

# CHAPTER 3 ADMINISTRATIVE & AUXILIARY UNITS

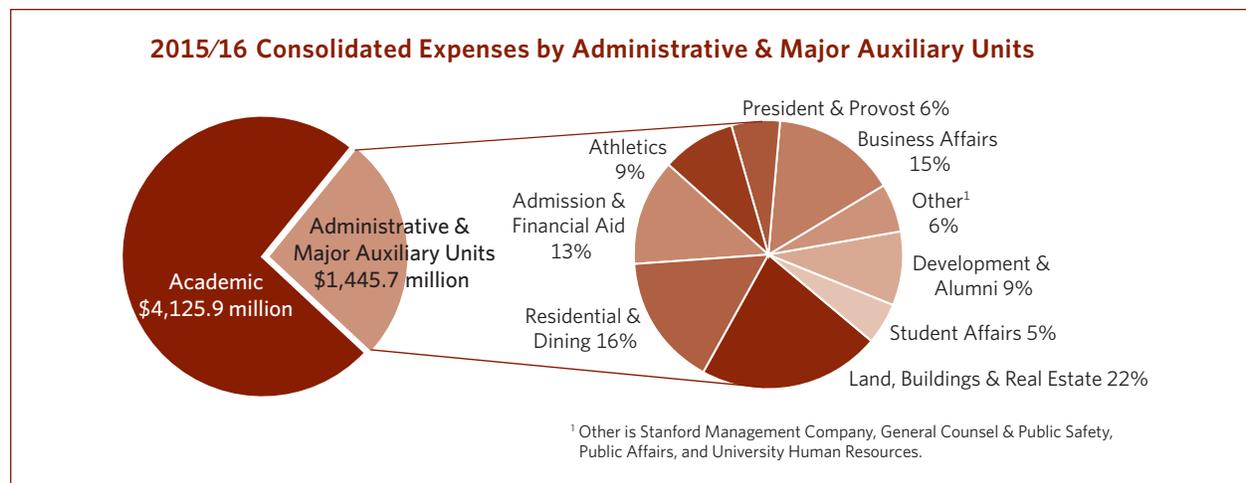
## ADMINISTRATIVE UNITS

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

### CONSOLIDATED BUDGET FOR OPERATIONS, 2015/16: 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
<b>Administrative Units</b>					
Business Affairs	214.8	217.8	(3.0)	(1.8)	(4.8)
Development	75.3	76.7	(1.4)	0.0	(1.4)
General Counsel & Public Safety	36.3	36.7	(0.4)	0.0	(0.4)
Land, Buildings and Real Estate	325.7	311.7	13.9	(5.7)	8.3
President and Provost Office	84.9	85.1	(0.3)	0.5	0.3
Public Affairs	12.1	11.9	0.2	0.0	0.2
Stanford Alumni Association	46.5	47.1	(0.5)	0.1	(0.5)
Stanford Management Company	45.7	45.7	0.0	0.0	0.0
Student Affairs	68.2	69.5	(1.2)	0.0	(1.2)
Undergraduate Admission and Financial Aid	181.6	181.3	0.4	0.0	(1.1)
University Human Resources	12.8	13.5	(0.7)	0.0	(0.7)
<b>Major Auxiliary Units</b>					
Athletics (Operations and Financial Aid)	123.7	123.7	0.0	0.0	0.0
Residential & Dining Enterprises	222.1	225.2	(3.1)	0.0	(3.1)
<b>Total Administrative &amp; Auxiliary Units</b>	<b>1,449.7</b>	<b>1,445.7</b>	<b>4.0</b>	<b>(6.8)</b>	<b>(4.3)</b>



## BUSINESS AFFAIRS

Business Affairs provides administrative infrastructure, systems, services, and support for the benefit of the university community. The Business Affairs vision is: "Together we will make administration seamless and efficient to enable and support teaching, learning, and research." 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 2015/16 consolidated budget for Business Affairs shows revenues and transfers of \$214.8 million and expenses of \$217.8 million. Total fund balances are projected to be approximately \$23 million at the end of 2015/16, a reduction of \$4.8 million from 2014/15. Over half of the reserve funds in 2015/16 will be held for IT systems projects. Approximately \$2.5 million of reserves will be used to fund one-time strategic priorities in operations, including various compliance-related projects and privacy and security initiatives; the remainder will be used to fund enterprise IT systems projects. Commitments are made to systems projects that span fiscal years, and thus reserve levels fluctuate each year, depending on the projects undertaken in a given period.

Revenue and transfers increased by \$3.8 million, with an increase in general funds of \$6.4 million offset by transfers out to other units and a \$1 million reduction in revenue due to the completion of one-time university IT projects for clients. 96% of the new general funds are for normal cost rise, the remainder for growth in systems operations and maintenance.

