CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

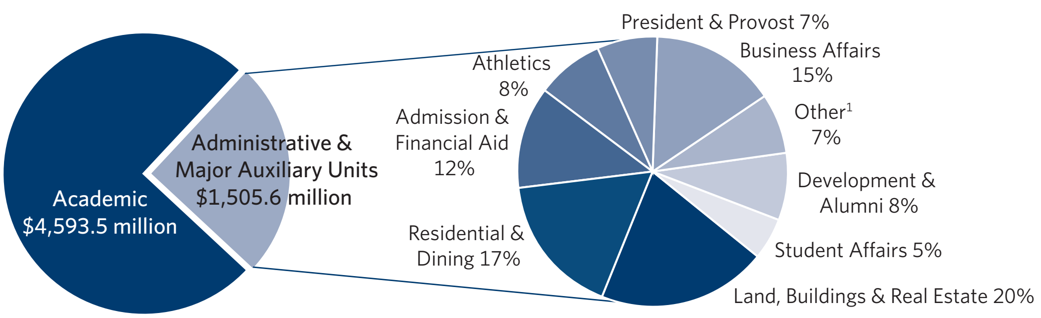
This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university.

CONSOLIDATED BUDGET FOR OPERATIONS, 2016/17: 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	224.5	226.7	(2.3)	(1.4)	(3.6)
Development	82.8	83.1	(0.3)	0.0	(0.3)
General Counsel & Public Safety	37.5	37.9	(0.4)	0.0	(0.4)
Land, Buildings and Real Estate	312.5	303.6	8.9	(10.0)	(1.1)
President and Provost Office	100.6	101.6	(1.0)	0.5	(0.5)
Public Affairs	13.7	13.7	0.0	0.0	0.0
Stanford Alumni Association	40.2	40.8	(0.6)	0.0	(0.6)
Stanford Management Company	40.6	40.6	0.0	0.0	0.0
Student Affairs	70.7	71.2	(0.6)	0.0	(0.6)
Undergraduate Admission and Financial Aid	184.7	184.6	0.1	0.0	0.1
University Human Resources	13.4	14.0	(0.6)	0.0	(0.6)
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	125.3	127.0	(1.8)	0.0	(1.8)
Residential & Dining Enterprises	259.4	260.6	(1.2)	(1.5)	(2.7)
Total Administrative & Auxiliary Units	**1,505.8**	**1,505.6**	**0.2**	**(12.3)**	**(12.0)**

2016/17 Consolidated Expenses by Administrative & Auxiliary Units



[1] Other is Stanford Management Company, General Counsel & Public Safety, Public Affairs, and University Human Resources.

STRATEGIC PLANNING FOR ADMINISTRATION

During the past year, a group of senior administrators representing both academic and administrative units convened to explore how the university might improve administrative effectiveness. Several factors served as the drivers for launching the Strategic Planning for Administration (SPA) task force:

1. A growing awareness of the need to be more strategic about prioritizing new investments in systems and administrative process enhancements.
2. A recognition that many promising administrative innovations are envisioned and incubated at the local level, but the university has no established process for bringing these ideas to scale.
3. The anticipation of the results from Stanford's first-ever university-wide staff survey.

Through a series of facilitated sessions, the task force surveyed the current internal and external environment, identified key stakeholders, conducted a SWOT analysis, and brainstormed strategies for achieving administrative excellence. The group identified four key areas that hold the greatest potential for simplification, enhanced efficiency, and collaboration. Subcommittees are currently working to develop specific plans of action to achieve these goals and determine what resources will be needed for success. They are focusing on four initiatives:

Processes—Become more agile in practicing continuous improvement and scaling good ideas at the local level for broader university impact.

Systems—Evolve university systems to be much easier to learn and navigate, fully integrated with each other, and developed to support business process excellence.

People—Enhance the university's talent strategy by attracting and retaining top people and developing them throughout their Stanford careers.

Connections—Implement effective tools and work processes that will enable Stanford people to work productively and collaboratively with colleagues regardless of their physical location.

A prior effort in 2008 identified several areas for improvement, and over the ensuing years some of these were addressed, but not in a systematic and sustained manner. To ensure these four initiatives are successfully implemented and continuously evaluated over the long run, the task force also developed recommendations for a new administrative-planning governance structure. Specifically, the group is addressing how a new process/structure can leverage existing resources and streamline governance rather than creating an added layer of bureaucracy.

The results of the staff survey confirm that the opportunities identified by the task force resonate with the overall campus community. While Stanford excels on many fronts, the greatest areas for improvement are innovation, efficiency, and cross-unit collaboration. If successful, the SPA initiative will address those areas of opportunity and drive the university toward administrative excellence.

BUSINESS AFFAIRS

The Business Affairs organization 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, Financial Management Consulting and Support); University IT (IT Services, Administrative Systems, Information Security Office, Shared Services); Research Administration (Office of Sponsored Research, Research Financial Compliance and Services); Audit, Compliance and Privacy; Risk Management; and Business Development.

