CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

ADMINISTRATIVE UNITS

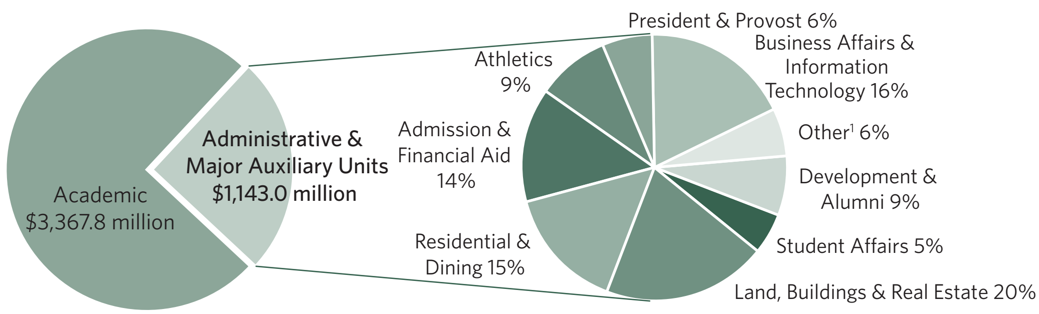
This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university.

CONSOLIDATED BUDGET FOR OPERATIONS, 2012/13: ADMINISTRATIVE & MAJOR AUXILIARY UNITS

[IN MILLIONS OF DOLLARS]

	TOTAL REVENUES AND TRANSFERS	TOTAL EXPENSES	RESULT OF CURRENT OPERATIONS	TRANSFERS (TO)/FROM ASSETS	CHANGE IN EXPENDABLE FUND BALANCE
Administrative Units					
Business Affairs & Information Technology	190.4	191.6	(1.2)	(3.2)	(4.4)
Office of Development	57.0	57.0			
General Counsel & Public Safety	31.1	30.4	0.7		0.7
Land, Buildings and Real Estate	245.9	234.2	11.6	(9.3)	2.4
President and Provost Office	66.9	66.7	0.2	0.5	0.7
Public Affairs	9.7	9.7	(0.1)		(0.1)
Stanford Alumni Association	40.1	40.3	(0.2)		(0.2)
Stanford Management Company	27.8	27.8			
Student Affairs	55.4	57.6	(2.2)		(2.2)
Undergraduate Admission and Financial Aid	164.2	160.5	3.7	(1.5)	2.2
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	97.4	97.4	(0.0)		
Residential & Dining Enterprises	168.1	169.8	(1.7)		(1.7)
Total Administrative & Auxiliary Units	**1,153.8**	**1,143.0**	**10.8**	**(13.4)**	**(2.6)**

2012/13 Consolidated Expenses by Administrative & Major Auxiliary Units



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

BUSINESS AFFAIRS & INFORMATION TECHNOLOGY

The Business Affairs organization provides administrative infrastructure, systems, services, and support for the benefit of the university community. Business Affairs units include Financial Management Services, Information Technology Services, Administrative Systems, Human Resources, Office of Sponsored Research, Research Financial Compliance Services, Internal Audit and Institutional Compliance, Information Security, Risk Management, and Business Development and Privacy.

The 2012/13 consolidated budget for Business Affairs shows revenues and transfers of $190.4 million and expenses of $191.6 million. Approximately $3.2 million of reserves will be used to upgrade the legacy door access system, fund one-time requests for operations, and fund IT systems projects, resulting in projected non-systems reserve balances of $20 million at year end.

Systems Fund Balances are expected to total $17.2 million at the end of 2011/12. Commitments are made to systems projects which span fiscal years, resulting in growth or depletion of reserve funds each year, depending on the projects undertaken in a given period. Systems Project fund balances are projected to total $14 million at the end of 2012/13. Business Affairs is building some IT systems reserve cushion in anticipation of a significant human resources enterprise resource plan (ERP) system upgrade.

