CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

ADMINISTRATIVE UNITS

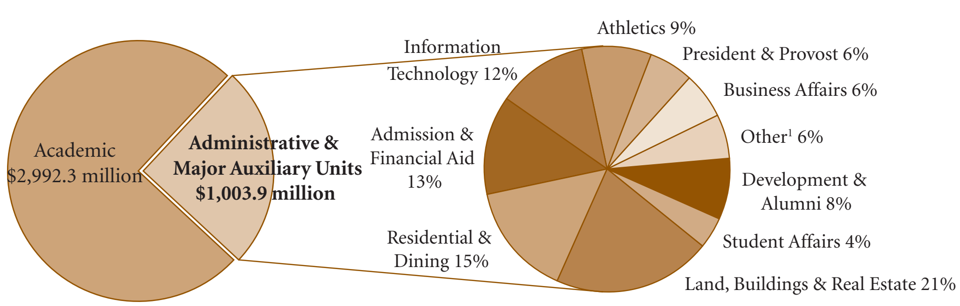
This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university. These units provide the needed administrative, academic, and student support that allow faculty and students to do their best work.

Consolidated Budget for Operations, 2010/11: Administrative & Major Auxiliary Units

[in millions of dollars]

	Total Revenues and Transfers	Total Expenses	Results of Current Operations	Transfers (to)/from Assets	Change in Expendable Fund Balance
Administrative Units					
Business Affairs	58.3	59.1	(0.8)	0.8	(0.0)
Business Affairs – Information Technology	123.0	123.7	(0.7)		(0.7)
Office of Development	42.0	42.0			0.0
General Counsel	31.7	31.7			0.0
Land, Buildings and Real Estate	217.9	211.2	6.8	(7.3)	(0.5)
President's and Provost's Office	62.0	61.9	0.1	0.6	0.7
Public Affairs	7.4	7.6	(0.1)		(0.1)
Stanford Alumni Association	34.6	35.8	(1.2)	0.6	(0.6)
Stanford Management Company	24.5	23.4	1.1	(1.1)	0.0
Student Affairs	39.4	39.9	(0.4)	(0.4)	(0.8)
Undergraduate Admissions and Financial Aid	131.9	131.9			(0.0)
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	85.7	85.7			0.0
Residential & Dining Enterprises	150.2	150.1	0.1		0.1
Total Administrative and Auxiliary Units	**1,008.7**	**1,003.9**	**4.8**	**(6.7)**	**(1.9)**

2010/11 Consolidated Expenses by Administrative & Major Auxiliary Units



[1] Other is Stanford Management Company, General Counsel, and Public Affairs.

BUSINESS AFFAIRS (EXCLUDING INFORMATION TECHNOLOGY)

Business Affairs is projecting a balanced budget for 2010/11, with both revenues/transfers and total expenses equaling $59 million. In 2009/10 Business Affairs is projecting use of $400,000 of reserve funds to complete planned purchases and projects.

Business Affairs includes most of the central administrative units for the university. In 2009/10 it focused primarily on two strategic goals: (1) transforming administrative processes, systems, and infrastructure so that people throughout the university can spend more time on value-added activities, and (2) delivering accurate, timely, and useful information to support decision making. This ongoing focus on continuous process improvement and service efficiencies throughout the organization has enabled Business Affairs to absorb numerous new compliance mandates and support university faculty and staff growth of 35% over the past decade with only a 6% increase in its own staff.

Examples of these efforts include the development of the Treasurer's organization, which is responsible for the university's operating liquidity, cash management, debt issuance and management, bondholder relations, credit card merchant services, and retirement program investment oversight. Specific initiatives include implementing a campuswide salary-planning application as an extension of PeopleSoft for 2010/11 planning; delivering the initial Proposal Development & Routing Form (PDRF) module of SeRA; working with budget group members on Efficiency Task Force recommendations; continuing the transformation of Stanford's purchasing and contracts systems and processes to achieve efficiencies and cost savings on products and services, leveraging the use of SmartMart and the Buy/Pay Support Center; and combining the full purchasing-to-payable process, including sourcing, purchasing, contracts, and payables functions.

General funds account for over 89% of Business Affairs funding. Over the two years ending in 2010/11, Business Affairs took reductions of $6.8 million and eliminated 45 positions from the base budget. In 2010/11, some $1.5 million in base general funds are being allocated to address compliance mandates and staff shortages, primarily in the Office of Sponsored Research. In total, 13.5 FTEs are being added to address the shortfalls. Non–general fund revenues include income for services provided from the hospitals, the School of Medicine, Stanford Management Company, Will Call, and the Payment Card Industry (PCI) Compliance/Merchant Services programs.