The 2016/17 consolidated budget for Business Affairs shows revenues and transfers of $224.5 million and expenses of $226.7 million. Total fund balances are projected to be approximately $31.5 million at the end of 2016/17. This reflects a planned drawdown of $3.3 million of reserves to fund one-time strategic priorities in operations, including various compliance-related projects; privacy and security initiatives; and IT enterprise systems projects, including a multiyear conversion of the IT Service Management system.

Total expenses in 2016/17 are projected to be 3.4%, or $7.4 million, higher than in 2015/16. Salary and benefit cost rise contributes 2% of the total increase. In addition, Business Affairs is 33 employees under budgeted headcount at midyear 2015/16. It projects that the gap will be nearly closed by year-end, contributing 1% to the total increase in 2016/17. Business Affairs received approval for 2016/17 initiatives, including a significant investment in procurement and automated business expenditure monitoring. Funding has also been provided to address new business complexities and risks. In total these initiatives will add $1.8 million, or 1% of operating budget expenses.

Revenues and transfers are projected to increase by $3.3 million (1.5%). General funds will increase by $5.5 million (a cost rise of $3.7 million and $1.8 million of new initiatives). Other revenues are expected to increase by $3 million, including $1.5 million from incremental procurement rebates and $1.3 million from various fees charged to other internal units and Stanford's hospitals. These increases are offset by transfers out of $6 million to insurance and other operations.

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, making Stanford's administrative services more efficient, addressing new compliance requirements, and mitigating enterprise risk.

Business Affairs initiatives for 2016/17 will likely include the following areas:

- **Procure to pay transformation**—Create a unified "Amazon-like" experience with built-in compliance for the purchase of goods and services for Stanford preferred vendors, and expand spend management to additional categories totaling $250 million in annual spend, with $22 million in targeted annual savings.
- **Evolve and consolidate financial planning and reporting**—Complete suite of expenditure-related reporting by delivering procure to pay reports.
- **Budget process, system, and reporting**—Implement new budget process and system to plan and monitor the utilization of university resources that is well integrated with other financial systems and reporting.
- **Information security**—Further improve the university's profile with respect to information security risks.
- **Connect Stanford employees everywhere**—Develop comprehensive solutions to enable the Stanford community to productively communicate, collaborate, share, and access information while working in different locations, including the future Redwood City campus.
- **Sponsored research expenditure review and certification system**—Develop and implement electronic alternative to current paper-based quarterly certification system.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects revenues and transfers of $82.7 million and total expenses of $83.1 million in 2016/17, resulting in the planned use of $322,000 in reserves. OOD fund balances are anticipated to decline due to increased investments in major gift development, prospect development, and digital engagement. 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 2016/17 are 12.0% higher than the 2015/16 year-end projection. Much of this growth results from a comprehensive replacement of OOD's IT infrastructure. OOD is also preparing to meet the needs of new leadership by increasing the number of field staff available to interact with donors who are interested in the diversity of research and pedagogy at Stanford. Additional investments are also being made in volunteer engagement and outreach, in recognition of that volunteers are a vital source of knowledge and support for the university.

In January 2016, the Council for Aid to Education released fundraising results for colleges and universities during 2014/15. The result for Stanford University was $1,625.0 million. The Anderson Collection, one of the world's most outstanding private assemblies of modern and contemporary American art, was donated to the university in 2014/15. The value of this collection and other significant contributions of artwork significantly increased the university's fundraising results over the 2013/14 level ($928.5 million). The success of the Campaign for Stanford Medicine was another key driver of the stellar 2014/15 results. Given the campaign's achievements in fundraising for the new hospital and critical needs in the School of Medicine, the decision was made to end the campaign one year early, in August 2016.

Looking ahead to 2016/17, 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 life cycle management, including 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 and principal gift officer portfolios, enabling field staff to focus on the highest-priority prospects. The work that began in 2015/16 to reduce the time to process gifts will continue, ensuring gifts are processed as quickly as possible in partnership with various units across campus.
- **Create an environment that attracts top candidates and provides employees with opportunities for growth and development**—OOD's talent manager has created a pipeline of internal and external candidates for fundraising roles, and he will continue efforts to grow that pipeline. OOD will also remain focused on creating opportunities for advancement within the organization and across the university for all employees.
- **Articulate a compelling and comprehensive vision for the university**—OOD now maintains an inventory of known fundraising opportunities, available to all development staff, and it continues to focus on training efforts to educate staff on fundraising priorities across Stanford.
- **Engage volunteer leaders**—OOD launched a pilot called LEAD (Lifelong Engagement and Advocacy for Development), a program aimed at identifying and inspiring future leadership volunteers, and will continue to focus 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 to retire shared 20-year-old IT infrastructure and move to Salesforce. The ADAPT (Alumni and Development Application Transformation) project will take place over three years. The current year focused on constituent management. Future phases are planned to address communications, events, gift processing, and stewardship. The web content work will begin in 2016/17, as will work on reporting and business intelligence.

