

SECTION 4

CAPITAL BUDGET AND 3-YEAR CAPITAL PLAN

This section outlines Stanford's 2007/08 Capital Budget and 2007/08–2009/10 Capital Plan. The Capital Budget represents \$386.3 million of cash outlays and associated funding of the Capital Plan for the next year. The Capital Plan forecasts \$2.4 billion in construction and infrastructure projects and programs that are currently underway or planned to begin over the next three years.

THE CAPITAL BUDGET, 2007/08

At \$386.3 million, the 2007/08 Capital Budget represents forecasted expenditures for the upcoming fiscal year. This amount reflects the University's significant capital initiatives, including expenditures for 6 of the 8 SEMC buildings (Astrophysics is complete and Bioengineering/Chemical Engineering is scheduled to commence in 2008/2009), the Munger Graduate Residences, the new GSB campus, Panama Mall renovations, the new SIEPR building, and various Infrastructure projects and programs.

These projected capital budget expenditures reflect only a portion of the total costs of the capital projects, as most projects have a duration exceeding one year. To demonstrate these multi-year cash flows, at the 2007/2008 fiscal year end, the following significant projects are estimated to be fully or partially complete as shown above.

The Capital Budget is based on the assumption that funding availability and project schedule align. This budget includes projects that are not fully funded (i.e. that include "Gifts to be Raised" and/or "Resources to be Identified" as funding sources). It is the policy of the University to only start construction on projects when all funds are identified. As a result, the Capital Budget has historically been higher than actual spending, which generally reflects the deferral of projects with funding gaps.

CAPITAL PROJECTS – PERCENT OF COMPLETION 2007/08

[IN MILLIONS OF DOLLARS]

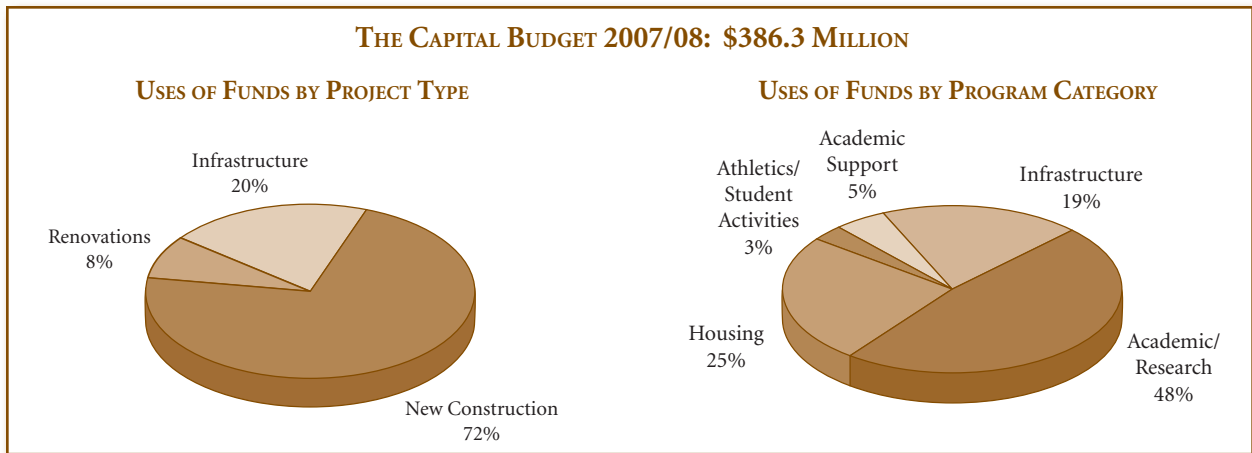
	Estimated Project Cost	Capital Budget 2007/08	Estimated Percent Complete 2007/08
Environment and Energy	122.3	26.3	100%
Munger Graduate Residents	227.0	96.4	73%
Panama Mall Renovations	61.4	24.9	52%
SIEPR	26.6	10.0	44%
LKC* & Connective Elements	141.7	47.0	40%
Biology	69.8	20.0	33%
Nano Center	57.8	10.0	22%
School of Engineering Center	75.9	12.3	21%
Mechanical Engineering	14.0	2.5	13%
New GSB Campus	275.0	20.9	10%

* Learning and Knowledge Center

SOURCES AND USES

Sources of funds are anticipated to be a combination of current funds (existing reserves and fund balances), gifts in hand, pledged and to be raised, short-term and medium-term and permanent debt. The university typically uses debt on projects as the last source of funds. The mix of funds for the Capital Budget will be impacted by the timing of gift receipts.

Of the \$386.3 million, 48% will be spent on Academic/Research projects. Housing, Infrastructure, Academic Support, and Athletics/Student Activities will represent 25%, 19%, 5%, and 3%, respectively. An estimated 72% of the budget will be spent on new construction projects. The majority of these expenditures are to fund the SEMC buildings and the Munger Graduate Residences. Another 8% will be spent on renovation projects such as the Panama Mall and Encina projects. The remaining 20% will be spent on infrastructure projects and programs, including the Investment in Plant – Maintenance and the Capital Utilities Program (CUP).



CAPITAL BUDGET IMPACT ON 2007/08

OPERATIONS

The 2007/08 Projected Consolidated Budget for Operations includes incremental debt service and O&M expenses for projects completing in 2007/08. Additionally, this budget includes an incremental increase in debt and O&M expenses for projects completing in 2006/07 that were operational for less than twelve months in 2006/07.

As noted in Section 1, Stanford issues debt in the public markets to finance capital projects and programs. Internal loans are then applied to projects, which amortize the debt over the project life in equal installments (principal and interest). The budgeted interest rate used to calculate internal debt service is a blended rate of all external interest expense, bond issuance costs, and administrative costs, and is reset annually. The projected blended rate for 2007/08 is 5.70%.

The projected incremental internal debt service funded by unrestricted funds, including formula units, in 2007/08 is \$3.0 million. This amount includes the additional debt service on the Environment and Energy and Old Union complex buildings among other smaller capital projects and programs. It excludes debt service on debt backstopping gift receipts. This additional debt service brings the total annual internal debt service borne by the unrestricted university budget to \$42.9 million, 2.9% of unrestricted revenues, general funds and designated funds.

Total internal debt service, including that borne by auxiliaries and service centers, will increase from \$131.3 million to \$135.2 million.

