

CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

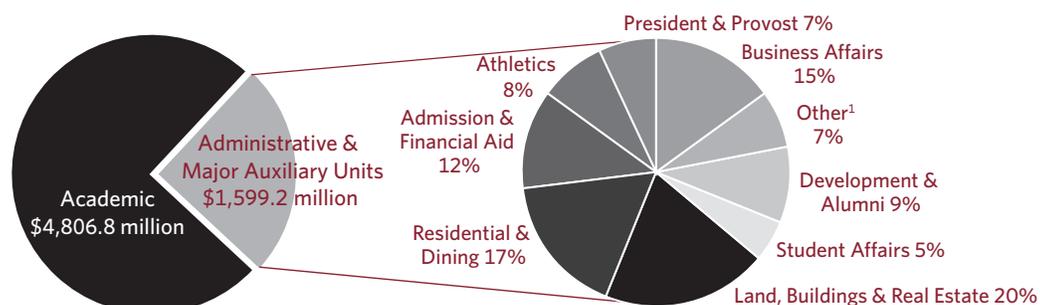
This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university.

CONSOLIDATED BUDGET FOR OPERATIONS, 2017/18: 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	235.9	236.7	(0.9)	(0.3)	(1.2)
Office of Development	91.6	92.2	(0.7)	(0.0)	(0.7)
General Counsel and Public Safety	42.2	42.4	(0.2)	0.0	(0.2)
Land, Buildings and Real Estate	327.6	322.1	5.5	(6.2)	(0.7)
Offices of the President and Provost	119.7	114.5	5.2	0.6	5.9
Office of Public Affairs	4.3	4.3	0.0	0.0	0.0
Stanford Alumni Association	49.3	49.6	(0.3)	0.0	(0.3)
Student Affairs	76.0	77.3	(1.2)	0.0	(1.2)
University Communications	8.3	8.3	(0.0)	0.0	(0.0)
University Human Resources	14.8	15.3	(0.5)	0.0	(0.5)
Stanford Management Company	42.0	42.4	(0.4)	0.0	(0.4)
Undergraduate Admission and Financial Aid	189.7	190.6	(0.9)	0.0	(0.9)
Major Auxiliary Units					
Athletics	135.9	134.4	1.5	0.0	1.5
Residential & Dining Enterprises	267.2	269.1	(1.8)	0.0	(1.8)
Total Administrative & Auxiliary Units	1,604.4	1,599.2	5.2	(5.9)	(0.7)

2017/18 Consolidated Expenses by Administrative & Auxiliary Units



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

BUSINESS AFFAIRS

The Business Affairs organization provides administrative infrastructure, systems, services, and support for the benefit of the university community. 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, UIT Shared Services); Office of Research Administration; Audit, Compliance, Risk and Privacy; and Business Development.

The 2017/18 consolidated budget for Business Affairs shows revenues and operating transfers of \$235.9 million and expenses of \$236.7 million. After an additional \$300,000 in transfers to assets, total fund balances are projected to be approximately \$34 million at the end of 2017/18, a use of \$1.2 million. Reserves will fund one-time strategic priorities in operations and enterprise IT systems projects.

Total expenses are projected to be 3% higher than in 2016/17. Business Affairs is projecting FTE growth of 18 (2%) and is absorbing \$1.0 million of gift-processing activity previously handled by the Office of Development and Stanford Management Company. Increased annual network and academic systems support costs are also projected. These increases are offset by decreases of \$1.1 million in service center and IT systems project expenses due to completion of one-time projects.

Revenues and transfers will increase by \$7.0 million. The increase is primarily from general funds and revenue growth of 1%, offset by transfers to other units. Of the general funds increase, \$4.8 million is growth in base, while \$1.8 million relates to a modification of sources from internal revenue and transfers to general funds. The remainder is from increasing networking and IT systems expenses.

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 client service, making administrative processes and systems more efficient, and mitigating enterprise risk.

The top principal Business Affairs initiatives include the following:

- **Information Security**—Provide security solutions such that Stanford has no incidents attributable to a lack of best practices. This is a multiyear initiative with two major initiatives focused on protecting high-risk data in 2017/18: (1) implementing minimum security standards for all university-managed servers and applications handling high-risk data, and (2) strengthening initial authentication to third-party services, such as payroll and benefit partners.
- **Talent Development**—In support of growing Business Affairs internal talent, continue a multiyear program for staff development that includes exposure, experience, and education. Business Affairs is implementing a pilot program in which three employees will participate in yearlong rotational assignments.
- **Integrated Identity and Access Management Program**—Implement a modern, scalable identity and access management solution that will be replicated in the cloud and will replace the existing system.
- **Evolve and Consolidate Financial Planning and Reporting**—Consolidate and update tools for financial management reporting, moving financial reporting content to OBIEE (analysis and Business Intelligence Publisher). This multiyear program is nearing completion and is addressing campus hunger for comprehensive and reliable financial reporting capability.
- **Communication/Collaboration**—Partner with other units and the Chief Information Officer Council to evolve Stanford's integrated collaboration/communication solution to include voice, video, and instant messaging in addition to email and calendar, and to support robust solutions among the main campus, Redwood City, and other remote sites.
- **Purchase to Pay**—Conduct a multiyear, multifocused effort to improve in the spend management and purchasing marketplace areas. Expanding from a pilot to regular operations, the office is focusing on establishing a collaborative approach to produce higher and more sustainable levels of adoption. It has established a university-wide spend advisory board, which for the first time includes representation from SLAC and the hospitals. Procurement is also introducing Amazon as the university's purchasing marketplace, with built-in compliance that is simple and easy to use and requires little training.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects revenues and transfers of \$91.6 million and total expenses of \$92.2 million in 2017/18, resulting in the planned use of \$712,000 in reserves. OOD fund balances are anticipated to decline due to increased short-term investments in Earth, Energy & Environmental Sciences; Engineering; and other development programs. 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 2017/18 are 9.1% higher than the 2016/17 year-end projection. Much of this growth results from a comprehensive replacement of OOD's IT infrastructure.

Both the 2016/17 year-end projection and the 2017/18 budget have increased over previously reported figures because of the transition of a department—the Office of Special Events and Protocol—from the Office of Public Affairs to the Office of Development.

In 2015/16, philanthropic support for Stanford University reached \$951.2 million, a figure that includes both of the university's affiliated hospitals. A decline from the prior year was due in large part to receipt of significant gifts of art in 2014/15. Over half of all gifts made in 2015/16 were of \$100 or less, which is a testament to the dedication of our alumni and friends to the breadth of disciplines and activities at Stanford.

Looking ahead to 2017/18, OOD will remain actively engaged with existing and prospective donors to support key university and hospital priorities, including programs in the neurosciences and Chemistry, Engineering and Medicine for Human Health; the Accelerator for Collaborative Engineering; ongoing postcampaign priorities in Stanford Medicine; and the Stanford Institute for Innovation in Developing Economies (Seed). OOD will invest general funds and reserves in critical areas consistent with its strategic goals:

- **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. OOD must ensure that top

staff are retained and nurtured during the many phases of their careers.

- **Support the university's long-range planning process**—With all units focused on the future, development staff are being thoughtful about how best to organize and ready OOD for what comes after the process is complete.
- **Engage volunteer leaders**—OOD has 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 and other technologies. The ADAPT (Alumni and Development Application Transformation) project launched in July 2015 and will take place over five years. It covers all aspects of OOD's system needs, including constituent management, communications, events, marketing automation, gift processing, reporting and business intelligence, and stewardship.

GENERAL COUNSEL AND PUBLIC SAFETY

Office of General Counsel

The Office of General Counsel (OGC) projects a balanced budget of \$18.9 million in 2017/18. Of this, \$11.4 million is a direct pass-through for health care legal services, \$2.6 million is from university units that reimburse OGC for legal services on an annual basis, and approximately \$5 million is general funds, including a carryforward of \$300,000 from 2016/17. Not included in these numbers is about \$9 million for outside counsel fees that will be reimbursed by other university schools and departments, for a total of about \$28 million in legal spending. The 2017/18 budget reflects a 3% increase from the 2016/17 year-end projections.

Client demand for legal services has increased and continues to increase the volume of work that is required. Based on client demand, OGC added a new FTE (real estate attorney) in 2016/17, and it expects to hire an additional attorney in 2017/18 to meet the growing demand for legal services in other areas. OGC is also reviewing salary levels for lawyers, as they appear to be below market.

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) conducting preventative counseling and more comprehensive client training; and (4) resolving disputes early. OGC will continue its effort to maintain an optimal balance between inside and outside counsel to provide cost-effective, high-quality service.

Public Safety

The Department of Public Safety (DPS) budget projects a surplus of \$78,000 for 2017/18, assuming anticipated salary savings from vacant positions and projected revenue from event security operations. Consolidated revenues and transfers of \$23.5 million are offset by budgeted expenses of \$23.4 million. The fire and emergency communication services contract constitutes approximately 32% of the total DPS budget at \$7.5 million for 2017/18.

The contract with the City of Palo Alto for fire prevention services expired in October 2015. Stanford and the city have agreed to a short-term extension that allows the Palo Alto Fire Department to continue to serve Stanford while the parties continue working towards finalizing a new agreement for fire services. The fire contract budget projection for 2017/18 of \$7.5 million is based on the fixed-fee model described in the current extension to the contract. The actual 2017/18 expenses to Stanford could change based on the outcome of current labor negotiations.