GENERAL COUNSEL AND PUBLIC SAFETY

Office of General Counsel

In 2016/17, the Office of General Counsel (OGC) projects $13.7 million in consolidated revenues and transfers. Of that amount, $7.8 million is a direct pass-through for health care legal services; $2 million is from other university units that reimburse OGC for legal services; and $3.9 million is general funds. Expenses are budgeted at $14.3 million, leaving a deficit of $600,000. Not included in these numbers is $10 million for outside counsel fees that will be reimbursed by other university schools and departments, for a total of about $24 million in legal spend. The 2016/17 budget reflects a 5% increase from the 2015/16 year-end projection.

OGC anticipates increases in outside counsel rates and does not receive an increase in general funds sufficient to compensate for these. OGC will try to limit rate increases and reduce law firm utilization as much as possible to balance the budget. The demand for services in general funds areas, such as Title IX, continues to grow and strains the budget.

OGC will continue to focus on its main strategic priorities: (1) proactively trying to constrain costs by increasing efficiency; (2) identifying risk to minimize it; (3) providing preventive 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.

To meet the demand for legal services, OGC will focus on the areas of highest risk and will seek to find funds elsewhere. If possible, OGC will cover the deficit from funds carried forward from 2015/16. OGC expects that it has adequate reserves to backstop a shortfall should one occur; however, given the increased strain on the general funds budget and the increased compliance burden, it is likely to continue to request an increase in base general funds.

Public Safety

The 2016/17 budget for the Department of Public Safety (DPS) projects $23.8 million in consolidated revenues and transfers. Expenses are budgeted at $23.6 million, leaving an estimated surplus of $174,000, depending on event revenue and potential salary savings from vacancies. Police and security operations make up 55.7% of the overall DPS budget; parking enforcement and traffic-related services account for 7.5%; and the fire and emergency communication services provided by the City of Palo Alto under a contract constitute about 37%.

The fire contract with the City of Palo Alto ended in October 2015, and Stanford and the city agreed to a one-year extension through October 8, 2016. Stanford has been exploring alternatives for the provision of fire services in light of the city's refusal to reduce the amount Stanford pays after Palo Alto ceased to provide services to the fire station at SLAC in 2012. For the one-year extension beginning in October 2015, Stanford and Palo Alto agreed Stanford would pay $6.5 million for fire services, subject to adjustment based on resolution of the correct amount to be charged. The fire contract budget projection for 2016/17 of $8.7 million is based on the 2015/16 adopted budget from the City of Palo Alto with anticipated growth. Palo Alto is currently in negotiations with its fire union, so actual 2016/17 expenses to Stanford could change.

Year-end revenues and transfers for 2015/16 are projected to be $22.1 million with expenses of $21.7 million, resulting in a surplus of $406,000. The 2015/16 consolidated year-end balance projection of $7.3 million includes $6.9 million in designated funds, the majority of which have been allocated to fund a new public safety facility that has been in the university's Capital Plan for over ten years.

Implementation of a replacement fire service contract will be a key area of focus during 2016/17. Improving data management processes and emphasizing positive community relationships though education and outreach will continue to be top departmental priorities.

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 over 340 buildings and 6 parking structures totaling over 12 million square feet (sf).

During 2016/17, LBRE estimates revenues and transfers of $312.5 million and expenses of $303.6 million, yielding an operating deficit of $8.9 million. This includes an expected transfer of $11.3 million for capital renewal projects. The deficit will be funded from a beginning balance of $38.4 million, which includes $8.8 million in funds that have been transferred to ongoing capital projects.

Total expenses in 2016/17 are expected to increase by $7.5 million, or 2.5%, over 2015/16 as a result of:

- Higher external energy and water utility expenses of $5.8 million and an increase in debt service of $786,000;
- Incremental O&M costs of $2.1 million for new campus structures (the Science Teaching and Learning Center, the Roble Parking Structure, and the 408 Panama Mall Office Building); and
- General increases in compensation and materials.

In addition to the responsibilities listed above, LBRE leads numerous initiatives that typically span years from concept to completion. These initiatives are described in detail in Chapter 4, Capital Plan and Capital Budget, and include:

- Stanford in Redwood City
- New housing
- General Use Permit (GUP)
- Growth and transportation
- Parking and circulation

LBRE also has three significant efficiency measures under study: the New Bonair Plan and District Work Centers, the Integrated Controls and Analytic Program (iCAP), and the Electricity Purchase Strategy.

New Bonair Plan and District Work Centers

LBRE technicians have been working out of LBRE's Bonair Siding location for years. When dispatched to complete a maintenance work order, the technicians drive from Bonair to the customer's location. As these technicians work within a service center financial model, time spent traveling is nonproductive and costly, as it is charged to the work order.

Locating technicians near their customers and maintenance projects would significantly reduce billable time by eliminating trips back and forth to Bonair. Potential savings are estimated at 45,000 hours of nonproductive time per year. Additional benefits would include a significant reduction of space needed at Bonair (75,000 GUP sf estimated), the elimination of 70 fleet vehicles ($2.4 million in capital plus $350,000 in annual maintenance), and improved response times and customer satisfaction.