Total expenses are projected to be 1.3% higher than in 2014/15. This increase is lower than planned cost rise, due to the completion in 2014/15 of several one-time projects, including IT security initiatives, which started in 2013/14, that incorporate \$7 million of one-time spending over about two years. Excluding one-time spending, Business Affairs expenses are projected to be 3.3% higher than in the level in 2014/15.

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 are

focused on continuous improvement in delivering excellent service to Business Affairs clients and becoming ever more efficient, as well as addressing new compliance requirements and mitigating enterprise risk.

Significant current Business Affairs initiatives include the following:

- **Information Privacy and Security:** This is a multiyear initiative to improve the university's profile on information privacy and security risks. It includes server minimum security standards and tools, campus-wide endpoint encryption, and broader implementation of two-step authentication.
- **Procurement to Pay Transformation:** The current focuses are replacing the SmartMart purchasing system and piloting an effort to achieve savings in five major supply categories.
- **Business Expenditure Processing Review:** The organization is implementing a revised set of processes that ensure compliance with university and regulatory requirements governing business expenses.
- **Research Computing:** This initiative will substantially increase research computing network speed and capacity.
- **Uniform Guidance:** As government agencies issue guidelines for implementation of Uniform Guidance, Business Affairs will modify research and administrative policies, training, and systems, and it will provide training as needed.
- **Evolve and Consolidate Financial Planning and Reporting:** The second phase of this multiyear initiative to consolidate and update tools for financial management reporting is under way, with a focus on comprehensive reporting for payments and expenditures.
- **Budget Process, System, and Reporting Transformation:** The goal of this initiative is to provide a robust and dynamic budget management system that is well integrated with other financial systems and reporting.
- **System Access and Segregation of Duties:** This initiative seeks to better manage risk associated with access to Oracle and PeopleSoft (HR and payroll) systems and ensure that duties are appropriately segregated.
- **Redwood City:** Business Affairs is collaborating with Land, Buildings and Real Estate and other groups to plan for a future administrative campus.

## OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects revenues and transfers of \$75.3 million and total expenses of \$76.7 million in 2015/16, resulting in the planned use of \$1.4 million in accumulated reserves. OOD fund balances are anticipated to decline due to increased development investments in Dean of Research, School of Engineering, School of Earth, Energy & Environmental Sciences, and university arts programs, as well as ongoing IT investments. OOD's main funding sources remain general funds and support from the School of Medicine and Stanford Health Care for Medical Center Development costs.

Total expenses for 2015/16 are 18.2% higher than the 2014/15 year-end projection. Much of this growth results from a comprehensive reworking of OOD's IT infrastructure and the ongoing expansion of Medical Center Development associated with the Campaign for Stanford Medicine, which launched in 2012.

In January 2015, the Council for Aid to Education released fundraising results for colleges and universities during 2013/14. While the overall dollars raised for Stanford remained consistent year over year from 2012/13, the numbers of donors and gifts went up, reflecting a trend of increased activity since the end of the Stanford Challenge. Almost all schools and units exceeded their cash fundraising expectations in 2013/14, in some cases nearly doubling their stated goals. Stanford's continued fundraising success has had a profoundly positive impact on entities across campus.

Looking ahead to 2015/16, OOD will remain actively engaged with existing and prospective donors to support key university and hospital priorities. OOD will invest general funds and reserves in critical areas consistent with its strategic goals:

- **Create, support, and integrate donor lifecycle 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. This will enable the unit to be even more focused and nimble, with a goal of working more efficiently and strategically as a team.
- **Focus on staff, making the office a highly desirable employer:** OOD has recently hired an internal recruitment manager, who will focus on attracting and

developing field staff. This, combined with ongoing strategic investments to ensure that field staff are paid at competitive market rates, will help OOD build and retain its talented team.

- **Articulate a compelling and comprehensive vision for the university:** OOD continues to incubate development efforts for new and ongoing programs across the university, adding field staff in areas as diverse as biomedical innovation and the School of Earth, Energy & Environmental Sciences.
- **Engage volunteer leaders:** With the recent addition of an assistant director of community outreach, OOD remains focused on creatively involving volunteers in university life.
- **Develop systems and business processes that maximize Stanford's ability to engage donors and prospects in timely, meaningful, and personalized ways:** OOD is actively engaged with the Stanford Alumni Association partners in overhauling shared 20-year-old IT infrastructure; significant progress on this effort is planned for 2015/16.

## GENERAL COUNSEL AND PUBLIC SAFETY

The Office of General Counsel (OGC) projects a consolidated budget of \$13.1 million in total revenues and transfers, and \$13.6 million in total expenses in 2015/16, a 2.0% increase over the 2014/15 year-end projection. Increases in operational costs include additional compensation costs of a full-time attorney, 90% of whose time will go toward providing legal counsel to SLAC, and increased rates for outside counsel. OGC does not receive an increase in general funds to cover the increase in costs but will limit the rate increases and reduce law firm utilization if necessary to balance the budget. The demand for services in general funds areas, such as Title IX, continues to grow and strains the budget. However, the proposed level of general funds, along with anticipated client retainers, is expected to cover operating expenses in 2015/16.