Programmatic changes for DPS in 2017/18 include increasing the numbers of sworn and nonsworn personnel to support evolving security needs on campus; implementing a new fire services contract; improving the functionality of the university's AlertSU emergency communications system; and implementing a county-mandated radio system to enhance interagency communication. Moving forward with the design phase of the new Public Safety facility will also be an area of focus for 2017/18.

LAND, BUILDINGS AND REAL ESTATE

Land, Buildings and Real Estate (LBRE) is responsible for the university's Capital Plan; commercial real estate on endowed lands; campus utilities, grounds, and parking and transportation; and stewardship for 8,180 acres of campus and contiguous land, as well as construction and operational management of the Stanford Redwood City campus. LBRE also manages operations and maintenance (O&M) for over

320 academic buildings and 6 parking structures totaling over 10 million square feet (sf).

During 2017/18, LBRE estimates revenues and transfers of \$327.6 million and expenses of \$322.1 million. After accounting for net transfers to plant of \$6.2 million for capital renewal projects, LBRE forecasts a \$718,000 deficit, which will be covered by beginning reserve balances.

Total expenses in 2017/18 are expected to increase by \$5.9 million, or 1.9%, over 2016/17 as a result of:

- An increase of \$2.9 million in external energy and water utility expenses, offset by a decrease of \$911,000 in debt service;
- Incremental O&M costs of \$1.6 million for new campus structures (Bass Biology, the Kingscote Renovation, Education Farm, Athletic Academic Advising and Rowing, and Environmental Health & Safety Expansion); 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 Redwood City
- Escondido Village Graduate Residences
- General Use Permit (GUP)
- Growth and transportation
- Parking and circulation

Additionally, LBRE is currently implementing the following operational initiatives: Facilities 2020, the Integrated Controls and Analytic Program (iCAP), and the Electricity Purchase Strategy.

Facilities 2020

Facilities 2020, an initiative that moves facilities operations from a "central shops" organization to a hybrid "district" organization, will return 55,000 GUP sf from LBRE to academic (or other) use as determined by the university. Additionally, it will save significant travel hours for maintenance technicians and, as a result, will reduce both the workforce and dependence on vehicles. Four district work centers (DWCs) will be constructed in strategic locations on campus to allow the technicians to be closer to the buildings they serve, therefore enhancing customer service. Three DWCs will be located on or near Memorial Way, the Roth Garage, and the

Hansen Experimental Physics Lab; the fourth will utilize part of the existing bookstore. A renovated Bonair hub will house functions that cannot be decentralized. Occupancy of the DWCs is planned for October 2018. Once fully implemented, Facilities 2020 is projected to return \$1.6 million annually to general funds (\$2.2 million savings net of \$611,000 in debt service for construction of the DWCs).

Integrated Controls and Analytic Program

iCAP will modernize the control systems that regulate basic processes in buildings: heating and cooling, ventilation, lighting, and more. Modern computer-based controls offer the potential to integrate all of these processes under one system.

A master building controls upgrade plan targets the largest 105 buildings on campus over a 10-year period, aligning the work with existing facilities renewal, energy efficiency, and maintenance programs, thereby avoiding the need for incremental funding.

iCAP costs include the purchase of building controls and analytic software. The total program is estimated to cost \$50 million over 10 years. Energy and O&M savings are projected to be \$8 million per year (once all phases are implemented), resulting in a simple payback of 6.25 years.

Electricity Purchase Strategy

In 2015, Stanford executed long-term power purchase agreements for new on- and off-site solar electricity generation equivalent to 56% of total campus electricity use (53% off-site and 3% on-site). Off-site solar generation commenced December 22, 2016, with on-campus generation following on March 31, 2017. Power generated from the rooftop facilities is consumed directly by university buildings. However, in accordance with state electrical grid operating procedures, power from the off-campus solar facility is sold into the grid at the point of generation in Southern California, and energy is purchased at the point it is taken off the grid in Northern California.

Since August 2016, the university has purchased 100% of its electricity from the day-ahead market. However, it continuously reviews other options, which may include fixed-price block agreements, additional generation from renewable sources, and/or a combination of all of the above. Purchase option considerations include cost, price stabilization, sustainability goals, and regulatory compliance.

To more effectively manage Stanford's Direct Access electricity procurement program, the university established the wholly owned subsidiary Stanford University Power LLC. All electricity procurement transactions have been or will soon be transferred to the LLC.