BUSINESS AFFAIRS–INFORMATION TECHNOLOGY

Business Affairs–Information Technology (BA-IT) forecasts a consolidated deficit of $700,000 for 2010/11. The deficit results from service center losses of $1.8 million, offset by operating budget surpluses of $1.1 million attributable to continuation of reduced project spending from 2009/10. BA-IT project activities span fiscal years and use or create reserve funds annually, depending on the projects undertaken in a given period. Funds for SeRA (Stanford Electronic Research Administration) have been accumulated over several years and will be spent through 2011/12. Departmental operating budgets are projected to break even.

BA-IT's three primary organizations work collaboratively to provide seamless solutions and support throughout the campus.

- IT Services (ITS) delivers core IT infrastructure services and support, including networking, telecommunications, data center management, and help desk services. It represents $87 million in operating budget and service center activities, 71% of the 2010/11 consolidated budget of $123 million.
- Administrative Systems (AS) provides development, support, and enhancement for enterprise applications. Its 2010/11 operating budget of $28 million in base general funds is 23% of the consolidated budget.
- IT and Research Systems has a base budget of $6.7 million, 5% of the consolidated budget for 2010/11. Project activities span fiscal years and carry forward fund balances between years. In 2010/11 significant projects will likely include additional modules of SeRA and Enterprise Asset Management, Business Intelligence Competency Center reporting, and a major version upgrade of the Oracle financial system.

Service center revenue accounts for 55% of total BA-IT funding, and general funds account for nearly 44%. In 2010/11 ITS will receive $18.2 million in base general funds, 34% of the total for BA-IT. AS will receive 52% of the base general funds allocation, with the remainder going to annual project funding.

Over the two years ending in 2010/11, BA-IT took general funds reductions of $9 million (15%) and forfeited an additional $400,000 of planned base buildup for ongoing Research Systems support. Some 24 FTE positions were eliminated from the base budget. BA-IT made these reductions by continuing to focus on delivering and supporting core computing functions (networking, email, storage, help desk services, etc.); reducing overhead; and enhancing administrative processes while reducing administrative burdens through efficiency gains and resource sharing (by delivering systems initiatives that provide timely information, streamline processes, and reduce costs).

Specific ITS initiatives for 2010/11 include rolling out converged communication services to the community that bundle Voice over IP services and network support, allowing lower operational costs to be passed on to customers; collaboration solutions, such as secure instant messaging; and a new streamlined billing system integrated with Oracle. AS initiatives will continue to focus on implementing more efficient technology and processes, including a pilot to move to thin client desktops, server virtualization, and implementation of flash-based solid-state drives minimizing the I/O contention on servers during peak times.

BA-IT will use the Forsythe Phase III expansion, approved in the 2010/11 Capital Plan, to pilot the concepts behind a scalable, energy-efficient, high-density facility that will support research computing requirements. Working with the faculty committee identified to steer decisions regarding requirements and models in support of scientific computing needs, ITS will evaluate the operation of that area and how quickly the space fills. This pilot will shape the concept proposals for a new facility that may be constructed in the future.

OFFICE OF DEVELOPMENT

In response to the unfavorable economic conditions, the Office of Development (OOD) reduced its staff 17% last year, affording many employees the opportunity to step up to higher levels of responsibility. It also refocused on the most pressing priorities: pursuing prospects with higher potential; rethinking communications, resulting in better and more efficient targeting; and examining all processes to achieve new efficiencies.

The department continues working to streamline operations and deploy resources optimally, and in 2010/11 it will focus on taking the next steps in that process. These include restoring a few resources to stewardship and major gifts and leveraging the work done in examining the organization in 2009/10 to implement some new processes and programs.

OOD is focusing on four organizational areas in 2010/11 as part of its overall rightsizing and reengineering plan. The gift processing, major gifts, DAPER annual giving, and Stanford Fund young alumni groups all underwent examination and changes in 2009/10 that will be fully realized in 2010/11.

- Changes in gift processing identified in an audit conducted in 2009/10 will be implemented.
- A restructuring will allow one AVP to be responsible for major gifts and also hold the chief development position for the School of Humanities & Sciences.
- A decline in annual giving to DAPER caused OOD to rethink a prior plan to reduce resources and instead add a seasoned annual giving officer temporarily to review the program and implement changes.
- Significant changes were implemented within the Stanford Fund as part of the earlier budget reductions. OOD is reconsidering those changes and pursuing an updated strategy for effectively reaching young alumni.