While significant operational savings are possible, this concept would require a commitment of space to establish four to five work centers throughout campus and a capital commitment of $8 million. In addition, capital improvements would be required at 340 Bonair ($25 million) and at the Central Energy Facility ($2 million) to colocate staff and upgrade substandard work environments. LBRE is exploring the possibility of funding these capital projects with debt through savings in the service centers.

Integrated Controls and Analytic Program (iCAP)

The purpose of iCAP is to modernize the various electronic control systems that regulate the basic processes in buildings: heating and cooling of spaces, maintenance of proper ventilation rates, adjustment of lighting levels, and many more. Modern computer-based controls offer the potential to integrate all of these processes under one system, making it easier for maintenance staff to service the buildings, increasing visibility for facilities management staff into key performance metrics like energy use and equipment failure rates, and enabling incorporation of new "smart" technologies to further optimize building sustainability and operating costs.

iCAP includes three primary components:

- **Building controls**—development of a tactical plan to implement the optimal level of controls upgrades in older buildings;
- **Analytics software**—deployment of new software tools on top of the building controls databases to achieve desired performance improvements and cost savings; and
- **Organizational alignment**—efficient management of a campus portfolio of modern, smart building systems.

If fully implemented, iCAP would require approximately $55 million in capital investment and realize annual energy cost savings of $4 to $8 million and O&M cost savings of $1 to $2 million, for a simple payback of 6 to 11 years.

Funding for the program would come from a combination of existing sources, including the Capital Utilities Program, the Energy Retrofit Program, and Investment in Plant. The study will be complete by the end of 2015/16.

Electricity Purchase Strategy

In March 2015, after the Cardinal Cogeneration contract expired, the university expanded its procurement of electricity under direct access, which allows Stanford to purchase electricity from competitive "energy service providers" rather than Pacific Gas & Electric. In 2015, Stanford also executed both on- and off-campus power purchase agreements with SunPower to provide solar-generated electricity for 56% of the campus demand commencing January 1, 2017, after completion of the new photovoltaic generating facilities.

For March 2015 through July 2016, LBRE procured a 30-megawatt fixed-term block of electricity, representing 75% of Stanford's demand. The remaining 25% of electricity has been and will continue to be purchased on the day-ahead market.

LBRE continues to review options for procuring the 44% of electricity that will not be provided by SunPower and will formalize a strategy before fiscal year-end. This may include continued fixed-price block agreements, generation of electricity from renewable sources, and/or day-ahead market purchases. Considerations will include cost, price stabilization, sustainability goals, and regulatory compliance.

PRESIDENT AND PROVOST OFFICE

The Office of the President and Provost (PPO) projects total revenues and transfers of $100.6 million and expenses of $101.6 million for 2016/17, resulting in a planned reduction of $496,000 in its consolidated fund balance after a $538,000 transfer from plant funds.

The PPO is a disparate collection of units that share a reporting relationship to the president or provost. At present there are thirteen such units, but each year the office's composition changes. As mentioned in the February 2016 Stanford Report, the Knight-Hennessy Scholars Program will become a PPO budget unit in 2016/17.

In 2016/17, there are three primary contributors to the projected growth in PPO funding and expenses. The first is the new Knight-Hennessy Scholars Program, which is fully funded with generous gifts, thus increasing the level of restricted income. Second, the PPO will receive incremental base funding to support the new Office of Equity and Access, which was formed to enable a community of like organizations—Title IX, Sexual Assault and Relationship and Abuse Education, Diversity and Access, and the Office of the Ombuds—to serve the entire campus more effectively. Third, base funding is also supporting the change in administration associated with Stanford's new president. PPO unrestricted reserves will further assist with this transition. At this time, the PPO is uncertain of the full scope of costs to be incurred in the transition year, but funding has been earmarked for several anticipated renovation projects. In addition, the office will receive incremental base funding to convert one-time funding for staff critical to the successful operations of its units.

The Vice Provost for Faculty Development and Diversity is planning several new initiatives that will be funded by PPO reserves. A high-level, national, two-day intensive leadership program and mentoring workshop for academic women of color will involve 40–60 faculty, postdocs, and graduate students. Development, recruiting, and retention of female junior faculty in science and engineering and recently tenured associate professors will also continue.

Stanford Pre-Collegiate Studies (SPCS) creates, promotes, and develops programs that advance the education of academically talented, intellectually curious pre-collegiate students worldwide. In recent years, SPCS has maintained a 20%–25% ratio of designated fund balance to operating expenses as a cash flow reserve in anticipation of shortfalls. Reserves will continue to fund the Stanford Online High School (OHS), which has a projected shortfall in 2015/16 of approximately $300,000. To mitigate the loss, OHS will increase tuition rates for full- and part-time students in 2016/17. The Pre-Collegiate Institutes will also expand revenue-generating summer residential programs as well as the International Youth Program during the summer of 2017. The addition of new staff to promote the International Youth Program is expected to increase attendance by as much as 20%.