OFFICES OF THE PRESIDENT AND PROVOST

The budget of the Offices of the President & Provost (PPO) for 2017/18 will consist of revenues and operating transfers of \$119.7 million; expenses of \$114.5 million; and transfers from assets of \$650,000, resulting in a net change in fund balances of \$5.9 million. These figures represent changes over the 2016/17 year-end projections of 5.5% in revenues and operating transfers, 5.4% in expenses, and 20.5% in transfers from assets (to support the housing loan programs within the Faculty/Staff Housing Office). Most of the increase in fund balances results from unspent endowment payout supporting the new Knight-Hennessy Scholars program.

Beginning in fall 2018, the Knight-Hennessy Scholars program, a new graduate-level scholarship, will select up to 100 high-achieving students with demonstrated leadership and civic commitment who will receive full funding to pursue a graduate education at Stanford. In addition to their core Stanford degree programs, these scholars will have additional opportunities for leadership training, mentorship, and cohort-based experiential learning across multiple disciplines.

The PPO comprises a collection of administrative units. The unit has changed in size and composition as groups have been moved administratively around the university. In addition to the operations of the President's Office and the Provost's Office, the PPO includes the University Budget Office, the Academic Secretary's Office, the Ombuds Office, Continuing Studies, the Office for Religious Life, the Office of Institutional Equity and Access, and several other small units that support university-wide services.

In 2016/17, five offices were brought together under the umbrella of the Office of Institutional Equity and Access: Title IX, Sexual Assault & Relationship Abuse Education, Sexual Harassment Policy Office, Diversity & Access, and the Office of the University Ombuds. The senior associate vice provost is continuing to assess programmatic needs and anticipates there may be some reorganization of office responsibilities to best serve the Stanford community in achieving the collective

mission of preventing discrimination, harassment, and sexual violence, and responding to and redressing allegations of misconduct. Several new educational programs have been developed specific to the needs of undergraduate and graduate students.

Some PPO units, the Office of Religious Life in particular, are working to develop plans for programs and staffing levels in the context of slower growth in endowment income.

The vice provost for faculty development and diversity is planning several initiatives that will be funded with reserves. Programs such as Writer's Retreat and workshops on management and mentoring have been well received. A national, two-day intensive leadership program and mentoring workshop for 40-50 academic women of color was a huge success, and similar programs will continue.

The Stanford Distinguished Careers Institute (DCI) offers accomplished individuals from all walks of life the opportunity to come to Stanford for a yearlong residential program of personal renewal and community engagement. DCI is designed to enhance and improve the life journey through renewed purpose, community and network building, and a recalibration of health and wellness for individuals. As the program enters its third year of operation, enrollment and program size are projected to remain constant and revenue flat.

Continuing Studies Programs (CSP) shares the rich educational resources of the university with neighboring, matriculated, and returning students to nurture a vibrant learning community, to nourish the life of the mind, and to promote the pleasures of intellectual exploration and exchange. CSP continues to record stronger-than-anticipated enrollment growth; in particular, the high school and visiting undergraduate student population has grown 4%-5%. In 2017/18, Summer Sessions (SS) is looking to expand its online course offerings to complement special programs such as Veteran Accelerator 2.4 and Horizon Scholars. These programs provide full scholarship opportunities and tailored programming for selected students. Developing and maintaining high-quality online courses allows CSP/SS to continue reaching new students from an increasingly diverse population.

Finally, the transitions of the president and provost have had an impact on the immediate operations of the PPO as they make decisions about staffing levels to meet new initiatives.

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues and transfers of \$4.3 million and expenses of \$4.3 million, resulting in a balanced budget. Total revenues and transfers are budgeted to decrease 9% from \$4.7 million in 2016/17, and total expenses are expected to decrease 12% from \$4.9 million. Incremental base general funds allocated to OPA include funding to support its mission. OPA forecasts an ending balance of \$634,000, of which approximately \$460,000, or 73%, represents a very modest unrestricted reserve to support internal and external strategic programs.

In consultation with university leadership, OPA's Government and Community Relations Office (GCR) leads Stanford's engagement with federal, state, and local governments, as well as fostering Stanford's relationship with neighboring communities. GCR promotes the university's research and education mission through contact with public officials, tracking of pertinent legislation and regulatory proposals, and, when appropriate, lobbying on behalf of the university on a wide variety of issues ranging from land use policies to funding for the basic sciences. How Stanford strategically and thoughtfully uses its land and infrastructure systems to serve its mission is controlled by several local government entities, most significantly Santa Clara County and the City of Palo Alto.

The application for a new General Use Permit from Santa Clara County will be an area of significant activity in 2017 and into 2018. Public engagement will be increasing as fiscal year 2017/18 begins, assuming Santa Clara County's draft environmental impact study is released on the current schedule. The analysis of key impacts of Stanford's proposed development on, e.g., traffic congestion and the need for affordable housing will generate significant community discussion. The negotiation of mitigation measures to offset potential impacts will be part of the discussion.