The theme for 2009/10, the "Year of the Prospect," will continue in 2010/11. Resources will be directed toward engaging prospects with current and long-term gift potential. It has become clear that fundraiser portfolio sizes are too large; recent benchmarking studies show that Stanford's prospect portfolios are significantly larger than those of its peers. OOD will implement a plan to better allocate prospects for optimal relationship and gift development.

To enhance performance across field staff positions, standardized performance measures are being developed. Current expectations of field staff vary by school and unit; in some cases, this is necessary. However, field staff need clarity on what is expected of them, and they should be measured accordingly—e.g., by expected annual numbers of meaningful donor visits, gift solicitations, and gift closures. OOD is working with development offices at a small group of peer universities to develop a robust performance measurement program and plans to implement this in 2010/11.

Lastly, initial planning for a post-campaign development organization has started. Currently a number of employees as well as ongoing events and communications are funded by one-time campaign funds. OOD will carefully review campaign-related costs and positions to consider what may be eliminated when the campaign ends or how to find incremental funds. In addition, Leading Matters has been an effective and well-received means of outreach to donors, volunteers, prospects, alumni, and parents. The final Leading Matters event is planned for May 2011. OOD will consider what its outreach strategies will be thereafter.

OFFICE OF GENERAL COUNSEL

Legal Office

The Office of General Counsel (OGC) projects a $350,000 surplus in 2010/11. OGC has fully implemented a permanent 15% reduction in general funds, resulting in a lower projected surplus than in previous years. OGC does not anticipate any significant increase in operational costs other than increased rates for outside counsel. OGC does not have an increase in general funds to compensate for these, but it was able to negotiate most law firm rate increases at 3% for calendar year 2010. It expects additional law firm rate increases in January 2011, although it is too early to tell what those increases will be. The proposed level of general funds along with anticipated client retainers is expected to cover operating expenses absent any unanticipated extraordinary matters.

OGC will continue to focus on its main strategic priorities: (1) proactively trying to constrain costs by increasing efficiency; (2) identifying risk; (3) implementing mitigation strategies, including preventative counseling and more comprehensive client training; and (4) resolving disputes early. OGC will continue its effort to maintain an optimal balance between inside and outside counsel to provide efficient, high-quality service. Internal operating costs are already lean, and there is not much opportunity for further cost reduction. In addition, OGC has been able to rely on the free use of a lawyer from one of its partner law firms through a program that ends in December 2010.

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

Department of Public Safety

In January 2009 the Department of Public Safety (DPS) began reporting to the OGC. DPS projects a balanced budget in 2010/11. To meet the university's permanent reduction in general funds, DPS eliminated several budgeted but unfilled nonsworn positions and reduced nonsalary expenditures in 2009/10. DPS does not anticipate any significant increase in operational costs in 2010/11.

DPS continues to operate with very lean staffing levels, especially on patrol. As a result, all personnel are required to work at a high level to support the public safety mission, including significant after-hours and weekend work. Therefore, even with a weak economy, DPS continues to struggle to hire and retain quality police officers. The university's contract with the Deputy Sheriffs Association expires in August 2010, which may impact the budget. DPS is striving to maintain a competitive position with other police agencies, especially given the hiring and retention challenges. The focus for 2010/11 will be to continue to provide high-quality public safety services while remaining efficient and, where possible, implementing process improvements, resource reallocations, and other cost-saving strategies.

LAND, BUILDINGS AND REAL ESTATE

Land, Buildings and Real Estate (LBRE) is responsible for implementing the university's capital plan; managing commercial real estate on endowed lands; managing campus utilities, grounds, and parking and transportation; providing stewardship for 8,180 acres; and managing operations and maintenance for 240 academic buildings totaling over nine million square feet, Stanford in Washington, Hopkins Marine Station, and other off-campus facilities.

The $212 million consolidated expense budget for 2010/11 (including the Real Estate unit, and before elimination of intrafunds) is $2.5 million greater than the 2009/10 projection. The increase is a result of $2.8 million in the new structures funds, $1.9 million in salary, benefits and other cost increases which are offset by $2.2 million in one-time funding, to bridge several business process changes in 2009/10.