The PPO is working with the dean in the Office of Religious Life (ORL) to develop a plan for programs and staffing levels in the context of slower growth in endowment income. ORL has several highly restricted endowments with reserve balances, and the PPO and ORL are reviewing these to see which funds might support additional uses related to programming, church maintenance, and/or staff.

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues and transfers of $13.7 million and expenses of $13.7 million, resulting in a balanced operating budget. Revenues and transfers are budgeted to increase 2% from $13.4 million in 2015/16, and expenses are expected to increase 2% from $13.5 million. Incremental base general funds allocated to OPA include funding to support a broad spectrum of operating needs at University Communications, as well as resources to address the increase in complex, high-profile and high-security events. These events show no sign of declining, particularly with the continued growth of Stanford's reputation and its impact worldwide in conjunction with Silicon Valley and the Bay Area. The majority of these events now involve campus visits from heads of state, royalty, and other dignitaries. Revenue from Stanford Video and Stanford Ticket Office is expected to increase slightly from 2015/16 to 2016/17; however, in both years a break-even budget is expected.

OPA forecasts an ending balance of about $594,000, of which approximately $147,000 is restricted to specific projects and endowment-related expenditures. The unrestricted balance will be used to maintain a very modest reserve and to support the third year of the measurement and digital program, as well as other internal and external strategic 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 & 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. Major events for 2016/17 include but are not limited to the presidential inauguration and events for the university's 125th anniversary, which will honor the accomplishments of Stanford's past and, more importantly, look forward and celebrate its teaching and research mission.

Stanford's profile has risen rapidly and profoundly in the past decade, particularly in the past five years, resulting in significant opportunities and challenges, all demanding increased communications support. The confluence of several important trends puts OPA at a strategic inflection point.

- The communications landscape has radically changed over the same time period. The complexity and impact of these continuous evolutions, particularly in digital communications, require more and varied skills, as well as resources.
- Given its historic position in technology and Silicon Valley, Stanford seeks to maintain preeminence in digital communications capabilities.
- The rise in partisanship and political polarization makes government relations efforts more challenging.
- The role that local jurisdictions play in Stanford's potential growth plans and land use requires an increasingly strategic and coordinated approach by the university.
- Campus activism on highly charged social issues, often fueled by social media, presents new and challenging problems for campus leaders.

Stanford's media exposure is exploding and the need to effectively manage the increased level of scrutiny facing the university is at an all-time high. Greater investment from the university will be likely in the future to address this demand. Further investment will also 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 $40.2 million in gross revenue and operating transfers and $40.8 million in total expenses in 2016/17, resulting in a reduction of $554,000 in its consolidated fund balance after asset transfers. Reserve balances are projected to stand at $3.2 million at the end of 2016/17.

Business and program revenues, coupled with income from lifetime membership, building, and other endowment fund payouts, will generate over 75% of SAA's gross revenue. The remaining revenue will come from base and one-time general funds. Gross revenue and expenses will decline 9% and 10%, respectively, from the 2015/16 projected levels. These significant reductions reflect the conclusion of special "one-time" programming that included events such as Stanford+Connects, other large regional events, and Rose Bowl activities.

Stanford+Connects remained a highlight in 2015/16. This alumni outreach program, launched in 2012/13, brought faculty, students, and the university president to five cities in 2015/16. The campus-based finale is expected to draw over 2,000 alumni in May 2016. Presidential funds support this program. Further, in 2015/16 new base general funds have been used to address and significantly remedy staff compensation equity issues, greatly improving SAA's ability to recruit and retain key talent.

Also in 2015/16, SAA is piloting programming focused on meaningful and impactful ways to meet the distinct needs of graduate-only students and alumni. The goals of these pilots are to (1) help graduate-only students understand the value of the lifelong Stanford family and (2) broaden SAA's programming reach by engaging the graduate-only alumni segment, the largest and most diverse underrepresented alumni demographic. Learnings from the pilots will drive the development of ongoing programs for these student and alumni segments. As a result of tighter university budget constraints in 2016/17, SAA will draw on reserves and internal revenue streams to continue to fund these initiatives as well as alumni education programming. The alumni education initiative delivers curated content from SAA and university partners through digital platforms, largely in the form of webcasts. Now in their second year, SAA's online alumni education programs are engaging an increasing number of alumni and drawing in underrepresented demographic segments, such as older, geographically remote, and graduate-only alumni.

The multiyear and critically important SAA/Office of Development (OOD) technology transition project, known as ADAPT, is well under way and will remain a key priority in 2016/17. The project migrates the shared SAA/OOD constituent database to a Salesforce platform and paves the way for both organizations to better meet the technology needs and expectations of alumni, donors, and campus partners. Technology will play an increasingly important role in SAA's ability to remain relevant and value adding to alumni and students.

SAA's mission is 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. In support of this mission, SAA staff at all levels focus on attracting new alumni participation, deepening the engagement of those already participating, and identifying new opportunities for internal revenue generation and cost savings. 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.