The current federal government policy environment requires significantly increased effort and resources to defend and advance the university's research and education mission. There will be opportunities to advance some priorities, including regulatory reform at research funding agencies and the Department of Education, as well as Bay Area transportation upgrades as a part of transportation infrastructure funding

legislation. However, OPA expects to confront the most challenging policy environment it has faced in many years regarding research funding, college costs, endowments and tax reform, the Affordable Care Act, and immigration, among other areas.

Other key topics of importance to the university include admission and financial aid policies, student services and rights, campus sexual assault and campus safety, student athlete rights, privacy protection of research involving human samples, treatment of animals used in research, state research funding, land use/zoning policies, affordable housing, and resources for nonprofit organizations.

STANFORD ALUMNI ASSOCIATION

The Stanford Alumni Association (SAA) projects \$49.3 million in gross revenue and operating transfers and \$49.6 million in total expenses in 2017/18, resulting in a reduction of \$317,000 in its consolidated fund balance. Reserve balances are projected to stand at \$2.7 million at the end of 2017/18.

Business and program revenues, coupled with income from lifetime membership, building, and other endowment fund pay-outs, will generate over 75% of SAA's gross revenue. The remaining revenue will come from base and one-time general funds and presidential funds. Gross revenue and gross expense will increase 5% from 2016/17 projected levels. This increase reflects the inclusion of special one-time programming for a multicity president's welcome tour funded by presidential funds as well as investments in graduate-only student and alumni programming.

In 2015/16 and 2016/17, SAA self-funded a pilot program to tailor a set of programs, communications, and content to meet the needs of graduate-only constituents. The goal was to increase the connection to Stanford and to other graduate-only students and alumni, a segment which is traditionally underrepresented in SAA activities. These efforts resulted in engagement growth of 11% for graduate-only alumni over this period, as compared to 7% growth in undergraduate and dual-degree alumni engagement. These early successes have only begun to scratch the surface of the potential to engage this growing segment of the alumni population. The incremental base and one-time general funds received for 2017/18 to enhance and develop new graduate-only student and alumni offerings will allow SAA to continue making head-

way with this segment. As it did throughout the pilot, SAA will continue to collaborate with the major graduate student organizations across campus.

New general funds in 2017/18 will also allow SAA to cease voluntary-contribution fundraising efforts that have historically supported Stanford magazine. While solicitations to readers of the magazine have been an effective means of garnering financial support for it, there has been increasing pushback from alumni to these solicitations and a growing risk of damaging the tremendous goodwill that has been built through Stanford magazine.

SAA launched a multicity welcome tour for President Marc Tessier-Lavigne in 2016/17. This program gives alumni an opportunity to hear from and meet the new Stanford president. The welcome tour will continue through 2017/18, supported by presidential funds.

The multiyear and critically important SAA/Office of Development (OOD) technology transition project (ADAPT) continues to be a top priority for SAA. The migration of the shared SAA/OOD constituent database to a Salesforce platform is under way and paves the path for both organizations to better serve and meet the digital needs and expectations of alumni, donors, and campus partners. From targeted and dynamic communications to digital content on topics and platforms relevant to alumni, this technology overhaul will allow SAA to connect with and engage an increasingly diverse alumni body.

Global economic and political instability will continue to present a challenge to SAA businesses in 2017/18. More specifically, SAA's Travel/Study program, a key internal generator of funding for SAA-subsidized program offerings, has become subject to increased volatility. In response, SAA remains focused on opportunities for revenue enhancement and cost savings across its portfolio.

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. The strategic investments discussed above are expected to deliver a significant return to the university in heightened connection, increased engagement, and a stronger community of alumni and students.

STUDENT AFFAIRS

The mission of Student Affairs is to educate students to make meaningful contributions as citizens of a complex world. Student Affairs offers a range of services and programs designed to enhance the academic enterprise and to empower students to embody community standards of respect, resilience, individual leadership, and collective responsibility. The goal is to support, sustain, and engage students in programs that cultivate good habits of mind, ethical behavior, empathy, and intellectual curiosity.

Student Affairs comprises seven units encompassing more than 25 offices that provide undergraduate and graduate students with a range of services, opportunities, and resources. The seven units, led by associate vice provosts, are Administration; BEAM (Bridging Education, Ambition & Meaningful Work), Stanford Career Education; Community Engagement and Diversity (CED); Dean of Students; Residential Education; University Registrar and Student and Academic Services; and Vaden Health Center.