Of LBRE's 2010/11 consolidated budget, 39% goes to Utilities, 35% to Building Maintenance, 7% to Parking and Transportation, 5% to Grounds Maintenance, 3% to Event and Labor Services, and 1% to Materials Management. Project Management, the University Architect/

Campus Planning Office, Land Use and Environmental Planning, and the Office of the Vice President account for 6%, with Real Estate comprising the remaining 4%.

Real Estate business unit expenses are anticipated to be $272,000, or 5%, more in 2010/11 than in 2009/10. Compensation expense accounts for $264,000 of this increase; of this, $87,000 is attributable to the 2% wage and fringe benefit increase and $152,000 to fluctuations in bonus accruals versus actual payouts. Salary expense in 2010/11 continues to be approximately $200,000 less than in 2008/09 because of attrition and a one-year salary freeze as a result of budget cuts in 2009/10. Existing staff continue to handle the increased workload.

Nonsalary business unit expenses are forecast to increase less than 1% over 2009/10. These expenses continue to be approximately $50,000, or 5%, less in 2010/11 than in 2008/09, with the cutbacks begun in 2009/10 continuing. Total expenses projected for 2009/10 represent a reduction of 16% from 2008/09 actual expenses.

PRESIDENT AND PROVOST OFFICE

The President and Provost operational unit (PPO) comprises the President and Provost Office, the Board of Trustees, Continuing Studies and Summer Session, Institutional Research/Decision Support, the University Budget Office, Diversity and Access, Faculty Development and Diversity, Faculty Affairs, Foundation Relations, the Academic Secretary, the Office of Religious Life, and Faculty/Staff Housing (FSH).

PPO projects a slight revenue increase for 2010/11, due largely to a commitment to the EPGY Online High School over the next three years, the Memphis program, and greater-than-expected growth in the summer institutes. The proposed general funds allocation is sufficient to cover basic operating expenses. Any unanticipated expenses in 2010/11 will be covered using external income, internal income, and reserves, which have grown over time. PPO does not anticipate any significant investments or capital needs in 2010/11.

PPO continues to accumulate enough budget savings to assist the units with special requests and any unbudgeted expenses over the next few years. PPO will continue to use reserves to support the Staff Development Seminar Program and the University Fellows Program, commitments made as a result of the 2008/09 general funds reduction.

The $536,000 reduction in auxiliary reserves is attributable to the softening of the real estate market, which reduces rental rates as well as occupancy. As home prices soften, occupants are moving out of attached housing, especially large apartment complexes like Stanford West, because they can afford to live in single-family homes for comparable or lower prices. FSH is working to keep costs under control and has launched a significant marketing effort to include non-Stanford affiliates. The rental market is difficult to read, and FSH is expecting a slow recovery.

A key initiative that began in early 2008/09 is the Expanding College Opportunities project to increase the pool of well-qualified, low-income students through collective efforts by colleges and universities. The president's office, in collaboration with the Stanford Institute for Economic Policy Research, will oversee this project. PPO is fortunate to have received modest funding for the demonstration phase of the project from the Spencer Foundation and the Andrew W. Mellon Foundation. In addition, it has secured three large grants totaling $5.8 million from the Bill & Melinda Gates Foundation, the Smith Richardson Foundation, and the U.S. Institute for Education Sciences, which will cover the next four years and provide programmatic support for this initiative.

PUBLIC AFFAIRS

The Office of Public Affairs (OPA) includes Government and Community Relations, Stanford Events, the University Communications group (News & Media Relations, Campus Communications, Web Communications, Stanford Video, and Stanford iTunesU/YouTube), and the central administrative unit, which also oversees the Stanford Breakfast Briefings.

OPA provides a critical function to the university administration and is vital to Stanford's continuing success in accomplishing its mission. OPA is the communication hub for Stanford, providing professional news reporting for the campus, the Stanford home page, press releases, speechwriting for the president and provost, and internal/external communications support for the entire university. In addition, OPA is responsible for managing government and community relations on all levels, helping Stanford achieve its research funding goals, lobbying for legislation that serves the interests of higher education, and garnering city and county approval for capital projects as Stanford expands in service to its core mission. Stanford Events produces high-profile, high-impact events, including several of the university's annual ceremonies, such as Commencement, that promote the broadest accessibility to members of the university and its surrounding communities. Stanford Events also manages the Stanford Ticket Office and provides expert consultation and assistance to other departments to ensure successful event outcomes in accordance with Stanford policies. OPA also implements special projects and provides ad hoc services for the offices of both the president and the provost.