STUDENT AFFAIRS

Student Affairs comprises over 20 offices and centers and has approximately 280 professional staff who provide expertise, resources, support, and advising to both undergraduate and graduate students on issues related to their intellectual and personal success at Stanford. Student Affairs professionals believe in the development of the whole student, encompassing academic success, physical and mental health and well-being, and ethical citizenship of the world.

For 2016/17, Student Affairs expects total revenues and operating transfers of $70.7 million ($3.8 million more than 2015/16, taking into account 2015/16 asset transfers) and total operating expenses of $71.2 million ($2.5 million more than 2015/16), resulting in an operating deficit of $555,000 and consolidated fund balances of $24.2 million at year-end. Primary drivers for the deficit include expenses related to expansion of the Haas Center for Public Service's Cardinal Service initiative, a division-wide strategic planning review, maintaining several soft-funded offices and programs through the year, and new Vaden Health Center initiatives for its IT infrastructure and insurance office. The net deficit will be supported by drawdowns against accumulated reserves.

There are several contributors to the projected growth in funding from 2015/16. The first involves increased levels of restricted income to support the Haas Center for Public Service's Cardinal Service initiative. Second, Student Affairs has been allocated incremental base funding to support Residential Education operations and programming in the new Lagunita and Manzanita residences. Third, base funding has been allocated to address issues related to sexual assault, relationship violence and other conduct prohibited by Title IX. This funding will support the Office of Community Standards, in partnership with Title IX, to oversee a pilot program for investigating and adjudicating alleged incidents of sexual misconduct. In addition, support has been provided to the Confidential Support Team, created in and soft-funded since 2014/15, which provides a coordinated response to students who may have experienced an incident of sexual misconduct.

One-time general funds allocations will extend support for three years for the Office of Alcohol Policy and Education's Cardinal Nights alcohol-free programming, and for one year for several programs for diversity and inclusion that are overseen by the Associate Vice Provost for Community Engagement and Diversity.

Student Affairs has undergone a significant transition in 2015/16. Due to retirements, senior management positions in three major functional areas—Vaden Health Center, Community Engagement and Diversity, and the division's central finance and administration unit—have new incumbents. With regard to the division's support of students, there has been increased student activism related to a number of issues dealing with diversity, inclusion, mental health counseling services, sexual assault response, and other campus climate issues. This rise in student activism has stimulated deep and ongoing discussions about service delivery and crisis response programs, processes and systems, both within the division and with students and key campus partners. In response, the vice provost and senior management team have initiated a comprehensive review of the division's strategic vision and priorities. The review will identify and evaluate opportunities for the division to continue to advance student learning and development both now and in the future. Key themes include the following:

- Increasing the ability of Student Affairs staff to be responsive to the dramatic shifts that are occurring in the student population by creating a cultural response team;
- Integrating more faculty input and involvement in Student Affairs to facilitate integrated student learning and to leverage the collective skills and talents of faculty and staff;
- Re-envisioning the division's administrative and financial infrastructure, staffing and delivery mechanisms to ensure that Student Affairs is optimizing its resources and technology;
- Partnering with individual alumni, the Stanford Alumni Association and the Office of Development to ensure that students are building lifelong relationships with Stanford.

Other Student Affairs initiatives for 2016/17 will include planned expansion of programming and operations for the Cardinal Service initiative and increasing and customizing the diversity and inclusion programs overseen by the AVP for Community Engagement and Diversity. Efforts to secure ongoing funding for the soft-funded diversity and inclusion programs will also remain a priority.

UNIVERSITY HUMAN RESOURCES

University Human Resources (UHR) helps to advance Stanford's mission of excellence in teaching, learning, and research by cultivating an environment for optimal employee engagement and performance and ensuring a high-caliber workforce prepared to meet the university's needs. UHR fosters continuous improvement, streamlined administrative employee processes, and HR practices that ensure our workforce feels valued, supported, and respected. The units within UHR include Benefits, Communications, Employee and Labor Relations, Operations and Systems, Staff Compensation, Talent Management, and Workforce Strategy. In addition, UHR includes the WorkLife Office, child care centers, and the Help Center.

The 2016/17 Consolidated Budget shows revenues and operating transfers of $13.4 million and expenses of $14.0 million. Approximately $578,000 of operational savings are to be used for childcare centers improvements and other ongoing initiatives.

A new UHR Strategic Plan cycle will begin in 2016/17. The strategic areas of focus include workforce planning, talent attraction and management, employee engagement, and HR excellence.

- Workforce planning addresses the need to understand the skills, type, and size of the workforce required to meet current and future needs within individual organizations as well as across the university, and informs the priorities and initiatives for UHR's overall talent strategy.
- Talent attraction and management delivers programs that attract, recruit, deploy, develop, and retain staff. In 2016/17, UHR's focus will be on developing a more robust recruiting model and enhancing the university's employment branding both internally and externally.
- Employee engagement focuses on understanding the extent to which employees care about and are committed to the organization and put discretionary effort into their work, and then applying this understanding to achieve better operational outcomes through solutions that improve employee performance and retention. UHR is also collaborating with other groups to prepare for the transition to the Redwood City campus.
- HR excellence is the commitment to continuous improvement in order to deliver effective programs and services.