For 2017/18, Student Affairs projects total revenues and operating transfers of \$76.0 million and expenses of \$77.3 million, resulting in a planned operating deficit of \$1.2 million. Primary drivers of the deficit include expenses related to expansion of the Haas Center's Cardinal Service initiative and rising costs of laboratory and other health care expenses at Vaden Health Center. The deficit will be supported by drawdowns against expendable gifts in the case of the Haas Center and by accumulated reserves in the case of Vaden. An increase in revenue totaling \$3.2 million is due in part to an accounting process adjustment providing greater visibility of Residential Education house dues, resulting in a \$1.6 million pass-through of revenue and expense. Consolidated fund balances of \$26.6 million are expected at year-end.

Projected growth in funding is modest and includes increased levels of restricted income to support the Haas Center's Cardinal Service initiative and the First-Generation and Low-Income Program's Opportunity Fund. Funding is expected to continue for the Office of Community Standards, in partnership with the Title IX Office, to address issues related to sexual assault, relationship violence, and other conduct prohibited by Title IX. These efforts include a pilot program for investigating and adjudicating alleged incidents of sexual misconduct. Funding also is expected to continue for the Confidential Support Team, which has been supported with soft funds and is jointly sponsored by the School of Medicine

and Vaden, to provide a coordinated response to students who may have experienced sexual misconduct.

A combination of one-time general funds and base funding allocations was granted for 2017/18 to support the university's commitment to inclusivity—specifically CED's work focused on diversity education for all students and support for first-generation and low-income students. Three-year bridge funding has been extended to the Markaz: Resource Center, which has been critical in working with students affected by executive orders issued by the federal government regarding travel and immigration. In addition, Bechtel International Center has received emergency funding to support increased demands for document processing and outreach, also a byproduct of federal executive orders. One-time, one-year funding for 2017/18 will support a student leadership development program designed by Student Activities and Leadership, expansion of Cardinal Quarter Fellowships focused on communities served by CED, and resources in BEAM to help students maximize connections and opportunities by leveraging digital environments. One-time funding continues to support the Office of Alcohol Policy and Education's alcohol education programs and alcohol-free activities.

Greg Boardman, vice provost for student affairs, who has led Student Affairs for more than a decade, will retire at the end of 2016/17, marking a leadership change for the division. Student Affairs' strategic planning initiative, entitled "The Future of Student Affairs," will continue under new leadership and in tandem with Stanford's university-wide long-range planning process.

UNIVERSITY COMMUNICATIONS

The Office of University Communications assists Stanford to influence and inspire a changing world by broadly sharing discoveries, expertise, and ideas in compelling, sophisticated ways with millions of people around the world. It serves as Stanford's primary, trusted source of information about the university, its expert resource for professional communications advice and support, and its leader in communications innovations, standards, and training.

University Communications oversees all central internal and external communication programs for the university, including executive communications; institutional media relations; primary Web, mobile, digital, and social platforms; visual

identity and brand management crisis response; the Stanford News Service; Stanford Report; and Stanford Video. The unit manages university-wide communications policies, including those on filming and photography, Web accessibility, social media, visual identity, and use of the Stanford name. It also manages special programs such as TEDx Stanford, a pilot with SiriusXM radio, and shares management oversight of Stanford Web Services with University IT. It also provides leadership, tools, guidelines, training, and resources to a network of more than 150 communications professionals in campus units and the seven schools.

The Office of University Communications projects total revenues and transfers of \$8.3 million and expenses of \$8.3 million, resulting in a balanced budget. Total revenues and transfers are budgeted to increase 12% from \$7.4 million in 2016/17, and total expenses are expected to increase 11% from \$7.5 million. Incremental base general funds allocated include funding to support a broad spectrum of services provided by University Communications to the campus community, as well as resources to address some of University Communications' priorities and initiatives for 2017/18, such as:

- Providing communications leadership to the campus at large and support for major campus initiatives such as long-range planning, student support services, the General Use Permit application process, the Redwood City campus, the Knight-Hennessy Scholars, graduate student housing, and sustainability.
 - Conveying the need for ongoing federal support for research and the value of innovation to economic growth.
 - Highlighting the strength and importance of the humanities, and of student exposure to a broad, liberal education.
 - Launching a redesign of the Stanford.edu home page, Stanford Report, and Stanford Mobile in mobile-friendly, responsive formats.
 - Refining content delivery to provide more timely information about Stanford and compelling stories across all platforms.
 - Identifying platforms to better meet the unique communications needs of students and faculty.
 - Creating a more robust brand and identity toolkit to make it easier for the campus community to incorporate Stanford into communications and events.
- Planning for emergency and crisis communications by strengthening emergency planning and preparation across University Communications, including additional training, role playing, and real-time response exercises.

University Communications forecasts a modest ending balance of \$119,000, of which approximately \$93,000, or 78%, is restricted to specific projects and endowment-related expenditures.