The 15% permanent budget reduction of $965,000 in 2009/10 has been challenging, but OPA has managed to maintain nearly the same level of service, in addition to successfully starting a new media strategy in university communications. The most notable feature of this strategy has been elimination of the weekly print version of the *Stanford Report* in favor of a daily email version and website. This transition has been well received, has increased efficiencies in the unit, and has allowed for more distribution of content generated from other Stanford departments. Some areas at risk due to the reduced FTE count are communications support during emergencies, website and programming support, and state relations. OPA is also working towards a sustainable business model for the Stanford Ticket Office, which has had deficits the past two years that have been covered by internal reserves.

OPA is projecting a net drop in funds of $145,000 in 2010/11 with an expected ending balance of approximately $380,000. This decrease is due to spending the remainder of Stanford iTunesU/YouTube's initial three-year seed funding. Additional funding will be needed to continue this successful program in 2011/12 and beyond. The $380,000 ending balance comprises $175,000 in unrestricted funds, $55,000 in restricted operating funds, and $150,000 in restricted endowment funds.

Total expenditures are expected to increase 3.6% to $7.6 million in 2010/11. Of this amount, $5.9 million is for compensation expenses, an increase of 5% from 2009/10, due to the expected hiring for a currently vacant position and the 2010/11 salary program. Nonsalary expenditures are decreasing 1.3% to $1.6 million. University funds are increasing 3% to $5.7 million and will cover approximately 76% of the budget. The rest will be covered with earned income ($1.7 million) and other funding ($200,000).

OPA has been able to endure the budget crisis without significant degradation in quality/quantity of service and to successfully begin the transition from a print-based communications model to a new media strategy. Whether it can sustain this strategy for the long term with reduced staffing levels is still uncertain, but OPA is well positioned through 2010/11, with moderate reserves to maintain its core services and continue its focus on new media.

STANFORD ALUMNI ASSOCIATION

The Stanford Alumni Association (SAA) expects its consolidated fund balance to decrease as it uses reserves to offset anticipated softness in business revenue through much of 2010/11. SAA will continue to withdraw funds from the life membership endowment fund to underwrite the Web 2.0 project, scheduled for completion in mid-2010/11.

SAA's forecast reflects continuing alumni outreach efforts with an emphasis on focused, scalable offerings that provide unique benefits to Stanford alumni. SAA is also investing in alumni volunteer tools and training that allow alumni to seamlessly plan, organize, and execute high-quality events and services for each other, significantly leveraging SAA's alumni outreach efforts.

SAA continues to pursue greater efficiencies in its operations, as reflected in reduced operating expenses in 2010/11. Cost management efforts are designed to have the smallest impact possible on the alumni community and support SAA's long-term ability to achieve its mission of reaching, serving, and engaging all alumni.

VICE PROVOST FOR STUDENT AFFAIRS

During the 2009/10 budget process, Student Affairs implemented general funds reductions of $3.0 million and reduced designated and restricted fund budgets by $1.7 million. Student Affairs leadership designated student well-being, risk management, and maintenance of essential student services as the highest priorities to be preserved from cuts. However, given the challenge of finding budget reductions at the prescribed level, it was not possible to avoid making cuts that noticeably affected staff, programs, and some services. Consequently, it became necessary to compromise these criteria.

A total of $1.9 million was cut through reductions to positions supported by general funds, including layoffs of 11.7 FTEs and reduced work schedules for

25 staff (resulting in a net loss of an additional 1.9 FTEs). Where feasible, positions vacated due to retirement and attrition were not filled, and salaries for 5.2 FTEs were shifted to other funding sources. Likewise, 5.2 FTEs were laid off from positions supported by designated or restricted funds or by room rent, saving an additional $294,000. The total number of Student Affairs staff supported by general and local funds has dropped from 234 to 214.

Where possible, offices responded to budget reductions by recasting them as opportunities for greater efficiency in service delivery. Print materials and basic services provided by staff moved online. Job responsibilities were reassigned or eliminated. It is still too early to assess the full impact of the budget reductions, most notably in risk management, where staff involvement is considered crucial to preventing potential problems. Affected offices are documenting and assessing the impacts on programs and client populations.