Key initiatives already under way include:

Cardinal at Work—A new workplace identity to capture the spirit of excellence and camaraderie, Cardinal at Work was established in 2015. The Cardinal at Work website, a single online destination for employment-related information, launched in two phases (February and September 2015). In January 2016, Cardinal at Work unveiled a video in a New Year's message, and a 2016 calendar/poster was mailed to faculty and staff in order to increase awareness. During 2016, activities, events, and contests will include cobranded events such as the Celebrating Staff Careers event at the Multicultural Springfest in May and a special event that is part of the university's 125th-anniversary celebration in October.

Shared Services—Several centralized services, such as the benefits on-site service center, the weekly "Welcome

Center" onboarding program, disability leaves, and transaction processing, have provided an opportunity to undertake a shared services approach. The advantages of shared services are significant and include achieving economies of scale, standardizing and streamlining processes, creating a flexible organization with greater opportunities for staff career mobility, and using technology to increase efficiency and reduce costs. In the first year, 2.0 FTE manager positions have been eliminated and 6.5 FTE staff positions have been reallocated to this function, improving response times and providing one-stop service to employees.

University-wide Staff Survey—A survey of all staff was conducted in fall 2015 to measure overall staff engagement. Previously, individual areas may have conducted their own staff surveys, but this was the first opportunity to look at the employee experience across all schools and units. The results were communicated to leaders in late January and early February 2016, and each school and unit began reviewing and communicating its results in February. Survey liaisons in each school/unit manage the local process, including communicating results, facilitating the gathering of additional insights, and managing action planning. Broad central communication, managed by UHR, occurred in February and March, with additional periodic communication planned for the year ahead. During the spring, deeper analysis and action planning will be conducted to maintain what is going well and improve areas based on opportunities identified by the survey results. Actions may vary in duration and impact various level of the university hierarchy.

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 Schwab Center of the GSB, 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. The major independent auxiliaries are Athletics and Residential & Dining Enterprises (R&DE). Due to the size of the Stanford University Press it is included in this chapter.

ATHLETICS

The fiscal outlook for the Department of Athletics, PE, and Recreation (DAPER) appears challenging in 2016/17 because uncertainty remains in several revenue streams. DAPER projects a deficit of approximately $1.8 million based on projected revenues of $125.3 million and expenses of $127.0 million. Significant changes in revenues in key areas are expected to result in an overall decrease of 3.5% from the projection for 2015/16 (without one-time revenues for 2015/16, which are not included in the analysis below, this number would be a 1.2% increase). Overall expenses are expected to shrink by 3.9% from the projection for 2015/16 (without one-time expenses, which are not included in the analysis below, this number would be a 3.4% increase). DAPER's consolidated budget comprises auxiliary operations ($93.0 million), financial aid ($25.1 million), and designated activities ($7.2 million).

Auxiliary Operations

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

Intercollegiate Activities

Revenues and transfers from intercollegiate activities in 2016/17 are projected to be $67.6 million. Expenses are projected to be $72.2 million. The $4.6 million deficit is partly funded through net income from ancillary operations, specifically the golf course and camp operations. Intercollegiate revenues are projected to be essentially flat in 2016/17. This is due to the combination of a significant decrease (approximately $1.8 million) in revenue from football ticket sales because of a less favorable home schedule and moderate increases in revenue from broadcasting, the Pac-12 conference, marketing activities, and expendable gifts. As in most years, DAPER's actual revenues will largely rely on the success of football ticket sales and fundraising efforts. Expenses related to intercollegiate activities are expected to increase by 3.7%. Although DAPER continues to work to hold expense growth down, there are two key areas of increase in 2016/17. Compensation expenses are increasing due to contractual obligations and an assumption that positions vacant for much of 2015/16 will be filled. Additionally, facilities expenses are increasing as DAPER continues to manage significant deferred maintenance needs and incorporate operating expenses from new facilities.

Ancillary Activities

Revenues and transfers from ancillary activities in 2016/17 are projected to be $25.4 million. These revenues comprise general funds (primarily 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); and revenues from the golf course, the equestrian center, the Stanford Campus Recreation Association, and camp operations. Expenses related to these activities are projected to be $22.6 million. The golf course and camp operations produce a surplus of approximately $2.8 million that supports the intercollegiate side of DAPER's operations. All areas of ancillary activities are projected to have only inflationary growth in revenues and expenses over 2015/16 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 2016/17, and DAPER projects a transfer of approximately $3.0 million from operating revenues to balance the financial aid budget. For 2016/17, projected revenues (including this transfer) and expenses are $25.1 million, compared to $23.8 million projected for 2015/16. This budget provides approximately 340 scholarships that benefit over 500 student-athletes. The increase in expenses is due primarily to growth in the tuition and room and board rates.