UNIVERSITY HUMAN RESOURCES

University Human Resources (UHR) advances Stanford's mission of excellence in teaching, learning, and research by cultivating an environment of high employee engagement, performance, and productivity while supporting the changing nature of work to ensure the university's workforce is prepared to meet its future needs. UHR delivers programs and services that foster continuous improvement, streamline employee administrative processes, and ensure staff at Stanford feel valued, supported, and respected. The units within UHR are talent management and workforce strategy, employee and labor relations, client services, compensation, benefits (including the Work Life Office, childcare centers, and the Faculty Staff Help Center), and HR communications.

UHR's 2017-19 strategic plan was developed in collaboration with the Administrative Planning Executive Committee and the HR community, and in keeping with the results of the staff survey. Strategic areas of focus include workforce planning, talent attraction, talent management, employee engagement, and HR excellence.

The 2017/18 consolidated budget shows revenues and operating transfers of \$14.8 million and expenses of \$15.3 million. The budget plan commits approximately \$545,000 of prior years' operational savings to supplement revenues and transfers, which will be used to support the initiation of projects critical to the launch of HR's strategic plan.

The projected fund balance at the end of 2017/18 is \$2.8 million, of which approximately two-thirds are in the operating budget and the remainder designated for childcare centers. These funds will maintain UHR's ability to address unforeseen emergencies, self-fund emerging same-year initiatives, manage shortfalls due to fringe volatility, meet the university's evolving priorities, and, with designated funds, continue to invest in priorities for Stanford's childcare centers, including

closure of the Pepper Tree and Rainbow centers, expansion and relocation of the Children's Center of the Stanford Community, and opening of the new childcare center at Stanford Redwood City.

UHR will continue to focus on the strategic priorities established in its three-year plan:

- **Workforce planning**—Piloting a workforce planning process to identify and plan for the workforce needed, then optimize HR and related plans (for better decision making and resource allocation). Pilots have been initiated in the School of Engineering and Business Affairs.
- **Talent attraction**—Evaluating results of an end-to-end recruiting process assessment to develop plans and programs to enhance talent attraction. Preliminary recommendations upon which enhancements will be based are to improve tools and resources, develop shared candidate pools, and enhance internal movement of staff.
- **Talent management**—Leading the change management process for the relocation of 2,700 employees to the new

Stanford Redwood City campus in 2019. While the early emphasis is on the organizations and employees who will move, the change management initiatives also address the changes likely for faculty and staff who will remain on the original Stanford campus. In addition, UHR is in the early stages of adding manager development courses to augment its current programs.

- **Employee engagement**—UHR continues to advise and support staff survey action planning, implementation, and communication. UHR is also in the early stages of assessing options to enhance benefits offerings and/or programs as well as to improve staff recognition and rewards programs.
- **HR excellence**—UHR is committed to continuous improvement of its programs. In 2017/18, it will expand its HR shared-services model more completely to increase efficiency while focusing on the quality of how it delivers its services. UHR is also reviewing HR policies and processes to ensure clarity, consistency, and any changes needed to support the move to the Stanford Redwood City campus.

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 also included in this chapter.

ATHLETICS

The fiscal outlook for the Department of Athletics, PE, and Recreation (DAPER) appears more favorable in 2017/18 than it has in past years. DAPER projects a surplus of approximately \$1.5 million in 2017/18 based on projected revenues of \$135.9 million and expenses of \$134.4 million. Significant changes in revenues are anticipated in key areas, creating an overall expected increase of 2.9% over the projection for 2016/17. Overall expenses are expected to grow by 4.0% from the projection for 2016/17. DAPER's consolidated budget consists of three distinct sets of activities: auxiliary operations (\$102.8 million), financial aid (\$26.1 million), and designated activities (\$7.0 million).

Auxiliary Operations

Auxiliary operations are made up of two primary areas, 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 2017/18 are projected to be \$78.4 million. Projected expenses are \$79.6 million. The \$1.2 million deficit is funded through net income from ancillary operations, specifically the golf course and camp operations. Intercollegiate revenues are projected to be up approximately 3.9% in 2017/18. This is due to the combination of a significant increase (approximately \$2.0 million) in revenue from football ticket sales because of a more favorable home schedule, moderate increases in revenue from broadcasting and restricted gifts, and a moderate decrease in revenue from the NCAA/Pac-12 due to

the assumption that only one Pac-12 team will play in a major bowl game. Expenses related to intercollegiate activities are expected to increase by 4.3%, most significantly in two key areas. Compensation expenses are increasing due to contractual obligations and a generous salary program planned to match the overall university program. Additionally, facilities expenses are increasing as DAPER continues to manage significant deferred-maintenance needs and incorporate operating expenses for new facilities.