OGC will continue to focus on its main strategic priorities: proactively constraining costs by increasing efficiency; identifying risk; implementing mitigation strategies, including preventative counseling and more comprehensive client training; and 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. However, severe constraints on office space and rising volumes in legal work continue to pose fiscal challenges to OGC.

OGC anticipates to provide legal services at the required level by prioritizing risks; it may not provide some services so long as this does not increase risk unduly. OGC expects to have adequate reserves to backstop a shortfall should one occur; however, given the increased compliance burden, it may have to revisit its base general funds budget in the future.

The Department of Public Safety (DPS) 2015/16 budget plan projects consolidated revenues and transfers of \$23.3 million. Expenses are budgeted at \$23.1 million, leaving a surplus of \$167,000, a result of designated event revenues and salary savings. The fire and communications contract makes up approximately 37% of the total DPS budget. Budget projections for the 2015/16 fire contract are based on the 2014/15 adopted budget from the City of Palo Alto with anticipated growth. The current contract with Palo Alto is scheduled to end in early 2015/16. The university is presently developing alternative fire service models. The specific nature and costs of the replacement model have not been finalized.

For 2014/15, year-end revenues and transfers are projected to be \$23.3 million and expenses \$23.2 million, resulting in a consolidated year-end surplus of \$26,000. To balance the 2014/15 fire and communications budget, which included close to \$800,000 in unbudgeted expenses for overtime and capital equipment, the provost provided \$2.8 million in one-time funding in addition to \$6.3 million of base general funds.

In 2015/16, DPS operations will focus on several critical areas: implementation of a fire service contract; compliance with the Clery Act and recent amendments, Title IX, and similar state requirements; policy and procedures updates; continued community education, outreach, and safety; and streamlining of data management and related processes.

## 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 park-

ing 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 336 buildings, including over 10 million of the 16.1 million square feet (sf) of buildings on campus, Hopkins Marine Station, and other off-campus facilities, as well as for 1.9 million sf of parking structures.

During 2015/16, LBRE estimates revenues and transfers of \$325.7 million and expenses of \$311.7 million, yielding operating results of \$13.9 million. After an expected transfer of \$5.7 million for capital renewal projects, LBRE forecasts a planned operating surplus of \$8.3 million, or 2.6% of total revenues and transfers. This operating surplus will be applied to the carryforward deficit of \$9.7 million in the Heating & Cooling Service Centers.

Total expenses in 2015/16 are expected to decrease by \$7.4 million, or 2.3%, over 2014/15, with the following major contributors:

- a \$15.9 million decrease in utilities expenses due to lower debt amortization and O&M expenses resulting from the Stanford Energy System Innovations project, as well as lower utility commodity costs;
- incremental O&M costs of \$2.2 million for new campus structures in non-formula schools and administrative units (e.g., the McMurtry Building, the Science Teaching and Learning Center, and the 408 Panama Mall Office Building); and
- 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 initiatives are currently active:

**Stanford in Redwood City:** Stanford's plans for an off-site administrative campus in Redwood City have moved forward. Consistent with the strategic development envisioned with the 2005 acquisition of the Redwood City property, select administrative staff will relocate to this site in order to preserve core campus space for the university's highest academic priorities. Plans have commenced to implement a comprehensive Phase 1 development of 634,600 sf. Approximately 250,000 sf will remain undeveloped, allowing for future university expansion. Two remaining areas—totaling 640,000 sf of development potential and

related parking—may be marketed to third-party tenants and to Stanford Health Care and Lucile Packard Children's Hospital concurrent with the development of Phase 1.

**New housing:** Although Stanford provides a diverse selection of housing for its students, faculty, and staff, the university's need for housing has outpaced its ability to provide new residences on Stanford's land. This supply gap impacts Stanford's ability to recruit and retain faculty, and it is expected to widen in the future as potential plans emerge for the expansion of the undergraduate student population. Addressing Stanford's housing needs will necessarily require a multipronged strategy. The current strategy includes an initiative to acquire new housing stock in strategic locations outside of Stanford's lands, construction of the new California Avenue Faculty Homes and the Graduate School of Business's Highland Hall, and construction of the soon-to-be-completed Manzanita Undergraduate Dorm and Lagunita Court expansion.