General funds will cover additional O&M costs of approximately \$2.5 million, mainly due to the completion of both the new Environment and Energy building and Parking Structure 6 (as part of the Munger Graduate Residences), and smaller infrastructure maintenance costs.

CAPITAL PLANNING OVERVIEW

CAPITAL PLANNING AT STANFORD

Stanford's Capital Plan is a three-year rolling plan with budget commitments made for the first year, and then only for projects with fully identified and approved funding. Cash flow expenditure forecasts for these projects extend well beyond the three-year period. Budget impacts for operations, maintenance, and debt service commence at construction completion. The plan includes tables forecasting both cash flow and budget impacts by year, demonstrating the longer than three-year impact of the plan.

The Capital Plan is set in the context of a ten-year capital forecast for the university. The details of this longer-term forecast, particularly funding sources and schedules, are less clear than those of the three-year plan, as we cannot anticipate all of the needs and funding sources that may emerge over the long-term horizon. Additionally, plans tend to change over time as some projects prove more feasible than others given evolving funding realities and academic priorities.

A major issue affecting the Capital Plan is cost escalation in the construction market. Escalation over the last few years has proven to be a significant risk to project budgets, particularly in the area of

subcontractor labor. To mitigate this risk, many of the Capital Plan's large project budgets carry a specific line for near-term escalation. This could increase the project cost per square foot for many projects compared to historical trends.

At \$2.4 billion, this year's Capital Plan is slightly higher than the prior year's \$2.2 billion plan. Consistent with prior years, several projects show large portions of their funding sources as Gifts to Be Raised. The Office of Development has determined that these are feasible fundraising plans, although their timeframes could change. "Resources to be Identified" includes funds yet to be fully identified, with the expectation they will come from a combination of gifts, school, department and university reserves.

STRATEGIC INITIATIVES

The following strategic initiatives are integral to this year's Capital Plan and are described in more detail below.

PROJECTS

- Science, Engineering, and Medical Campus (SEMC)
- Redwood City Campus Redevelopment
- Stanford University Medical Center (SUMC)

PROGRAMS

- Sustainability at Stanford
- Space Charge and Space Utilization Studies

PROJECTS

Science, Engineering, and Medical Campus

As mentioned in prior years, the Science, Engineering, and Medical Campus (SEMC) initiative consists of eight new buildings to be designed and constructed over the next decade. The buildings include Astrophysics (which was completed in summer 2006); Biology; the School of Medicine Learning and Knowledge Center (LKC); the Stanford Institutes of Medicine #1 (SIM #1); and four buildings to be located in a new Science and Engineering Quad (SEQ 2): Environment and Energy (E&E) currently under construction; the School of Engineering Center (SOE Center); the Nano Center (previously known as the Ginzton Laboratory replacement); and Bioengineering/Chemical Engineering.

This year's Capital Plan includes the costs of seven of the eight SEMC buildings, together with associated connective elements and demolition projects. It also includes line items for escalation and contingency risks. SEMC costs included in this plan are \$795.8 million, or 34% of the total plan expenditures.

The following chart summarizes the entire SEMC initiative, excluding Astrophysics. The SEMC initiative continues to be dependent upon a successful fundraising campaign designed to meet the overall needs of the projects. This funding plan will be modified to reflect actual fundraising results. The permanent debt budgeted for the SEMC initiative, excluding Astrophysics, is \$108.4 million; current funds, fundraising, and other funds will support the remainder of the initiative. Depending on the results of the fundraising efforts and schedule of pledge payments, short-term and medium-term debt may be required to backstop gifts.

The university has developed a master plan for SEQ 2 which addresses site limits, massing, connective elements, fenestration, and color and material palettes. The plan illustrates how architectural compatibility

SEMC PROJECT SUMMARY

[IN MILLIONS OF DOLLARS]

Project ¹	Completion	Cost
Stanford Institutes of Medicine #1	2011	166.0
Environment and Energy Bioengineering/Chemical Engineering	2008	122.3
Learning and Knowledge Center	2010	90.2
School of Engineering Center	2010	64.6
Biology	2010	64.2
Nano Center	2010	56.7
Subtotal		678.7
Connective Elements & Utilities		
School of Medicine/Biology Science and Engineering Quad 2	2010	55.7
	2011	19.0
Subtotal		74.7
Demolitions	2010	7.9
Escalation Risk		13.3
Contingency Risk		21.2
Total		795.8

¹ Astrophysics was completed in 2006

and overall campus consistency will be achieved in this important new campus quadrangle. The priorities for the SEQ 2 master plan were established by an ad hoc committee of the Board of Trustees.

In addition, Stanford has developed a site and building plan for the School of Medicine (SoM). The plan's primary purpose is to establish a sense of order and identity for the school in addition to locating two new buildings. It addresses existing circulation, service, and delivery challenges and identifies future building sites.

Redwood City Campus Redevelopment

Due to GUP limitations on core campus development, the university studied options for relocating administrative programs to off-campus sites, thus reserving core campus space for Stanford's highest academic priorities and objectives.

In September of 2005, the university acquired the Mid-Point Technology Park (Mid-Point) at a cost of \$78.5 million. Mid-Point is in Redwood City, approximately seven miles from the Stanford campus. The site includes 536,569 gsf, which encompasses eight buildings on 29.4 acres. In addition, the Stanford Hospital and Clinics (SHC) has acquired an adjacent parcel that includes approximately 360,000 gsf, encompassing four buildings on eleven acres, to be developed for outpatient clinics.

Redevelopment of this site will be required and will commence over the next 3-5 years. The university is currently in the early phases of campus and site planning, program scoping, and conversations with Redwood City. There are many issues to be addressed, including the vision for this new campus, the program for the campus buildings, traffic, environmental and other community impacts, costs of site redevelopment, and phases of redevelopment over time. Early planning for the new campus, as well as early program development, is underway. The \$302 million redevelopment cost estimate for the university portion of the site (13% of the Capital Plan) is based on an early estimate for a first phase of development which is anticipated to include approximately 540,000 gsf of office space, a parking garage, a community center building, and connective elements.

Stanford University Medical Center

To assure their combined ability to effectively serve the community and Stanford, the School of Medicine,

Stanford Hospital and Clinics and Lucile Packard Children's Hospital are currently engaged in an entitlement process with the City of Palo Alto for renewal and replacement of existing Medical Center facilities.