Going forward, the vice provost and his leadership team intend to make Student Affairs as efficient and effective as possible in support of student well-being, learning, and engagement. They will clearly prioritize and implement initiatives, relying on systematic assessment to shape strategy and decision making. Identified strategic divisional priorities include the following:

- Residential Education—Residential Education is often considered a hallmark of the Stanford undergraduate experience. With the endorsement of university leadership, the dean of Residential Education is implementing a new organizational structure and infrastructure that will be the foundation of an innovative residential learning program anchored in faculty engagement.
- Student mental health and well-being—Student Affairs is leading the university-wide initiative related to student mental health and well-being. A cross-disciplinary advisory committee has three primary areas of focus: faculty and academic initiatives, student outreach and education, and policies and practices. Committee recommendations may result in future budget requests.
- Technology development and integration—Recognizing that robust information technology will strengthen it, Student Affairs continues to develop a centralized information systems unit in the office of the registrar. Major emphases include migrating department/program websites and databases to common platforms, designing and implementing equipment and software standards, and providing consistent, reliable computer platforms and support. The unit also continues to advance the university's Web accessibility program.
- Assessment—Assessment priorities include "local" or internal reviews of individual programs by staff as well as peer reviews of major programs/units on a recurring five-year cycle. The Office of Accessible Education and the Career Development Center are the first offices to benefit from external evaluation.

For 2010/11, total Student Affairs fund balances are expected to decrease 4%, or $848,000, to total $19.2 million. This projection assumes beginning fund balances of $20.0 million, projected total revenues and transfers of $39.4 million, projected expenses of $39.9 million, and asset transfers (out of unit) of $405,000. The projected decrease in fund balances is due to (1) declining revenues from student health insurance capitation payments, expendable gifts, and endowment; (2) the shifting of program/operational expenses from general funds to local funds; and (3) loss of term funding to support student programs and initiatives. At the same time, Student Affairs has been provided new funding to support Residential Education initiatives and to redress a structural deficit in base funding for the Vaden Health Center's medical services contract.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES

Undergraduate Admission and Financial Aid has as its primary focus recruiting and yielding domestic and international applicants who exhibit academic excellence and intellectual vitality.

While peer institutions have continued their international outreach, Stanford's absence due to budgetary constraints was noticeable in 2009/10. The 2010/11 plan is to add two annual recruitment trips to Asia, Latin America, and/or the Middle East to complement current outreach efforts in Canada and Europe.

Through a pilot program inaugurated in fall 2008, alumni interviews have been conducted in nine metropolitan cities. With significant investment in technology infrastructure, support to develop an online training program, and travel assistance to admission officers, who will visit cities to train new alumni volunteers, a fall 2010 expansion will include Maryland, Virginia, and the District of Columbia. One new 50% FTE will provide infrastructure support to the managing staff of this program.

One 10-month FTE position will be added to the current admission officer team to address the continuing increase in annual applications. Some 32,022 applications were reviewed for 2009/10, the largest number in Stanford's history (up 5.2% from 2008/09). A position in the Financial Aid Office, frozen since fall 2008, will be filled in the summer of 2010 to allow adequate training in anticipation of the fall 2010 mission-critical cycle.

These programs, whether new or tabled due to budgetary constraints, are important and necessary to expand Stanford's domestic and global outreach.

With the opening of the new Visitor Center in February 2010, both planned and yet-to-be-determined operational and infrastructure expenses are slowly becoming evident. With the exception of unbudgeted capital expenditures, discretionary funds will support unplanned operational expenses to provide a state-of-the-art visitors' experience.

Cyclical hardware replacement (temporarily suspended in 2009/10) for one-third of the unit's staff every three years will begin again in fall 2010.

MAJOR AUXILIARY UNITS

The budget lines for the School of Medicine, Graduate School of Business, Humanities and Sciences (H&S), VPUE, and Libraries include auxiliary revenues and expenses. These auxiliary operations include Medical School Blood Center, the Schwab Center of the GSB, HighWire Press and Stanford University Press in Libraries, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. Their items are separately identified in the Schools' Consolidated Forecasts in Appendix A, although HighWire Press and Stanford University Press are also discussed in this chapter. The major independent auxiliaries are Athletics and Residential & Dining Enterprises.

ATHLETICS

Like the rest of the university, the Department of Athletics, PE, and Recreation (DAPER) has faced significant budget challenges in 2009/10 that will continue and likely worsen in 2010/11. Several steps have been taken to address this issue, many of which will have impacts well beyond 2010/11. In 2008/09 the department eliminated over 25 staff positions and implemented several other significant expenditure reductions, cutting expenses by a total of over $1.7 million. In 2009/10, it has made even deeper cuts, freezing all salaries, making significant additional cuts in travel expenses, and recognizing additional facilities savings, for total incremental budget savings of over $5 million. These moves have resulted in a projected small deficit of around $150,000 in 2009/10 and a projected balanced budget in 2010/11.