**Real estate commercial development:** The commercial real estate investment pipeline is \$442.1 million and includes the Stanford Shopping Center expansion; 500 El Camino Real in Menlo Park, a mixed-use project including rental housing and office and retail space; the 1450 Page Mill Road redevelopment; the 3170 Porter Drive redevelopment; a new Sand Hill Road office project; the Stanford Barn renovation; and construction of 70 affordable residential rental units in Palo Alto as part of the Mayfield Development Agreement. These projects are expected to contribute total annual income of over \$38 million to Stanford after completion and stabilization by 2018.

**Growth and transportation alternatives:** Local and regional traffic congestion is one of the greatest challenges that Stanford, as well as other major employers in our area, faces in terms of growth and change. A "Big Ideas" study for Stanford pointed strongly to a need for continued high-performing transportation demand management (TDM) programs, not only for the campus but also for other Stanford lands, such as the Stanford Research Park and the Stanford Shopping Center. A number of land use planning efforts focusing on future growth are now under way. These will include a strong emphasis on major circulation and transit system types and on how land use choices can optimize transportation and TDM options.

**Parking and circulation:** As the core campus becomes denser and the availability of surface parking decreases, campus planners are considering a variety of options for

parking and circulation. Measures will be implemented that will respond to the demand for parking, as well as improving traffic and safety for vehicles, bicyclists, and pedestrians. Several projects have commenced or will get under way in the short term that will ultimately transform the campus landscape and roadways. These include the installation of campus roundabouts, the construction of new parking structures, and the extension of Panama Mall.

**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 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.

Stanford continues to construct and develop a high volume of academic and real estate property but faces ongoing challenges, including a difficult, politically charged entitlement environment; constrained internal resource management; and campus disruption. LBRE is mitigating these constraints to the extent possible. Additionally, 71% of Stanford's 2,035,000-sf General Use Permit entitlement, which governs growth on campus, has been allocated to projects that received their building permits as of August 31, 2014.

## PRESIDENT AND PROVOST OFFICE

The Office of the President and Provost (PPO) projects total revenues and transfers of \$85.4 million, including a transfer of \$543,000 from plant funds, and expenses of \$85.1 million.

The PPO, a disparate collection of units that share a reporting relationship to the president or provost, is composed of approximately 310 staff organized into 13 units. Each year its composition changes. In 2014/15, the Vice Provost for Teaching and Learning has become its own budget unit, and the PPO has acquired the Sexual Assault and Relationship Abuse (SARA) Office from Student Affairs.

In 2014/15 the PPO projects that Stanford Pre-Collegiate Studies (SPCS) will use its reserves to absorb a \$2.5 million operating deficit. SPCS comprises the Stanford Online High School (OHS), Pre-Collegiate Institutes, and Summer College Academy. While OHS enrollment in 2014/15 exceeded expectations, tuition projections were not met due to reduced unit tuition rates, accounting for the vast majority of the operating deficit in the current fiscal year. In 2015/16, OHS tuition rates and enrollments will both grow; as a result, the shortfall will shrink to less than \$1 million. Pre-Collegiate Institutes continues to augment their activities by expanding staple summer residential programs, extending the International Youth Program to serve student populations from Greece and Saudi Arabia, adding a new Stanford Artificial Intelligence Lab in collaboration with the Computer Science department, and launching a new sports medicine program. Summer College Academy, which allows students to earn credit during the summer through hybrid online/residential programs, is anticipated to continue to grow and gain revenue.

For 2015/16, PPO will continue using reserves to assist units with staffing needs, cover a new digital transitional system to digitize over 1 million paper documents and appointment papers, and to provide additional support for succession planning. A small amount of one-time funding will support growth in Office of Religious Life staffing, and the Title IX and SARA offices.

New initiatives are being planned for junior faculty development and recruiting and retention of female faculty in science and engineering and recently tenured associate professors.

## OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues and transfers of \$12.1 million and expenses of \$11.9 million for 2015/16, resulting in a net operating surplus of \$166,000. This planned surplus will be used mainly to fund the third year of the quantitative communications program, an initiative that measures public online perceptions of Stanford through large-scale digital analysis of social conversation. Total revenues and transfers are budgeted to increase 5.7% from \$11.4 million in 2014/15, while total expenses are expected to increase 3.9% from \$11.5 million. Incremental base general funds include funding to support a broad spectrum of overdue operating

needs at University Communications, and Government and Community Relations; to cover additional costs for Parents Weekend and Commencement; and to help address upcoming strategic retention costs for OPA staff. Revenue from Stanford Video and Stanford Ticket Office is expected to increase slightly from 2014/15 to 2015/16; however in both years, a break-even budget is expected. Incremental base funding will also mitigate the Stanford Ticket Office structural deficit.

OPA forecasts an ending balance of \$464,000, of which approximately \$94,000 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 TEDxStanford, and other internal and external programs.

OPA is a group of organizations dedicated to protecting and advancing Stanford'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 and 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. OPA has started leading efforts to prepare for the 125th anniversary of Stanford, which will celebrate not only the accomplishments of the university's past but, more importantly, its teaching and research mission now and in the future.

