortfall will continue in 2014/15 and DAPER projects needing a transfer of approximately \$1.3 million from operating revenues to balance the financial aid budget. For 2014/15, projected revenues (including this transfer) and expenses are \$21.6 million, for a balanced financial aid budget. This budget provides approximately 340 scholarships that benefit over 500 students who participate in intercollegiate athletic programs. This compares to projected 2013/14 revenues and expenses of \$20.8 million.

Designated Activities

DAPER's designated activities consist primarily of summer camps, which are mainly pass-through operations and not actively managed by the department. The remaining activities include incoming revenues that are transferred to support auxiliary operations each year. Significant changes are not expected in any designated activities in 2014/15. In total, revenues and expenses from designated activities are projected to be \$6.9 million in 2014/15, only slightly higher than the projected \$6.7 million in 2013/14.

RESIDENTIAL & DINING ENTERPRISES

Residential & Dining Enterprises (R&DE) generates revenues primarily through room and board, conferences, cafés, catering, guest housing, concessions, and other enterprises. R&DE houses over 11,000 undergraduate and graduate students and serves approximately 18,000 meals per day, while providing stewardship for 5 million square feet of physical plant. R&DE supports the university's academic mission by providing high-quality services to students and the Stanford community in a sustainable and fiscally responsible manner. R&DE ensures critical facility needs for life safety and code compliance are met while maintaining safe, comfortable, and contemporary living and dining spaces.

The 2014/15 budget plan projects a break-even auxiliary budget with total revenues and net transfers of \$209.6 million to offset related expenses. The auxiliary budget includes a planned use of reserves for maintenance and capital proj-

ects. Consequently, fund balances are projected to decline by \$1.0 million to \$19 million.

The 2014/15 combined undergraduate room and board rate increase is 3.53% (4.50% room and 2.19% board). When combined with increases in other revenues, this is projected to increase the R&DE total auxiliary revenue (excluding transfers) for 2014/15 by 6.5% over the prior-year projection. The 2014/15 budget plan includes \$5.6 million additional revenue and \$1.4 million operating expenses from the new Donald Kennedy Graduate Residences. R&DE plans to address inflationary impacts on operating costs and anticipated escalation in asset renewal, debt service, and emerging projects with the projected revenue increases and continued efficiencies in operations. The 2014/15 operating expenditures also reflect the projected impact on utility costs stemming from the Stanford Energy System Innovations (SESI) project and incremental debt service related to new housing initiatives.

The 2014/15 budget plan reflects transfers in to fund debt service related to the capital plan and to help maintain room rental rates at reasonable levels as compared with the local housing market. The plan also includes revenues, expenses, and transfers in to provide additional housing for students at campus rates in the local community pending the completion of new housing on campus. Off-campus housing subsidy will be about \$8.5 million in 2014/15. Lastly, the plan includes strategic funding to support residential living and learning. R&DE plans to transfer out about \$9.5 million to Residential Education, ResComp, the Graduate Life Office, and Summer Sessions among other programs.

R&DE continues to make significant investments in its physical plant. It has developed an ongoing long-range capital plan to address its facility renewal needs, with expenditures of \$36.8 million in 2013/14 and \$63.8 million in 2014/15, as well as additional investments in future years, on a variety of capital renovation projects. R&DE has also initiated a plan to address a backlog of deferred maintenance across residential and dining facilities. The long-range capital plan and deferred-maintenance backlog plan both address life safety system upgrades to meet current code; interior and exterior restorations; and window, roof, plumbing, mechanical, and electrical replacements across the student housing and dining system. The R&DE Initiative for New Housing, commenced in 2012/13, will result in 780 new graduate and undergraduate bed spaces: 436 at the Donald Kennedy Graduate Residences at Escondido Village, projected to

open in fall 2014, and 128 in a new building in the Manzanita residential complex, scheduled to open in late 2014/15, and the remainder at the Lagunita Court projected in 2015/16. This initiative will also help meet the General Use Permit (GUP) requirements to link housing academic building growth, improve the future campus-wide GUP position, and support the Study of Undergraduate Education at Stanford.