The entitlement process involves requesting rezoning to create a new hospital zone in Palo Alto which would allow the development of approximately 1.3 million square feet of net new hospital, clinic and medical office space. As part of this development, 248 net new hospital beds would be added. In addition, the revised zoning would allow for an increase in the height limit of buildings from 50 feet up to 130 feet. Since last fall, representatives of the two hospitals, the School of Medicine and the University, including Land, Buildings and Real Estate (LBRE); Public Affairs and the Legal Office have been working together to manage the entitlement process. The target date for the formal project application is July 2007 and the target date for the City Council hearing on the final environmental impact report (EIR) and approval of the Development Agreement is July 2008.

PROGRAMS

Sustainability at Stanford

Stanford aspires to be a leader in sustainable education and practice, and there are many initiatives underway at the University to address this important issue.

Stanford's Sustainability Working Group, organized in 2006, is advisory to the President and Provost, and is charged with the preparation of policy and program recommendations designed to:

- Further learning, knowledge, and community service in the context of sustainability,
- Encourage faculty, staff, and students to be active examples of good stewards, and provide their expertise to the university, and
- Continuously improve Stanford's leadership and practice of sustainability.

The group includes representatives from LBRE, Environmental Health and Safety, Residential and Dining Enterprises, Budget and Auxiliaries Management, the Woods Institute for the Environment, the Stanford Hospitals, the Haas Center, the Stanford Law School, the Graduate School of Business, the School of Medicine, the School of Engineering, Associated Students of Stanford University (ASSU), ASSU Graduate Student Council,

Public Affairs/Government and Community Relations, the Stanford Alumni Association, the Development Office, the Legal Office, the Athletic Department, and University Communications.

The Sustainability Working Group members represent many important environmental initiatives including:

- **THE INITIATIVE ON THE ENVIRONMENT AND SUSTAINABILITY.** This education and research initiative has been established to create a sustainable world in which human needs are met at the same time that Earth's life systems are protected and restored for people today and generations yet to come.
- **LAND, BUILDINGS AND REAL ESTATE (LBRE)** balances the many needs of the university, by planning sites for new buildings to support advancements in education and research, planning housing for students and faculty, working to conserve natural resources, and facilitating land uses that support the university's academic mission. While the focus of attention is often on new buildings, LBRE also pursues opportunities to improve energy and space efficiency in existing campus buildings. This year the university is rolling out a multi-phased Sustainability in Existing Buildings Program that includes retrofits and energy efficiency improvements for Stanford's twelve most energy-intensive facilities.
- **RESIDENTIAL & DINING ENTERPRISES** uses its close connection with students to promote sustainable behaviors, including sponsoring the Energy Bowl and Water Derby competitions to conserve natural resources. In addition, students have opportunities to learn from farmers by participating in maintaining fresh, organic herb gardens on campus. All dining locations are designed for energy efficiency, recycling, and composting.
- **TRANSPORTATION DEMAND MANAGEMENT (TDM)** Stanford's award winning TDM program (which includes recognition by the U.S. Environmental Protection Agency (EPA) as one of the "Best Workplaces for Commuters") has resulted in a steady decrease in the number of individuals who drive alone to work; down from 72% in 2002 to 55% in 2006.
- **STANFORD'S WATER CONSERVATION, REUSE AND RECYCLING MASTER PLAN** is based on new water saving technologies, including plumbing retrofits, replacement of once-through cooling systems in laboratories with recirculating systems and water

reclamation for irrigation and flushing toilets. The success of Stanford's water conservation, reuse and recycling programs is demonstrated by a steady decrease in domestic water use from 2.7 million gallons daily (MGD) in 2000/01 to 2.2 MGD in 2005/06, despite a significant increase in campus population.

- **CO₂ EMISSIONS.** Like all research universities, Stanford is facing the challenge of growth in energy intensive science fields while reducing CO₂ emissions. In December 2006, Stanford joined the California Climate Action Registry and is currently undertaking an inventory of its greenhouse gas emissions. The university expects to publish the results of its greenhouse gas inventory in August 2007. Following the completion of this study, the Sustainability Working Group will be recommending targets and strategies to reduce carbon emissions.
- **STANFORD'S SOURCE REDUCTION AND RECYCLING PROGRAM** serves the entire university community, including all academic and athletic areas, student housing and dining, faculty/staff housing, the Stanford hospitals, the Stanford Linear Accelerator Center, and construction sites. Services include collecting, processing, and marketing recyclables; operating a community recycling center; and educating the campus on the "5Rs" (reduce, reuse, recycle, buy recycled, rot). Noted among its peers, the program received the National Recycling Coalition's "Outstanding School Program Award" in 2002. Stanford's program resulted in the diversion of 60% of its waste from landfill in 2006.
- **STUDENTS FOR A SUSTAINABLE STANFORD** have worked with Procurement to increase Stanford's awareness of sustainable purchasing practices. While there is much progress to be made on this front, Stanford has implemented a number of recent initiatives.

Stanford is committed to excellence in providing for health, safety, and stewardship of the environment. This commitment is demonstrated through the university's institutional conduct and its contributions to teaching and research on environmental protection and management, as well as its Environmental Health and Safety programs.

Several student groups at Stanford are working to create a more sustainable Stanford and a more sustainable world. Among these:

- *Students for a Sustainable Stanford* is a coalition of students striving to ensure the sustainability of Stanford University.
- *The Stanford Climate Crew* is engaging the university in the fight against global warming and the reduction of its own carbon footprint.
- The *Stanford Community Farm* is a student-run organic garden located on the Stanford campus.
- The *Roosevelt Institution Center on the Environment and Energy* brings progressive environmental and energy-related ideas to all audiences, including those who work at all levels in American political institutions.
- *Engineers for a Sustainable World* strive to improve the quality of life in underserved communities by building partnerships with those who share this vision and by developing necessary perspectives and skill sets.
- The *Environmentally Sustainable Business Club's* goal is to inform students about the environmental concerns and opportunities that emerge in today's business world.

Space Charge and Utilization Studies

Beginning in 2007/08, Stanford's non-formula schools will pay a charge for the use of office space. The goal of this space charge is to establish an awareness that space is not a free good and to provide an incentive to use space as efficiently as possible. To offset the charge, schools will receive budget allocations based on how much office space they need according to the space guidelines that have been developed for the campus.

Stanford University has considered charging its schools for the use of space since the space planning guidelines for the university were developed in 2002. Work on the space charge began in earnest in 2005, with the formation of the "Space Cadets" team from the University Budget Office and LBRE. Charging for office space is the first phase in implementing a broader space charge.