The confluence of several important trends put OPA, and in particular University Communications, at a strategic inflection point. Stanford's profile has risen rapidly in the past five years, resulting in significant opportunities and challenges, all demanding increased communications support. The communications landscape has radically changed over the same period. This continuous evolution, particularly in digital communications, requires more and varied skills, as well as resources. Given its historic positioning in technology and Silicon Valley, Stanford seeks to maintain pre-eminence in digital communications capabilities.

As Stanford's media exposure is increasing and the need to effectively manage the increased level of scrutiny is at an all-time high, OPA will continue 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 \$46.5 million in gross revenue and operating transfers and \$47.1 million in total expenses in 2015/16, resulting in a reduction of \$469,000 in its consolidated fund balance after asset transfers. Reserve balances are projected to stand at \$3.1 million at the end of 2015/16.

Business and program revenues, coupled with income from lifetime membership, building, and other endowment fund payouts, will generate about 70% of SAA's gross revenue. The remaining revenue will come from base and one-time general funds and one-time presidential funds. Gross revenue will exceed the 2014/15 projected level by \$109,000, or 0.2%, because of slight increases in revenue from SAA internal programs such as Travel/Study, Stanford Sierra Camp, and membership sales. Gross expense, in contrast, will decline from the 2014/15 projected level by \$93,000, a result of lower spending on Stanford+Connects.

In the current fiscal year 2014/15, new base general funds allow the conversion of a term position to a continuing billet for SAA's student-facing programs and services. This position supports SAA's efforts to strengthen the connection and engagement between students and alumni and to build a strong sense of class identity within undergraduate student cohorts. New base general funds also allow SAA to address critical infrastructure needs for Reunion Homecoming, SAA's largest on-campus event. One-time general funds continue to support seven technology billets shared by SAA and the Office of Development (OOD).

SAA will use a combination of reserves, internal revenue streams, and one-time base general funds to support alumni education efforts in 2014/15. In addition to making SAA program content available more broadly through digital platforms, these efforts, which frequently leverage the programming of SAA's campus partners, focus on curating and providing alumni access to a wide range of meaningful, topical, and thought-provoking Stanford academic and intellectual content developed across the university

Another 2014/15 highlight is Stanford+Connects, an alumni outreach program that launched in 2012/13. This program brought faculty, students, and the university president to five cities in 2014/15 and has drawn rave reviews and high net promoter scores from alumni participants. Stanford+Connects will wrap up in 2015/16. Presidential funds support this program.

Technology plays a key role in SAA's ability to remain relevant and value adding to alumni and students. In 2014/15, the shared SAA/OOD technology team is pursuing plans to identify a new 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. The platform will support SAA's programs and services in creating and deepening the connection and engagement of alumni with the university.

Also critical to SAA's success in reaching, serving, and engaging alumni and students is the ability to recruit and retain high-quality staff. SAA realized the need to address salary equity this year. New base general funds in 2015/16 will allow SAA to remedy the most critical of these compensation issues.

In 2015/16, SAA will draw on reserves and internal revenue streams to continue funding alumni education initiatives and to explore meaningful and impactful ways to better meet graduate student and alumni needs. 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 and students. SAA staff at all levels are enlisted to help attract new alumni participation, deepen the engagement of those already participating, and to identify new opportunities for internal revenue generation and cost savings. Employing all SAA staff allows 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 (SA) programs, activities, mentoring, and advising help students develop the skills necessary to thrive both at Stanford and in society. SA staff work to advance student development and learning; promote diversity, inclusion, and reflection; foster community engagement; and empower students to thrive.

For 2015/16, SA projects total revenues and operating transfers of \$68.2 million and total operating expenses of \$69.5 million, resulting in a planned operating deficit of \$1.2 million and consolidated fund balances of \$21.6 million at year-end. Revenues and transfers will exceed those for 2014/15 by \$3.8 million, or 5.8%. Projected consolidated operating expenses will exceed those for 2014/15 by \$3.5 million, or 5.3%.

SA will receive new base general funds of \$675,000 to support the following initiatives and priorities:

- **Staff Career and Job Classification Initiative (JCI):** mitigate incremental expenses related to JCI implementation
- **Advancement of student health and well-being:** convert existing soft-funded Counseling and Psychological Services staff positions to continuing, base-funded positions
- **Support and advancement of student learning:** implement programming in the Manzanita humanities theme residence, opening in fall 2015

New one-time general funds allocations totaling \$748,000 will support expenses in Registrar's Office for subscribing to software supporting the SUES (Study of Undergraduate Education at Stanford) curriculum enhancements, and other student record management and customer service needs; Residential Education programming initiatives and experiential learning programs; Diversity and First-Gen Office (DGEN) staffing and programming/operations; and The Markaz: Resource Center staffing.