In addition to the Initiative for New Housing, the 2014/15 capital project plan will mainly focus on Row House renovations and kitchen replacements; Escondido Village apartment kitchen renovations, heating system upgrades, fire sprinkler installations, and roof replacement; Rains apartment interior and exterior renovations, including life safety and security system upgrades; Lagunita residence hall plumbing and mechanical upgrades to bathrooms; and refurbishment of living, programming, and dining space in Manzanita.

STANFORD UNIVERSITY PRESS

The Stanford University Press consolidated budget for 2014/15 projects revenue and transfers of \$6.0 million and expenses of \$7.5 million, resulting in a deficit of \$1.5 million. One-time general funds will cover this deficit as well as the \$400,000 deficit projected for 2013/14. The Press is exploring several strategies to close the ongoing projected gap; among them a fundraising effort was approved in early 2013. Sales revenue will hold steady at the anticipated 2013/14 level. The Press operating loss is related exclusively to salary and benefit increases. All other costs are held steady or slightly reduced from the 2013/14 year-end figures.

The overall scholarly marketplace continues to see adjustment in buying patterns, but digital books remain a relatively small component of the Press's overall sales. All titles are available on each of the major ebook platforms, as well as through several library aggregators. Despite great media attention to digital publishing and shifts in public perception, print still remains the dominant medium for scholarly nonfiction and drives over 85% of the Press's annual revenue. The individual consumer market has been a growth area in 2013/14 for the Press. The publishing program has a 36-48-month maturity rate, and thus changes put in place in 2010/11 are just beginning to bear fruit. Retail sales have increased and have been generated from a smaller list of

titles, which indicates even greater growth in per-title sales. Annual title output for 2013/14 has been cut by roughly 20%, a figure which will hold steady for 2014/15.

The most dramatic purchasing shift has been within the library market. Space and budget constraints have led libraries to scale back print purchasing in favor of digital collections. The availability through ebook wholesalers of patron-driven acquisition (PDA) models, whereby a large catalog of titles is made available for free and a title is only purchased, or more often "loaned," when a patron accesses it, has led to a 35% drop in library print revenue. Disadvantageous terms for PDA rentals have meant that this decrease has not been fully offset by increased digital revenue. Terms will be renegotiated and outlets reviewed for sustainability for 2015/16 in an effort to restore an appropriate usage/price balance.

Stanford Scholarship Online, which launched in July 2013, has exceeded expectations and should help to replace some of the lost library print income. Revenue from the first three quarters of 2013/14 has already surpassed the full amount budgeted for the year, and it is anticipated that the final quarter will be the strongest thus far. All sales through this platform are of collections of Press titles, grouped by discipline, but the Press has been invited to participate in a trial of title-by-title sales, which will broaden the appeal to libraries that already own portions of our list through other ebook platforms, such as ProQuest or EBSCO.

Stanford Briefs, a short-form scholarship imprint, has continued to grow in popularity and profile. Priced at \$9.99 in digital format and also available as print-on-demand paperbacks, the titles are now selling as classroom texts as well as succinct trade editions. Stanford Briefs has proved an attractive alternative publishing venue for senior scholars and now has many emulators across the spectrum of scholarly publishers.

International distribution of the Press lists will be moved to Combined Academic Publishers (CAP), in England, in June 2014. At the same time, all international pricing will be set at parity to the Press U.S. prices. This will be a reduction of close to 25% from the current pricing model and will bring us more in line with our competitors. It is anticipated that significantly higher unit sales will counterbalance the drop in per-title revenue. CAP is sufficiently confident in this outcome that it has contractually guaranteed our 2013/14 revenue as a minimum, and our budget reflects this number.