In conjunction with the space charge, planning professionals in the Department of Capital Planning and Space Management have conducted detailed utilization studies for all of the schools. These studies provide a valuable tool for examining each school's use of space, diagnosing problems, and proposing corrective actions to better utilize existing space.

Few institutions of higher education have established charges for space. In subsequent budget reports, we will report on the results of this initiative. Initially, most of Stanford's schools will owe money for the space charge, as there appears to be a 10-15% under-utilization of office space on campus. The goal is that schools will commit themselves to better utilization, or lease space to others as a way to mitigate their charges.

THE CAPITAL PLAN, 2007/08 – 2009/10

Stanford's central campus, including the Medical School but excluding the hospitals, has more than 670 major buildings providing more than thirteen million gsf of physical space. The physical plant has a historical cost of \$4.2 billion and an estimated replacement cost in excess of \$6 billion.

The Capital Plan includes both a forecast of Stanford's annual programs designed to restore, maintain, and improve campus facilities for teaching, research, housing, and related activities and Stanford's needs for new and improved facilities. The Capital Plan is compiled, reviewed and approved in a coordinated manner across the university. The plan carefully balances institutional needs for new and renovated facilities with challenging constraints of limited development entitlements, available funding, and affordability.

Projects listed in the Capital Plan meet the new criteria established for Board of Trustee level approvals. These are:

- Total project cost of \$10 million and above, or
- New buildings of at least 5,000 square feet, or
- Projects that use 5,000 or more new square feet within the academic growth boundary, or
- Changes in land use, or
- Projects with major exterior design changes.

Expenditures in the three-year 2007/08–2009/10 Capital Plan, which include major construction projects in various stages of development and numerous infrastructure projects and programs, total \$2.4 billion, a slight increase from last year's \$2.2 billion Capital Plan. The table below provides a comparison of the last three Capital Plans.

BUDGET PLAN YEAR

[IN MILLIONS OF DOLLARS]

	2005/06	2006/07	2007/08
Design/			
Construction	275.1	1,083.4	1,377.4
Forecasted	852.5	930.2	739.7
Infrastructure	87.4	211.1	252.1
Mid-Point Campus			
Acquisition	86.0		
Total	1,301.0	2,224.7	2,369.2

Projects in Design and Construction

Projects in Design and Construction represent \$1.38 billion (58% of the plan). Some of these projects received Board of Trustee concept approval as recently as April 2007. Construction of these projects is contingent on securing funding; \$351.9 million, or 26% of these project costs remain to be fundraised or are funds to be identified.

Project costs within this category have increased by \$294 million since 2006/07. This increase is due to a number of factors. First, the costs of the Munger project have increased \$67 million due to updated cost estimating and scope modifications. Second, new projects have been added to the plan (a total of \$17.7 million, including the Visitor Information Center, the Ford Center and the Stanford Daily Building.) Third, a cohort of projects has moved from the Forecasted category into Design and Construction. These are significant, totaling \$336.9 million, and include such projects as the GSB Campus, SIEPR Building, the first of the Panama Mall renovations in Durand, the Public Safety Building, and Childcare. Finally, a number of projects have cycled off the plan because they were completed or because plans changed. These total a decrease of \$119.8 million and include the Old Union renovation, the 1050 Arastradero work, the Roble Hall renovation, and others.

Forecasted Projects

Forecasted projects include those that meet the new Board of Trustee criteria for concept approval in 2007/08. These projects total \$739.7 million and represent 31% of the plan. Consistent with the projects in Design and Construction described above, these projects are contingent on funding. For this group of projects, a total of \$591.9 million, or 80% remains to

be fundraised or to be identified. Due to this funding challenge, many of these projects may not be completed for a number of years and may require medium-term debt to backstop unidentified funds.

Project costs within this category have decreased by \$190.5 million since 2006/07 for a number of reasons. First and most significantly, as mentioned above, a large cohort of major initiatives have moved into the Design and Construction category (decreasing the "Forecasted" total by \$336.9 million). This decrease has been offset somewhat by projects new to the plan. These total \$128.2 million and include such projects as the Law School Academic Building, Encina renovation, 800 Welch Road, the Mechanical Engineering Building, the Advanced Vehicle Facility, and the Black Community Services Center. Other projects have changed somewhat in cost or scope, or have been removed due to planning changes. These amount to an increase of \$18.2 million.

Infrastructure

Stanford's ongoing efforts to renew its infrastructure are reflected in a budget of \$252.1 million (11% of total Capital Plan expenditures). Infrastructure programs include the Investment in Plant – Maintenance Program, the Capital Utilities Program (CUP), R&DE's Capital Improvement Program, GUP Mitigation, Building Energy Retrofit Program, Information Technology & Communications Systems, the Stanford Infrastructure Program (SIP), and the Storm Drain projects. GUP mitigation and SIP projects are funded through construction project surcharges.

Infrastructure costs have increased in this year's Capital Plan by \$41 million. This increase is due mostly to the inclusion of the Replacement Boiler Plant (\$26 million) and a \$22.9 million increase year over year in R&DE's Capital Improvement Program.

Investment in Plant – Maintenance Program

This category represents the maintenance component of the Annual Investment in Plant Assets. This program includes deferred and planned maintenance for building subsystems. The planned costs and funding are detailed by area and total \$79.7 million. This represents a three-year forecast of available funding to address maintenance needs.

Capital Utilities Program

The three year plan allocates a total of \$75.6 million for CUP projects to improve electrical, steam, water,

chilled water, and wastewater utility systems. CUP is driven by four factors: system expansion, system replacement, system controls, and regulatory requirements. A \$12.3 million Cooling Tower and Support building is planned to meet the increased chilled water loads predicted over the next seven years, with additional expenditures planned beyond the ten-year forecast. Additionally, a Replacement Boiler plant (\$26 million) will allow decommissioning and removal of four existing boilers in the Central Energy Facility. The existing boilers cannot be permitted for continuous operation due to air emission limits.

R&DE Capital Improvement Program

Residential & Dining Enterprises' CIP is intended to address infrastructure/deferred maintenance systems, life and health safety, seismic upgrades, code compliance, energy conservation and sustainability measures, and major programmatic improvements in the student housing and dining physical plant. CIP projects total \$46 million and are anticipated over the next three years. The plan includes continuation of the code compliance upgrades of various Row Houses and the Escondido Village slab heating system, as well as a range of bathroom renovations.