Operating Budget

Projected revenues and transfers are $60.9 million in 2010/11; projected expenses are also $60.9 million, for a balanced budget. In comparison, revenues of $60.6 million and expenses of $60.7 million are projected for 2009/10. DAPER's actual revenues for the year will largely be determined by football ticket sales, broadcast revenues, and annual fundraising efforts. Partially offsetting the significant expense reductions described above are some incremental expenses, including the turnover in several football assistant coaches and additional facility openings (including the Olmsted Housing Project).

Financial Aid

DAPER's financial aid endowment is still very strong. In fact, as a result of the change in the endowment payout rate in 2007/08, the payout from this endowment has significantly overfunded financial aid needs since that time. DAPER has been working with donors to transfer the surplus to help with operating expenses. However, the additional 15% decline in endowment payouts for 2010/11, combined with continued increases in scholarship costs, will again cause financial aid expenses to exceed endowment payouts. DAPER will therefore require a transfer of approximately $2.5 million from operating revenues to balance the scholarship budget. For 2010/11, both projected revenues (including this transfer) and projected expenses are $19.6 million, for a balanced budget. This compares to projected 2009/10 revenues and expenses of $18.9 million.

RESIDENTIAL & DINING ENTERPRISES

Residential & Dining Enterprises (R&DE) projects a break-even budget for 2010/11, with revenues and net transfers of $150.1 million (excluding transfers out and off-campus activity; revenues and transfers in total $155.2 million).

R&DE's budget and initiatives in 2010/11 will provide incremental funding for its continued stewardship of five million square feet of student living and dining space to ensure that these environments remain comfortable, safe, code compliant, attractive, and conducive to learning, recreation, and personal development.

This plan reflects a combined room and board rate increase of 3.60% (4.50% room and 2.45% board). This increase in student payments is necessary to cover regular inflationary impacts on operating costs, including labor, food, expendable materials, and supplies. It also allows for supplemental funding going toward R&DE's asset renewal programs and housing maintenance backlog as well as substantial increased funding supporting Residential Education's new program model. These increased expenses, together with external market conditions, will be offset by the room and board increase, a debt service interest rate reduction, revenue growth, and continuous cost efficiency and business optimization efforts.

R&DE's budget plan will yield a balanced budget while achieving the following:

- Managing lower revenue growth for summer conferences, executive dining, catering, and retail sales. The plan maintains previously introduced optimization strategies and budget reductions and continues efforts to optimize labor, streamline operations, consolidate administrative functions, strategically manage long-term purchasing contracts, reduce EM&S, improve technological business solutions, and partner with students on ongoing sustainable energy conservation initiatives.
- Funding a merit salary increase program, for both exempt and non-exempt employees as the economic recovery continues.
- Continued funding for existing Residential Education programs, the Graduate Life Office, and Residential Computing. In addition, 2010/11 is the first year of a three-year plan, with increased funding, to support Residential Education's new program model.
- Absorbing additional maintenance costs due to prior years' deferral of capital improvement projects and the growing maintenance backlog
- Funding critical incremental asset renewal while continuing to address seismic retrofit needs, American with Disabilities Act upgrades, and life safety and code compliance updates
- Funding debt service for 2009/10 capital improvement projects:
  - Wilbur bathrooms/fire sprinkler renovation (Juniper, Okada, Soto, and Trancos)
  - Escondido Village slab heat systems replacement (Phase 7 of 13)
- Planning for capital projects scheduled for 2010/11:
  - New construction of 120 additional bed spaces in Manzanita Hall
  - Construction of east campus dining complex to support repurposed Crothers bed spaces, improve service, and save operational costs
  - Abrams Escondido Village midrise apartments sprinkler (Phase 1 of 5), roof (Phase 1 of 4), and Dwyer kitchen units (Phase 1 of 2)
  - Stern sewer and domestic water line replacement (Phase 1 of 4)
  - Wilbur bathrooms/fire sprinkler renovation (Otero and Rinconada)
  - Robert "Bob" Moore, Storey, and Casa Italiana renovations
  - Mars, Haus Mitt, French House upgrades of kitchen plumbing, electrical, and fire safety equipment (Phase 4 of 7)
  - Escondido Village slab heating system replacement (Phase 8 of 13) and exterior site lighting
  - Garbage disposal code upgrades and grease containment (Phase 2 of 2)
  - Conversion of Quillen Escondido Village apartments to efficiencies