New funding allocations from the President's Office (\$342,000) will support staff for the Designing Your Life class, a collaborative effort between the Career Development Center and the Stanford Design Program. It will also support the Cardinal Service Initiative, a partnership among the Haas Center for Public Service (HCPS), the Vice Provost for Undergraduate Education, and other stakeholders across campus, to expand and elevate public service as an essential part of a Stanford education.

\$50.6 million expenses will occur in the operating budget fund type, including \$1.5 million for inflationary growth and \$1.2 million for incremental program expenses supported by new funding allocations. Also, the HCPS will increase use of restricted funds by \$450,000 above current levels to support student stipends, graduate student advisors, and other incremental operating expenses to implement the Cardinal

Service Initiative. Standard cost rise accounts for the balance of the projected incremental operating expenses.

Funding reallocations and/or accumulated fund balances will support initiatives and needs across the division, including the migration of SA's web infrastructure to a new platform, programming initiatives in the community centers, and the reconfiguration and refurbishment of Vaden Health Center space to better accommodate changes in service demand and delivery.

Other programmatic and operational emphases for SA in 2015/16 will be as follows:

- The Career Development Center will continue to implement its Vision 2020 strategic plan through programming that enhances opportunities for students to develop career connections with employers, student and faculty communities, while also providing mentors and other experiential learning resources.
- Two newly established and soft-funded units, the Office for Military-Affiliated Communities and The Markaz: Resources Center, will develop strategic plans and sustainable, long-term funding strategies.
- SA will begin developing a strategic plan for student leadership development programs.
- Program assessment and evaluation will continue as a division priority, with primary focus on the Office of Alcohol Policy and Education, the Registrar's Office, and the DGEN Office due to impending expiration of one-time funding allocations.

## UNIVERSITY HUMAN RESOURCES

The purpose of University Human Resources (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 main units within UHR include Benefits, Employee and Labor Relations, Operations and Systems, Staff Compensation, Talent Management, and Workforce Strategy. Other offices include the Work Life Office and daycare centers, the Help Center, and the Transaction Center.

The 2015/16 consolidated budget shows revenues and operating transfers of \$12.8 million and expenses of \$13.5 million. Approximately \$907,000 of the budget will be expended on the following initiatives:

- **The Career Services program**, part of the Job Classification Initiative, provides a self-service, individualized career development resource for employees and managers. Its goals include creating clear and rational pathways to navigate careers that leverage the initiative's job description library; piloting a new career development services program that supports organizational objectives; and delivering a rich learning experience that includes networking, informational interviews, meet-ups, and classroom trainings.
- **The Total Compensation Statement** provides a personalized online statement based on each employee's current total compensation. Monthly updates capture any changes, such as retirement savings and value of accrued leave. The statement is printable for employees who wish to share it. Implementation is funded by the President's Fund, with UHR funding ongoing license fees.
- **Performance Management@Stanford** is starting the third 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 2017/18. A model combining UHR and departmental funding is in place to accelerate the program and streamline training.
- **Implementation of the Job Classification Initiative** continues. Standardized job descriptions, an online job description library, and initial job assignments have been completed. The new system was implemented in April 2015. There will be continuing costs associated with communications and system conversions.
- **Cardinal@Work**, a new web gateway for all human resources programs and services, is scheduled for completion in August 2015.

Expenses are projected to be 6% higher in 2015/16 than in 2014/15. The increase is related to the use of reserves to fund the Total Compensation Statement and Performance Management initiatives, and costs associated with the new University-wide Survey.

UHR is continuing initiatives related to its strategic plan. The plan has three foundational elements: leadership and

management development, HR operations and development, and employee engagement. Key ongoing initiatives not described above include the following:

**Celebrating Staff Careers:** The first "Cardinal at Work: Celebrating Staff Careers" ceremony was held in spring 2014. Over 150 staff were recognized for 30, 35, 40, 45, or 50 years of service to Stanford. A website was also created honoring these staff, and each honoree received a commemorative plaque with an encased medallion of the Stanford seal. Approximately 150 new honorees will be recognized in 2015, and funding is sought to support an event that truly symbolizes Stanford's appreciation of service, both to the honorees themselves and to the thousands of staff who attend the event each year.

**UHR Service Team:** The shift to on-site benefits services began January 1, 2015. New staff have been hired and trained to help employees with questions. In addition, a new service team concept has been implemented that will provide a broader range of services, including all health and welfare, retirement, disability leave, and transaction services, as well as onboarding and education programs. Employees and retirees will be able to contact the team to clarify information and facilitate problem resolution.

**Welcome Center:** Since summer 2014, a center has been in place that brings together all campus services needed by new employees. A "flipped classroom" approach to learning has been initiated and will continue to evolve throughout 2015/16. This is a joint project with Business Affairs to onboard new staff more efficiently and facilitate fast employee productivity from day one.