GUP Mitigation

The Capital Plan provides for \$21.5 million in capital expenditures for mitigation measures required by the GUP and Community Plan approved by Santa Clara County in December 2000. These expenditures are for trail construction, easements, and water conservation systems. Funding is generated by an internal fee levied on capital projects that increase school/department campus space allocations. Interim debt may be used to bridge timing differences between the collection of the fee and the scheduled expenditures.

Building Energy Retrofit Program

As mentioned previously, Stanford's twelve largest energy-intensive buildings have been selected for energy consumption reduction projects. These twelve laboratory buildings represent over \$15 million of energy expenses per year, or nearly 25% of the total campus energy expense. Improvements in heating, ventilation, and air-conditioning (HVAC) technology have made it practical to retrofit obsolete systems within lab buildings from constant volume air systems to variable air systems (the current standard) while maintaining occupant comfort and safety. Other projects include lighting retrofits, motor conversions,

and control upgrades. The estimated energy savings is over \$4 million per year.

Information Technology and Communication Systems

A total of \$6.7 million has been allocated for upgrades to network and communication systems.

Stanford Infrastructure Program

The SIP consists of planning and transportation projects and programs for the improvement and general support of the university's academic community, hospitals, and physical plant. SIP expenditures are expected to total \$5.7 million over the next three years. SIP projects include the construction of small increments of additional parking, campus transit improvements, parking lot infrastructure improvements, site improvements, bicycle and pedestrian paths, lighting, and outdoor art.

Storm Drains

The on-going storm drain program includes the installation of detention facilities that will mitigate increased peak flow runoff from development of the west campus and address minor drainage issues in the existing storm drain system. New storm water quality regulations require site design measures and treatment facilities to minimize contamination conveyed to natural water bodies from small storms.

Overall Summary

A summary table of the 2007/08-2009/10 three-year Capital Plan appears on the next page.

To differentiate between the projected value of the three-year capital plan and the forecasted spending to complete its projects and programs, an additional table, Capital Plan Cash Flows, is included along with the Capital Plan Summary. This table forecasts the expenditure outflow of the Capital Plan based on project and program schedules. Included are projects and programs in design or construction or anticipated to receive concept approval in the next three years. Related cash expenditures are anticipated to be spent over a period extending beyond 2012/13.

Operating (including utilities), maintenance, and debt service costs will impact the budget once the construction is substantially complete. Although the Capital Plan summary shows the full budget impact of all completed projects, it is important to note that this impact aligns with the project completion schedule and will be absorbed by the budget over a period in

SUMMARY OF THREE YEAR CAPITAL PLAN 2007/08-2009/10

[MILLIONS OF DOLLARS]

	Estimated Project Cost	Capital Budget 2007/08	Project Funding Source							Annual Continuing Costs	
			Current Funds ¹	Gifts		University Debt			Resources To Be Identified ³	Debt Service	Operations, Maintenance & Utilities
				In Hand or Pledged	To Be Raised	Service Center/Auxiliary Debt	Academic Debt	Other ²			
Projects in Design & Construction	1,377.4	277.9	294.0	472.0	315.8	88.1	121.4	50.0	36.1	15.1	19.1
Forecasted Projects	739.7	34.8	42.6	95.2	241.0	10.0			350.9	0.7	8.0
Total Construction Plan	2,117.1	312.7	336.6	567.2	556.8	98.1	121.4	50.0	387.0	15.8	27.1
Infrastructure Programs	252.1	73.6	106.9			125.6	19.2	0.4		12.8	
Total Three-Year Capital Plan 2007/08-2009/10	2,369.2	386.3	443.5	567.2	556.8	223.7	140.6	50.4	387.0	28.6	27.1

¹ Includes funds from university and school reserves, and the GUP and SIP programs.² "Other" funds represent government and private foundation grants.**CAPITAL PLAN CASH FLOWS**

[IN MILLIONS OF DOLLARS]

	2006/07 & Prior	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Thereafter	Total
Projects in Design & Construction	211.7	277.9	383.3	320.2	154.1	30.2		1,377.4
Forecasted Projects	4.5	34.8	285.4	308.1	95.9	11.0		739.7
Total Construction Plan	216.2	312.7	668.7	628.3	250.0	41.2		2,117.1
Infrastructure Programs	10.2	73.6	82.8	57.1	4.4		24.0	252.1
Total Three-Year Capital Plan 2006/07-2008/09	226.4	386.3	751.5	685.4	254.4	41.2	24.0	2,369.2

CAPITAL PLAN IMPACT ON BUDGET

[IN MILLIONS OF DOLLARS]

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Thereafter	Total
Debt Service							
General Funds	2.0	0.7	0.4	2.9	2.2		8.2
Formula	0.3	0.3	0.3	1.2	0.7		2.8
Auxiliary	1.3	1.3	7.7	0.7			11.0
Service Center	1.3	1.3	2.1			1.9	6.6
Total Debt Service	4.9	3.6	10.5	4.8	2.9	1.9	28.6
Operations and Maintenance							
General Funds	2.1	0.3	1.1	2.8	5.6	2.7	14.5
Formula				4.4	4.1		8.5
Auxiliary			2.9	1.2			4.1
Service Center							
Total Operations and Maintenance	2.1	0.3	4.0	8.4	9.7	2.7	27.1

excess of six years (beyond 2012/13). The Capital Plan Impact on Budget table has been included along with the Capital Plan Summary and Capital Plan Cash Flows to forecast the budget impact by area of responsibility (e.g. general funds, formula schools, etc.).

As mentioned previously, the Capital Plan schedule is dependent on the timing and success of fundraising and the identification of other resources. It is possible that some projects will have to be cancelled, delayed, or scaled back in scope, all of which could affect the Capital Plan, associated cash flows and budget impacts.

The tables at the end of this section provide a detailed list of the projects included in the Capital Plan. The Capital Plan tables do not include the capital projects of the Stanford Hospitals and Clinics (SHC), Lucile Packard Children’s Hospital (LPCH), the Real Estate division, or SLAC. The text summarizes these projects in order to present a comprehensive view of all planned construction on Stanford lands.

The following section addresses the Capital Plan’s funding sources; the uses of funds by program category (e.g., Academic/Research, Housing, etc.) and by project type (e.g., new construction, renovation, etc.); projects planned by other Stanford entities; and resource constraints.