Designated Activities

DAPER's designated activities consist primarily of camps, which are mainly pass-through operations and not actively managed by the department. The remaining activities generate revenues that are transferred to support auxiliary operations. Significant changes are not expected in any designated activities in 2016/17. In total, revenues and expenses from designated activities are projected to be $7.2 million in 2016/17, compared to a projected $7.1 million in 2015/16.

RESIDENTIAL & DINING ENTERPRISES

Residential & Dining Enterprises (R&DE) is a university auxiliary generating revenues primarily through room and board, conferences, cafés, catering, a guest house, concessions, and other enterprises. R&DE houses over 13,000 undergraduate and graduate students and their dependents and serves approximately 6.5 million meals annually, 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 2016/17 budget plan projects a break-even auxiliary budget with total revenues and net transfers of $259.2 million to offset related expenses. The consolidated budget plan also includes a planned use of $2.7 million of reserves for maintenance and capital projects.

The 2016/17 combined undergraduate room and board rate increase is 3.5% (4.4% room and 2.2% board). Total auxiliary revenue (excluding transfers) for 2016/17 is projected to increase by 5.4% over the 2015/16 projection. The new Lagunita residential buildings, opening in fall 2016, contribute $3.4 million in additional revenues, along with $1.5 million in operating expenses (excluding debt service). Room and board revenues are also increased by $3.3 million to reflect additional housing for students at campus rates in the local community, pending the completion of new housing on campus.

R&DE plans to use the projected increases in revenue along with continued efficiencies in operations to address debt service on new and renovated facilities, inflationary impacts on operating costs (including the costs of attracting and retaining labor and of increased technology security measures), and a planned escalation in asset renewal.

The 2016/17 budget plan reflects transfers in to fund certain debt service related to the capital plan and to help maintain room rental rates at reasonable levels vis-à-vis the market. The plan also includes revenues, expenses, and additional offsetting transfers in to provide the above-mentioned housing for students in the local community. Lastly, the plan includes strategic funding to support residential living and learning. R&DE plans to transfer out approximately $10.9 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. R&DE has developed a long-range capital plan and planned maintenance program to address its facility renewal needs, with expenditures of $73 million in 2015/16, $37 million in 2016/17, and additional amounts in future years on a variety of 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.

R&DE's 2016/17 capital project plan will mainly focus on Escondido Village apartment renovations, heating system upgrades, fire sprinkler installations, and roof replacement; mechanical, electrical, plumbing, infrastructure, and hardscape improvements in several locations; and restroom upgrades in certain residential facilities.

Stanford is in the initial stages of planning additional graduate housing in Escondido Village. This housing would include approximately 2,400 new bed spaces, replacing approximately 400 that would be demolished, for a net increase of 2,020 bed spaces. The R&DE 2016/17 budget plan reflects the impact on debt service expenses resulting from the demolition under the assumption the project will receive approval and begin in 2016/17.

STANFORD UNIVERSITY PRESS

The Stanford University Press consolidated budget for 2016/17 projects revenue and expenses of $7.7 million.

The scholarly publishing marketplace continues to be rather soft; however, the Press has managed to hold its position steady. In fact, it has achieved some modest growth through a plan to reduce output, allowing promotional resources to be focused on titles that will benefit from targeted marketing. A greater proportion of the publishing program is now aimed at the general public, and a three-year plan is in place to develop this program using annual support of $1.8 million from the general funds. Sales of frontlist titles (those published within the most recent 12 months) have increased year on year, despite a nearly 20% drop in the number of new titles published. The traditional pattern is for a strong frontlist to continue to grow as backlist (titles more than 12 months old), and the Press anticipates this pattern to continue for 2017.

To accelerate the focused promotion needed for this plan, the marketing department of the Press was restructured in the fall of 2015. The top-down management approach was replaced with a system of functional managers, allowing application of more resources to the middle tier of the Press's list. The goal for 2016/17 is to extend this strategy to the full extent of the publishing program, while developing a stronger platform for publications aimed at the general public, primarily through the Redwood Press imprint.

Two additional staff members have been hired through the Andrew W. Mellon Foundation grant for digital publishing. The digital acquisitions editor is recruiting new digital humanities and social science projects, and the digital production editor is providing the technical expertise needed to develop and publish these projects. The first digital project was published in May 2016, and two additional projects have been signed for publication in 2017. The Andrew W. Mellon Foundation has already approved a no-cost extension of the program to a fourth year.

One of the Press's biggest successes during the past year has been growth in international sales. During the first year after taking over distribution for the Press within Europe, the Middle East, and Africa, Combined Academic Publishers (CAP) grew sales for the Press by roughly 50%. During its second year, it is on target to grow them a further 30%. CAP will take over full distribution for the Press outside of North America, including all of Asia and Australasia, in the summer of 2016 through a network of agents. The Press's goal is to raise sales outside of the United States by a further 50% in 2016/17.