HIGHWIRE PRESS

HighWire Press was founded in 1995 to actively address the challenges of scholarly communication in the digital age. HighWire's mission is to ensure the continuing success of independent, society-based and other scientific and scholarly publishers in disseminating high-quality content worldwide. HighWire builds both the community and the technological environment that such publishers require to thrive in the challenging business of electronic publishing. With its publishing partners, HighWire develops and explores new ideas and emerging technologies to innovate sustainable solutions that meet the ongoing challenges of research communication. Among the 1,319 titles represented by HighWire are some of the world's highest-impact scholarly publications, such as the Oxford English Dictionary, Science, Proceedings of the National Academy of Sciences, and the Journal of Biological Chemistry, to name but a few.

As planned, in 2009/10 HighWire invested in staff and outsourcing to stage the migration of its approximately 140 publisher clients and more than 1,300 websites to a new technology platform (HighWire 2.0, aka H2O). That investment, self-funded through reserves generated in previous years, will continue in 2010/11. This technology migration will demand many of HighWire's resources, so revenue is projected to be flat from 2009/10 through 2010/11. Because the migration activity will peak in 2010/11, HighWire projects an operating deficit of approximately $1.4 million for that period.

After allowing for this operating deficit and a transfer of $500,000 to Stanford University Libraries, HighWire's reserve as of August 31, 2011, is projected to be approximately $2.4 million. In subsequent years, upon conclusion of the technology transition, HighWire expects to return to a steady state in which small annual surpluses from operations continue to build reserve levels.

While managing expense and resources through the H2O transition, HighWire is positioning itself for growth in the changing world of online publishing. In addition to continuing to innovate in putting books (as well as journals) online, HighWire is leading its customers in anticipating and working toward the need for scholarly applications in mobile computing devices, such as the iPad, the iPhone, other smartphones, the Kindle, and other e-readers. Continuing investment in those areas will help to secure HighWire's technical vitality and customer loyalty for the future.

STANFORD UNIVERSITY PRESS

For all publishers, 2009/10 has been characterized by strenuous efforts to hold the line on revenues and costs in the face of the recession (following average revenue downturns in double digits in the preceding year), while attempting to migrate as much content as possible to one or more of the emerging electronic delivery platforms (e-book, Web, aggregated collection)—most of which have nascent, often unprofitable, business models at best.

Compared with many other academic publishers, SUP had a slight head start on the year, having suffered a sales decline of "only" 4% in 2008/09. After the first six months of trading, it is on track to achieve its budgeted revenue target for 2009/10—which is 5% greater than the revenue achieved in 2008/09. This makes achievable the budget target of netting out to zero on the bottom line (following administrative charge-backs from the university, a disbursement from the general fund, and a transfer from one of the press's own quasi-endowment funds).

Behind these numbers, however, lies a major push on the part of the press to be an industry leader in the migration to electronic and other alternative means of delivery of both content and marketing message. Workflows and systems have been reengineered and considerable content is now being migrated to proprietary e-books (such as the Kindle), to the press's own e-book platform, and to Google for both read-only access and full-text delivery to the desktop. At the same time, the press has created a range of new shopping-cart options—especially for the student space—that will allow e-content to be rented on a short- or long-term basis, sold on its own, or bundled with paper content. And, as part of its ongoing Print on Demand initiative, the press is in the process of creating a portal for the sale of those hundreds of thousands of artifacts in the Stanford Libraries collections that are in the public domain. At the same time, the press has been funding from the P&L an initiative to accelerate inventory write-down so that reduced sales of paper copies do not result, downstream, in overvalued inventory and a disproportionate inventory-to-sales ratio.

Both financially and operationally, 2010/11 is likely to resemble the current year. With the economic "recovery" of late 2009 having slowed and title output at maximum capacity—160% of what it was a decade ago—SUP expects to achieve 5% revenue growth again. And while the ongoing cost-cutting program (which has included a 30% reduction in headcount over 10 years) will hold expenditures to less-than-inflationary increases (despite the accelerated write-down program and a steady increase in bad-debt exposure), the press will again be reliant on a combined general fund disbursement and quasi-endowment fund transfer to net to zero on the bottom line.