CAPITAL PLAN FUNDING SOURCES

As the chart below shows, Stanford’s Capital Plan relies on several funding sources: current funds, gifts, debt, and other (which represents funds from the California Institute of Regenerative Medicine and hospitals).

Depending upon fundraising realities and timeframes, some projects will prove more difficult than others to complete. As a result, it is possible that some projects will have to be cancelled, delayed, or scaled back in scope. As illustrated in the chart, 24% of the plan is anticipated to be funded from gifts in hand or pledged and 24% is from gifts to be raised, for a total of 48%. This is consistent with last year’s trend, where 50% of the Plan came from these fundraising categories.

USES OF FUNDS BY PROGRAM CATEGORY

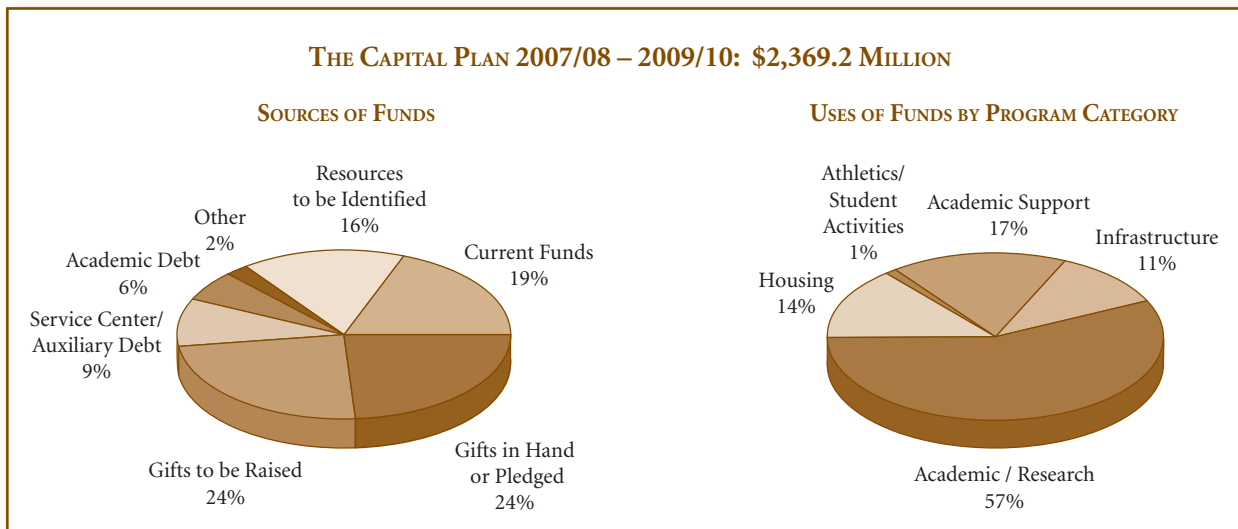
As the chart below shows, the Capital Plan is divided into the following program categories: Academic/Research, Housing, Athletics/Student Activities, Academic Support, and Infrastructure. The majority of this year’s Capital Plan funds (57%) are allocated to academic/research programs. This is a consistent trend with last year’s Capital Plan.

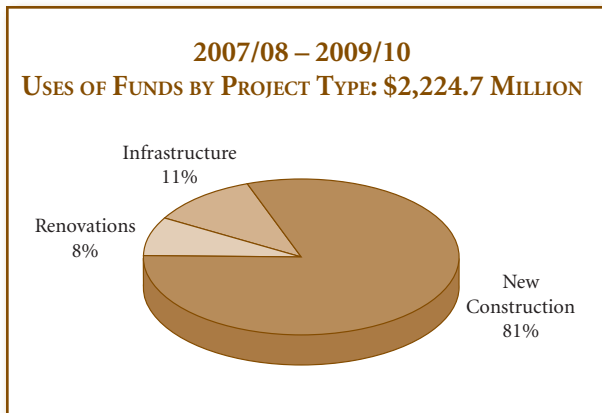
USES OF FUNDS BY PROJECT TYPE

As the chart on the following page shows, projects also can be analyzed as follows: new construction, renovation, or infrastructure. The vast majority of the Capital Plan’s projects fall into the new construction category (81%); this has increased from last year’s percentage of 74%, reflecting several new large buildings cycling onto the plan.

OTHER STANFORD ENTITIES

For the last several years, the Capital Planning process has included all Stanford entities. The dollar totals do not include projects managed by the Real Estate division, formerly part of the Stanford Management Company,





which now is part of LBRE. Stanford Hospital and Clinics (SHC), SLAC, and Lucile Packard Children's Hospital (LPCH) are similarly not included. Brief descriptions of these projects follow.

Real Estate Division

FACULTY AND STAFF HOUSING – The Real Estate division continues to coordinate the planning and County approvals for new rental and for-sale housing units for faculty and staff of the university. Stanford Avenue Faculty/Staff housing is now being planned, which will add low-density, single family attached homes near El Camino Real. These units will help meet GUP entitlement housing linkage requirements.

STANFORD RESEARCH PARK – The Research Park continues to be a desirable location for a variety of corporations, creating a dynamic environment throughout boom and bust real estate cycles. New developments include a 460,000 square foot campus at the intersection of Foothill Expressway and Hillview Avenue that will be occupied by VMware this summer. Currently under construction, this project represents the largest office/R&D development to occur in the Silicon Valley since 2001. In addition, the Real Estate division is developing a new 75,000 square foot building for SAP, another important Research Park tenant which is expanding locally. Under a recently approved land use development agreement, known as the Mayfield Agreement, the Real Estate division will be master-planning the conversion of some commercial sites on the edges of the Research Park to residential sites by the year 2013, when the underlying ground leases expire.

SAND HILL ROAD HOTEL/OFFICE BUILDING – Development is progressing well on this 21-acre project, with site and utility work currently underway. Construction

on a University-funded, 120-room hotel is anticipated to begin late Spring 2007. The university continues to work with a hotel operator on pre-opening activities. Office leasing on the donor-funded 100,000 square foot office building has exceeded original expectations, with 75% of the office space in lease negotiations at attractive rates. The balance of the office space is also in high demand with several interested prospective tenants. Both the office and the hotel are expected to be completed by year-end 2008.