Ancillary Activities

Revenues and transfers from ancillary activities in 2017/18 are projected to be \$24.4 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 \$21.8 million in 2017/18. The golf course and camp operations produce a surplus of approximately \$2.6 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 2016/17 projections.

Financial Aid

DAPER's financial aid endowment continues to be a significant asset to the department. However, financial aid expenses will continue to exceed endowment payouts in 2017/18, and DAPER projects needing a transfer of approximately \$2.9 million from operating revenues to balance the financial

aid budget. Projected revenues (including this transfer) are \$26.1 million, and expenses are \$26.0 million. This budget provides approximately 340 scholarships that benefit over 500 student-athletes. This compares to projected 2016/17 revenues and expenses of \$25.1 million. The increase in expenses is due primarily to general growth in tuition, 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 2017/18. In total, revenues and expenses from designated activities are projected to be \$7.0 million in 2017/18, compared to a projected \$6.9 million in 2016/17.

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 2017/18 budget plan projects a break-even auxiliary budget with total revenues and net transfers of \$269.1 million to offset related expenses. The auxiliary budget plan also includes a planned use of \$2.0 million of reserves for maintenance and capital projects.

The 2017/18 combined undergraduate room and board rate increase is 3.5% (4.4% for room and 2.2% for board), while the graduate housing room rent rate increase is 4.75%. Overall room and board revenues are projected to increase by \$6.5 million. R&DE total auxiliary revenue (excluding transfers) for 2017/18 is projected to increase by \$10.0 million (4.3%) over the prior-year projection.

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 higher cost of attracting and retaining labor, elevated utility rates, and the increased security measures in technology), and planned escalation in asset renewal.

The 2017/18 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 housing for students at campus rates in the local community. The plan includes strategic funding to support residential living and learning; R&DE plans to transfer out approximately \$11.0 million to Residential Education, Residential Computing, the Graduate Life Office, and Summer Session, among others.

R&DE continues to make significant investments in its physical plant. R&DE has developed a long-range capital plan and a long-range planned maintenance program to address its facility renewal needs, with expenditures of \$31 million in 2016/17 and \$39 million in 2017/18, as well as additional investments 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 2017/18 capital project plan will mainly focus on mechanical, electrical, plumbing, infrastructure, and hardscape repairs and improvements in numerous locations; life-safety and restroom upgrades in certain residential facilities; and several renovations to resident fellow apartments.

Stanford is in the design stage of constructing additional graduate housing in Escondido Village. This new housing will include approximately 2,400 new bed spaces, replacing approximately 400 that are being demolished, for a net increase of 2,020 bed spaces. The R&DE 2017/18 budget plan reflects the impact of the reduction of bed spaces during the demolition and construction period.

R&DE operates in a dynamic and changing environment; therefore, it is essential to plan for uncertainties. This is done 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 consolidated budget for 2017/18 projects revenue and expenses of \$7.6 million, which includes \$2.3 million in university subsidies.

The growth in ebook sales across the publishing marketplace over the past decade has halted, and indeed retreated, with print books remaining the dominant format—over 80% of Press sales are from print. Consolidation within various retail and wholesale outlets has continued to narrow the distribution chain, but this also allows the Press to tighten its channel marketing to be more efficient. The Press expects an output of 135-40 titles in 2017/18.

A major strategic effort for the Press during 2016/17 was the evaluation of its North American distributor. The North American marketplace accounts for close to 90% of sales, and thus this is the most significant partnership for the Press. After an extensive request-for-proposals process, the Press began operations through Ingram Academic on

March 1, 2017. Ingram Academic is now responsible for all sales and distribution of Press print and digital output. This shift allows access to a broader national network of sales representatives, roughly 15 times the size of the previous network, as well as a state-of-the-art digital infrastructure that will greatly aid experimentation with new content and distribution forms. The Press expects a strong financial return on this move within 12 months.

The program of interactive scholarly works (ISW), funded by the Andrew W. Mellon Foundation, launched its first project, *Enchanting the Desert*, by Nicholas Bauch, in the spring of 2016 with a Facebook livestreamed event in the David Rumsey Map Center. The Press now has a strong pipeline of projects to publish over the remaining two years of the grant. The ISW team has been working closely with the staff of the Stanford Libraries on issues of maintenance and archiving, and these discussions are also positively impacting the preservation outlook of the book and print program of the Press.

Efforts to increase the profile of the Press in the broader public debate, through its trade publishing program and the growing prominence of its academic author pool have begun to bear fruit. In 2016/17 there were prominent reviews of Press titles in the *New York Review of Books*, *Forbes*, and *Salon*, as well as frequent media appearances on CNN, MSNBC, and NBC News. This year a Press title was also awarded the prestigious Prose Award for Social Science.