**HR Transactions:** In 2014 the HR Transaction function was expanded. One-time, multiyear funding was approved for 3.0 FTE to assume transaction management for School of Medicine faculty and academic staff activity. As of March 2015, the group is processing nearly 100% of these transactions.

**Stanford Training and Registration System Revitalization:** This is a multiyear project to improve compliance-related training. Milestones for 2015/16 are to improve the learner experience and the 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.

## MAJOR AUXILIARY UNITS

The budget lines for the School of Medicine, the Graduate School of Business (GSB), Humanities & Sciences (H&S), the Vice Provost for Undergraduate Education (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 its 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 for 2015/16, although uncertainty remains in several revenue streams. DAPER projects a balanced budget based on projected revenues and expenses of \$123.7 million. Significant changes in revenues are anticipated in key areas, creating an overall expected increase of 7.5% over the projection for 2014/15. Overall expenses are expected to grow by 6.3% from the projection for 2014/15. DAPER's consolidated budget comprises three distinct sets of activities: auxiliary operations (\$92.8 million), financial aid (\$23.8 million), and designated activities (\$7.1 million).

#### Auxiliary Operations

Auxiliary operations consist of intercollegiate activities and ancillary activities, with net income from the latter helping to support the former.

#### Intercollegiate Activities

Revenues and operating transfers for intercollegiate activities in 2015/16 are projected to be \$63.7 million, with projected expenses of \$66.5 million. The \$2.8 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 will largely rely on the success of football ticket sales and fundraising efforts. Intercollegiate revenues and transfers are projected to increase approximately 9%. This is primarily due to an increase of approximately \$1.6 million in revenue from the Pac-12 conference as a result of the new football playoff system and an increase of approximately \$4.0 million in football ticket sales due to a more favorable home schedule.

Expenses related to intercollegiate activities are expected to increase by 5.9%. Although DAPER continues to work to hold expense growth down, there are several key areas of increase in 2015/16. Compensation expenses are increasing due to contractual obligations and an assumption that positions vacant for much of 2014/15 will be filled. Facilities expenses are increasing as the department continues to address significant deferred maintenance needs and incorporate operating expenses from new facilities. Lastly, food expenses are increasing as DAPER continues to provide students with increased nutritional and recovery food options, guided by the standards of the National Collegiate Athletic Association (NCAA).

#### Ancillary Activities

Revenues from ancillary activities in 2015/16 are projected to be \$29.1 million. These revenues come from general funds to 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; operations of the golf course, the equestrian center, the Stanford Campus Recreation Association, and camps. Expenses related to these activities are projected to be \$26.3 million in 2015/16. The golf course and camp operations produce a surplus of approximately \$2.8 million that supports the intercollegiate side of auxiliary operations. All ancillary activities are projected to have only inflationary growth in revenues and expenses over 2014/15 projections.

#### Financial Aid

DAPER's financial aid endowment remains a huge asset to the department. However, financial aid expenses will continue to exceed endowment payouts in 2015/16, and

thus a transfer of approximately \$2.1 million from operating revenues will be needed to balance the financial aid budget. For 2015/16, projected expenses are \$23.8 million, compared to \$21.8 million for 2014/15. This budget provides approximately 340 scholarships that benefit over 500 students. The increase in expenses is due to general growth in the tuition and room and board rates as well as a change in the NCAA rules that allows a scholarship to cover the full cost of attendance rather than just tuition, room and board, and fees. Inclusion of personal expenses adds about \$1.2 million in total expenses to the financial aid budget.

### **Designated Activities**

DAPER's designated activities are primarily camps, which are mainly pass-through operations not actively managed by the department. Revenues from the remaining activities are transferred to support auxiliary operations. Significant changes are not expected in any designated activities in 2015/16. In total, expenses from designated activities are projected to be \$7.1 million in 2015/16, compared to \$6.9 million in 2014/15.

## **RESIDENTIAL & DINING ENTERPRISES**

Residential & Dining Enterprises (R&DE) is a university auxiliary generating 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 ensures critical facility needs for life safety and code compliance are met while maintaining safe, comfortable, and contemporary living and dining spaces.

The 2015/16 budget plan projects a break-even auxiliary budget with total revenues and net transfers of \$225.2 million to offset related expenses. The consolidated budget plan includes a planned use of reserves for maintenance and capital projects. Consequently, fund balances are projected to decline by \$3.1 million.