Stanford Hospitals and Clinics/Lucile Packard Children's Hospital

For information about the hospitals, please refer to the earlier section in this chapter under Strategic Initiatives, Stanford University Medical Center.

CAPITAL PLAN CONSTRAINTS

Affordability

The incremental internal debt service expected at the completion of all projects commencing in the three-year plan period (completion dates range from 2007/08 to 2014/15) total \$28.6 million annually (excluding debt service for debt backstopping the receipt of gifts). Of this amount, \$8.2 million will be serviced by general funds, \$17.6 million by auxiliary or service center operations, and \$2.8 million by formula schools (the GSB and the SoM).

The additional operations, maintenance, and utilities (O&M) costs expected at the completion of all projects commencing in the three-year period total \$27.1 million per year. Of this amount, \$14.5 million will be serviced by general funds, \$4.1 million by auxiliary and service center operations, and \$8.5 million by the formula schools.

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

Debt Capacity

As of March 2007, the university had approximately \$227 million of capacity from existing debt programs to finance capital projects, including \$97 million of tax-exempt commercial paper, and \$130 million of taxable commercial paper. A bond offering currently underway will add \$125 million of capacity. An

additional \$73 million will become available through fiscal year-end 2007/08 from internal amortization on debt-funded projects.

A total of \$525 million of long-term debt will be required to finance:

- \$252 million to complete projects already approved or under construction.
- \$123 million for projects forecast to be approved in 2007/08.
- Up to \$150 million to finance construction on the Sand Hill Road Hotel.
- In addition, medium-term debt will likely be required to bridge timing differences between the receipt of gifts and capital expenditures.

Additional debt funding will be required to finance the Faculty and Staff Housing program. The portfolio of debt subsidized mortgages increased \$22 million in 2006 and \$6 million year-to-date to \$269 million. Rising real estate prices will continue to fuel the demand for the subsidized loan programs.

Projects identified in the three-year Capital Plan commencing after 2007/08 will require an additional \$73 million in permanent debt and medium-term debt to backstop the receipts of gift pledges. The debt for these projects has not been committed and will be evaluated in the context of debt capacity, affordability, and the viability of the funding plan and GUP limitations.

Total university debt outstanding at fiscal year end 2006 was \$1.3 billion. The pro-forma leverage ratio is in compliance with the university's debt policy.

Entitlements

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

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

Conditions of approval include the following:

- The creation of an academic growth boundary to limit the buildable area to the core campus;
- The approval of a sustainable development study before new construction is developed beyond one million gsf;
- The construction of 605 units of housing for each 500,000 gsf of new academic building.

Given the stringent requirements imposed by the GUP and the increasingly difficult entitlement environment, Stanford carefully manages the allocation of new growth. We originally projected that our GUP square footage allocation would be expended over fifteen years at an average rate of approximately 135,000 gsf per year. Funding constraints have slowed this projection. The Capital Plan includes 764,739 gsf of new GUP square feet currently in Design and Construction and 206,844 net new GUP square feet in Forecasted projects. The Cooling Tower project, listed in the infrastructure category, uses 7,027 gsf. Of course, this forecast could change over time, and it presumes funding sources will be available as forecasted. Given funding challenges and closer scrutiny of the expenditure of GUP square feet, we believe the current GUP allocation will last until 2025. The strategic movement of administrative office space to the Redwood City campus will also help to conserve GUP square footage for academic priorities on the main campus.

With regard to the housing requirement listed above, the Munger Graduate Residences are planned to add 600 net new graduate student beds. With the construction of the Munger residences, Stanford will have added a total of 1,024 net new graduate student beds since approval of the GUP. The Undergraduate Housing and Dining Master Plan Phase 1 is planned to add 240 net new beds, which includes 47 net new beds in the Green Dorm. The Stanford Avenue Faculty/Staff housing plan will add 40 net new units as well, for a total of 1,351 net new beds. This will enable the university to construct up to 1,499,999 gsf of new academic space.

CAPITAL PLAN PROJECT DETAIL

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

2007/08–2009/10 CAPITAL PLAN
PROJECTS IN DESIGN & CONSTRUCTION
 (IN MILLIONS OF DOLLARS)

	School/Department	Fiscal Year Project Schedule	Estimated Project Cost ¹	Capital Budget 2007/08	Current Funds ¹	Project Funding Source			Resources to be Identified ³	Annual Continuing Cost	
						In Hand or Pledged	Gifts To Be Raised	University Debt		Service Center/Auxiliary Debt	Academic Debt
Science, Engineering and Medical Campus (SEMC) Projects	SEMC	2005-12	795.8	121.8	110.0	285.4	242.0	108.4	50.0	7.8	13.2
Stanford Institutes of Medicine #1 (\$166.0), completion 2010/11	SOM										
Environment and Energy Building (\$122.3), completion 2007/08	SOE/SOM										
Bioengineering / Chemical Engineering (\$114.7), completion 2011/12	DOR										
Learning and Knowledge Center (\$90.2), completion 2009/10	SOM										
School of Engineering Center (\$64.6), completion 2009/10	SOE										
Biology Building (\$64.2), completion 2009/10	H&S										
Nano Center (\$56.7), completion 2009/10	DOR										
SOM/Biology Connective Elements/Utilities (\$55.7), completion 2009/10											
SEQ2 Connective Elements/Utilities (\$19.0), completion 2010/11											
SEMC Demolition Projects (\$7.9), completion 2009/10											
Escalation Risk (\$13.3)											
Contingency (\$21.2)											
Graduate School of Business - New Campus and Parking Structure	GSB	2006-10	275.0	20.9	104.0	114.0	47.0	10.0		0.7	2.3
Munger Graduate Residences (600 units) and Enabling Projects	SLS	2005-09	227.0	96.4	43.0	49.8	10.0	88.1		6.3	2.9
Graduate Housing (\$170.5)											
Underground Garage (1227 spaces) (\$35.0)											
Enabling Projects (\$21.5)											
Stanford Institute for Economic Policy Research (SIEPR) New Building	DOR	2007-09	26.6	10.0		14.5	12.1				0.4
Panama Mall Renovations											
Durand Renovation Phases 1-4	SOE	2007-10	22.5	8.0	22.5						
Public Safety Building	PRES/PROV	2006-08	9.3	6.7	6.2	3.1					0.2
Visitor Information Center/Track Bleachers Expansion	PRES/PROV	2007-08	8.2	4.0	0.6	1.7	2.9	3.0		0.3	
Ford Center Expansion	DAPER	2007-08	5.7	4.5	4.2	1.5					
Stanford Daily Replacement Building	VPSA	2007-09	3.8	3.0	3.5	2.0	1.8				
East Campus Childcare Center	PRES/PROV	2007-08	3.5	2.6							
Subtotal - Projects in Design & Construction			1,377.4	277.9	294.0	472.0	315.8	88.1	50.0	15.1	19.1

¹ Includes funds from university and school reserves and the GUP and SIP programs.