The 2015/16 combined undergraduate room and board rate increase is 3.5% (4.4% room and 2.2% board). R&DE total auxiliary revenue (excluding transfers) for 2015/16 is projected to increase by 3.2% over the prior-year projection. The budget includes \$1.3 million in additional revenues and \$600,000 in operating expenses (excluding debt service)

from the new humanities-theme residence at Manzanita, opening in fall 2015. R&DE plans to address inflationary impacts on operating costs and anticipated escalation in asset renewal, debt service, and emerging projects with the anticipated revenue increases and continued efficiencies in operations. The 2015/16 operating expenditures also reflect the projected impact on utility costs of the Stanford Energy System Innovations project, increased security measures in technology, the higher cost of attracting and retaining labor, and incremental debt service related to new housing initiatives.

The 2015/16 budget plan includes \$8.0 million in transfers in to fund certain debt service in the Capital Plan and to help maintain room rental rates at reasonable levels. The plan also includes revenues, expenses, and additional offsetting transfers to provide additional housing for students at campus rates in the local community pending the completion of new housing on campus. Lastly, it includes strategic funding to support residential living and learning. R&DE plans to transfer out roughly \$10.4 million to Residential Education, Residential Computing, the Graduate Life Office, and Summer Sessions, among others.

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 approximately \$60 million in 2014/15 and \$78 million in 2015/16, and additional amounts 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. Both plans comprise 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 777 new graduate and undergraduate bed spaces: 436 at the Donald Kennedy Graduate Residences at Escondido Village, which opened in fall 2014; 125 at the humanities-theme residence at Manzanita, scheduled to open in fall 2015; and 216 at the Lagunita residential complex, scheduled to open in fall 2016. This initiative will also help meet the General Use Permit (GUP) requirements linking housing to academic building growth, improve the future campus-wide GUP position, and support the recommendations of the Study of Undergraduate Education at Stanford (SUES).

The 2015/16 capital project plan will also focus on Row House renovations and kitchen replacements; Escondido Village apartment renovations, including heating system upgrades, fire sprinkler installations, and roof replacement; Rains apartment interior and exterior renovations, including life safety and security system upgrades; Lagunita resident hall plumbing and mechanical upgrades to bathrooms; and refurbishment of existing living, programming, and dining space in Manzanita.

R&DE operates in a dynamic and changing environment; therefore, it is essential to plan for uncertainties. This is achieved by constantly pursuing excellence, diversifying revenue sources, managing costs, mitigating risk, increasing internal controls, driving business results, and maintaining appropriate reserves.

## STANFORD UNIVERSITY PRESS

The Stanford University Press projects revenue and transfers of \$6.0 million and expenses of \$7.5 million for 2015/16, resulting in a deficit of \$1.5 million. The provost will cover this deficit with one-time funds. The Press continues to explore fundraising and business model strategies to close the ongoing projected gap.

The Press anticipates continued downturn in the print library marketplace for 2015/16, but there has been modest growth in both the digital library and individual print retail sectors. Growth in the digital library market is the direct cause of the shrinking print library market. The Press is seeing this growth almost exclusively in Stanford Scholarship Online, and it has reacted quickly to this trend, adjusting its market discounts and expanding its sales model to include single title-by-title sales, in addition to full subject collections.

The Press's response to retail marketplace developments has been twofold and ties in to a general trend within the academy for broader access to scholarship. First, the Press has expanded its acquisition and development of broad, interdisciplinary work. The acquisitions team is working closely with authors to reframe and develop their manu-

scripts. This deeper manuscript work is resulting in fewer titles being published, but the resulting books are performing better in terms of both reviews and sales. Second, the Press is focusing its limited resources on direct-to-customer marketing. The integration of marketing and social media outreach is resulting in more engagement and thus stronger individual title sales.

Two major new initiatives that launched in spring 2015 will directly impact Press output and performance in 2015/16. The first is a new trade book imprint, Redwood Press. Distinct from the more scholarly output of Stanford University Press, Redwood Press will publish both fiction and nonfiction, with the goal of promoting big ideas to a broad audience. Its two debut titles are a Middle Eastern-themed historical novel by a best-selling author and a manifesto for the future development of Latin America by the former president of Peru. Both have received wide critical acclaim. Second, the Andrew W. Mellon Foundation awarded the Press a \$1.2 million grant for a groundbreaking digital publishing initiative. The three-year goal of this initiative is to develop a fully-fledged publishing program for the output of digital humanities and social sciences. It will be completed with the full benefits of a traditional publishing infrastructure, including robust peer review for both content and technology, editing, design, publication, and marketing. The grant will allow the Press to hire two additional staff members and to integrate this work within its overall structure, thus benefiting its traditional publishing program.

International distribution of the Press lists has demonstrated excellent results after it shifted to Combined Academic Publishers, in England, in June 2014. The reduced non-U.S. prices resulted in significantly lower per-unit revenue. However, as anticipated, the lower prices were attractive to buyers and, coupled with the marketing skills of the new distribution partner, unit sales greatly increased. Press overseas revenue has thus held steady and will show signs of growth in the coming year. Investigation of a similar distribution shift within the United States is under way.