² "Other" represents funding from California Institute for Regenerative Medicine.

³ Anticipated funding for this category is through a combination of gift raising and school, department and university reserves yet to be identified.

**2007/08–2009/010 CAPITAL PLAN
FORECASTED CONSTRUCTION PROJECTS**

(IN MILLIONS OF DOLLARS)

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost ¹	Capital Budget 2007/08	Current Funds ¹	Project Funding Source				Resources to be Identified ¹	Operations, Debt Maintenance Service & Utilities	
						Gifts		University Debt				Other ²
						In Hand or Pledged	To Be Raised	Service Center/ Auxiliary Debt	Academic Debt			
Redwood City Campus Master Plan Phase 1	PRES/PROV	2008-11	302.0	2.0						302.0	3.5	
Undergraduate Housing and Dining Master Plan	R&DE	2008-10	98.9	1.0						48.9	1.1	
Performing Arts Center Phase I	PRES/PROV	2008-11	74.3	3.7				10.0			0.7	
Art to the Old Anatomy Building	H&S	2008-10	52.8	1.0	50.0	24.3					1.1	
Law Academic Building	SLS	2008-11	45.7	3.5	20.0	25.7					0.4	
Encina Renovation	DOR	2008-09	40.8	0.5		40.8					1.0	
Panama Mall Renovations	SOE	2007-11	38.9	14.9	23.9							
Peterson Renovation - Design Institute (\$20.0)												
McCullough/Moore Renovations (\$9.9)												
Buildings 02-520 and 02-524 Renovations (\$8.0)												
Building 02-560 (\$1.0)												
Cummings Replacement	HOOVER	2008-11	32.8	1.0						32.8		
800 Welch Road (Blood Center)	SOM	2009-12	22.3	1.0	8.0	14.3						
Mechanical Engineering (Building 630 Replacement)	SOE	2007-10	14.0	2.5	14.0						0.1	
Golf Club House, Pro Shop, Cart Barn Renovation	DAPER	2009-10	7.8		1.0	6.8					0.1	
White Plaza Landscape/Circulation Re-Design	VPSA	2008-09	4.0	2.0	4.0							
Advanced Vehicle Facility	SOE	2007-09	3.5	1.5						3.5		
Black Community Services Center Addition and Renovation	VPSA	2008-09	1.9	0.2	0.7	1.2					0.7	
Subtotal - Forecasted Projects			739.7	34.8	42.6	95.2	241.0	10.0		350.9	0.7	
SUBTOTAL - CONSTRUCTION PLAN			2,117.1	312.7	336.6	567.2	556.8	98.1	121.4	387.0	15.8	
									50.0		27.1	

¹ Includes funds from university and school reserves and the GUP and SIP programs.

² "Other" represents funding from California Institute for Regenerative Medicine.

³ Anticipated funding for this category is through a combination of gift raising and school, department and university reserves yet to be identified.

2007/08-2009/10 CAPITAL PLAN
INFRASTRUCTURE PROJECTS & PROGRAMS
 (IN MILLIONS OF DOLLARS)

	School/ Department	Fiscal Year Project Schedule	Estimated Project Cost	Capital Budget 2007/08	Current Funds ¹	Project Funding Source			Annual Continuing Cost	
						In Hand or Pledged	Gifts To Be Raised	University Debt		
								Service Center/ Auxiliary Debt		Academic Debt
Investment in Plant (Planned Maintenance) ³										
Non-Formula/Admin										
R&DE ⁴	LBRE	2008-10	48.0	16.0	48.0					
Formula	R&DE	2008-10	15.7	4.6	15.7					
DAPER	SOM/GSB	2008-10	14.0	7.0	14.0					
Utilities ⁵	DAPER	2008-10								
Roads ⁶	LBRE	2008-10	2.0	0.7	2.0					
Subtotal-Investment in Plant (Planned Maintenance)			79.7	28.3	79.7					
Capital Utilities Program (CUP)										
System Expansion										
Cooling Tower 5	LBRE	2005-09	12.3	2.6						
Other System Expansion Projects	LBRE	2008-10	15.0	6.8	11.9		0.4	0.9		
Replacement Boiler Plant	LBRE	2010-15	26.0		15.0			1.1		
System Replacement	LBRE	2008-10	19.0	4.6	26.0			1.9		
Controls	LBRE	2008-10	1.8	0.6	19.0			1.6		
Regulatory	LBRE	2008-10	1.5	0.7	1.8			0.2		
Subtotal-CUP			75.6	15.3	75.2		0.4	5.8		
R&DE Capital Improvement Program ⁴	R&DE	2008-10	46.0	15.5	46.0			4.0		
GUP Mitigation Costs										
Trails - S1	LBRE	2005-08	7.4	3.1	7.4					
Trails - C1	LBRE	2005-08	11.2	4.2	11.2					
Water Conservation Systems	LBRE	2008-10	2.9	0.6	2.9					
Subtotal-GUP Mitigation			21.5	7.9	21.5					
Building Energy Retrofit Program	Various	2006-10	15.0	1.5					1.6	
Information Technology & Communications Systems	ITS	2008-10	6.7	2.2			15.0		1.2	
Stanford Infrastructure Program (SIP)	LBRE	2008-10	5.7	2.0	5.7		4.5			
Storm Drains	LBRE	2008-10	1.9	0.9			1.9		0.2	
Subtotal - Infrastructure Projects & Programs			252.1	73.6	106.9		125.6	19.2	12.8	

¹ Includes funds from university and school reserves and the GUP and SIP programs.
² "Other" represents funding from SHC and LPCH.
³ Investment in Plant represents funding available by area.
⁴ R&DE Capital Improvement Program generally includes program and code upgrades vs. Maintenance which includes subsystem replacement.
⁵ Included under CUP - System Replacement below.
⁶ Additional "Roads" Planned Maintenance included in SIP Program below (\$200K/year)