Expenses are budgeted to be $5 million higher in 2012/13 than in 2011/12, primarily due to growth in University Human Resources (UHR). Human Resources' strategic plan includes three key areas of focus: (1) improving the quality of leadership and management; (2) enhancing HR capability, efficiency, and service; and (3) fostering an environment in which employee engagement and efficiency can be optimized. Pursuant to this plan, UHR is beginning several initiatives under a center of excellence model, including centralizing transaction processing, providing an internal staffing function, and revamping Stanford's compensation model. In addition, employee communication, performance management, and management training initiatives are under way. These efforts are adding $2.5 million of expense for Human Resources in 2012/13.

Start-up funding for the Stanford Research Computing Facility contributes $1.6 million to the increased expense. Additional IT systems expense and other resource additions spread throughout the organization account for the remaining increase.

Business Affairs is focused on continuous improvement in delivering excellent service to its clients and becoming ever more efficient. Its efforts are making a significant difference in productivity in research administration, procurement, health benefits, and financial account management across campus.

Significant current Business Affairs initiatives include the following:

- Research Financial Compliance Services is leading a systems implementation initiative to manage shared facilities, including scheduling resources and transferring funds between centers and clients.
- Financial Management Services (FMS) is working with units across campus to provide more integrated management of finances and funding.
- The Procurement unit of FMS has a major transformation under way that involves numerous projects. One of these is raising the threshold for standard purchase orders. As a result of this change, Procurement now centrally manages only 2% of transactions, which represent 82% of total spend.
- A gift processing module released last October has reduced elapsed time between gift receipt and gift transmittal by 70%.
- The first two SeRA modules (Proposal Development & Routing Form, Proposal Tracking) are live and working well; the next two (Account Management, Sub-awards) are under way.
- Revised health plans rolled out for 2012 focus on enhancing employee/dependent health and slowing cost growth.
- Business Affairs is promoting and supporting several productivity application platforms developed to enhance school and department productivity: SALLIE for digital asset management; Nolij for document imaging, storage, and workflow; and Oracle eAM for project scheduling and cost management.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects total revenue and transfers of $57.0 million, and expenses of $57.0 million. The main funding sources remain general funds and support from the School of Medicine and Stanford Hospital & Clinics for costs associated with medical center development.

OOD projects total expenses for 2012/13 that are nearly 2% lower than its 2011/12 year-end projection of $58.0 million. The Stanford Challenge ended in December 2011, so 2011/12 was the final year of significant costs associated with the multiyear campaign. Although OOD received incremental general funds for 2012/13 for a new off-campus lease and additional staffing, this amount is lower than the campaign funding, so OOD's budget has been reduced accordingly.

Compensation costs will rise beyond growth assumptions because OOD expects to add a number of incremental positions. However, OOD will also reduce its staff size somewhat, as not all positions added during the campaign will continue into 2012/13. Non-salary costs will decline significantly, mainly because large-scale campaign finale events and other campaign-related events and publications will not be repeated.

OOD has spent considerable time evaluating its fundraising priorities and organizational structure to ensure continued high productivity in a post-campaign environment. Given incremental funds received for 2012/13, OOD plans to make investments in the following areas, which should help maintain significant new resource development:

- Annual and leadership giving and field qualification – OOD will create an even more robust annual and leadership giving program to increase the amount of discretionary, unrestricted gifts available to the president, provost, and deans and to build a stronger pipeline of eventual major gift donors to the university. To accomplish this, OOD plans to establish a new field qualification team charged with contacting local prospects to assess their inclination and capacity to make a gift to Stanford. In addition, OOD intends to create a leadership position charged with management and strategic planning for the annual and leadership giving functions across campus, including all school programs and DAPER. With nearly 98% of all donors — particularly first-time contributors — coming through the various annual giving programs, this is an extremely important market for continued development.
- Stewardship – Stewardship continues to be a high priority across OOD, which engaged an outside firm to conduct a donor satisfaction survey in 2011/12. OOD expects the results to inform how it plans for a "best in class" stewardship program. It will add stewardship positions in two schools to expand stewardship capacity and allow greater focus on donor giving at the higher end.
- Dean of Research – OOD has established a new team to focus on coordinated and integrated fundraising for DoR priorities and needs. OOD will add dedicated staff for the Woods Institute, the Precourt Institute, and an emerging Stanford-wide neuroscience initiative.
- Development outreach and volunteer management – A key post-campaign goal is to keep volunteers actively engaged with Stanford. To that end, OOD will add two positions to create a comprehensive, coordinated plan to engage and cultivate major and principal gift prospects and to help plan a few large-scale campus events as stewardship of campaign donors.
- Arts fundraising leadership – The arts still have many fundraising needs. OOD will create a new leadership role to oversee fundraising for all arts-related activity at Stanford. This position will integrate its efforts to leverage resources and ensure successful fundraising for the Cantor Arts Center, Lively Arts, the Bing Concert Hall, the McMurtry Building, the new gallery for the Anderson Collection, and ongoing programming needs.

In addition, OOD expects to use a portion of its remaining reserves to fund new projects and positions that do not yet have general funds support. These include special stewardship events, a functional review of the PostGrads database (in anticipation of planning for its eventual replacement or significant enhancement), consulting for prospect management and analytics, and additional IT software licenses. These commitments build on financial investments begun in 2011/12 in data analytics and technology.

GENERAL COUNSEL AND PUBLIC SAFETY

The Office of General Counsel (OGC) projects a balanced consolidated budget of $11.9 million in 2012/13, a 9.7% decrease over the 2011/12 year end projection. OGC projects a $519,000 surplus in 2011/12, assuming no surprises. OGC does not anticipate any significant increase in operational costs in 2012/13 other than increased rates for outside counsel. OGC does not have an increase in general funds to compensate for these, but firms have agreed to limit their rate increases for calendar year 2012. OGC expects additional law firm rate increases in January 2013, 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 in 2012/13.

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.

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. It would like to allocate at least part of any surplus to the Public Safety building fund.

The 2012/13 consolidated budget revenues for Public Safety — which includes the Stanford Department of Public Safety and the contract with the City of Palo Alto for fire protection and emergency communications services — is expected to be $19.1 million, down by $1.3 million from the 2011/12 year end projection. Total expenses for 2012/13 are expected to be $18.5 million, resulting in a projected surplus of $669,000. This surplus exists primarily because additional general funds were allocated for 2012/13 to address the projected loss of reimbursement revenue from SLAC, which terminated its contract with the City of Palo Alto for fire services. The projected expenses on the fire contract have decreased from the time of the initial budget allocation. The fire contract is being reviewed, and changes to the service model are expected.

Key initiatives for Public Safety operations in 2012/13 include bicycle safety and enforcement, safety in the student residences, community education, employee training and development, emergency management, and the university's Cleary compliance efforts domestically and internationally. Additionally, the department is undertaking several projects to improve efficiency in work processes, with a specific focus on using technology to gain efficiency.

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 of land; and managing operations and maintenance for 242 academic buildings totaling over nine million square feet, Hopkins Marine Station, and other off-campus facilities.

LBRE projects total revenues and transfers of $245.9 million and total expenses of $234.2 million, yielding operating results of $11.6 million. After an expected transfer of $9.2 million for capital renewal projects, LBRE projects a small surplus of $2.4 million. The surplus is located in the service centers and is used in subsequent years to smooth rates to the Stanford community. Total expenses in 2012/13 are expected to increase by $16.3 million, or 7.5% over the projection for 2011/12. The increase is driven by incremental operations and maintenance and utility costs of $5.3 million for new campus structures, $5.8 million in accelerated debt service due to the Stanford Energy System Improvements (SESI) project, and general increases for compensation and materials.

LBRE has made significant inroads in efficiencies over the past few years, largely in the areas of reducing overtime costs due to better labor management and increased building efficiencies resulting in reduced utility costs. These savings have been reallocated to the Work Well program, an enhancement of the BeWell program, and sustainability initiatives among other programs.

PRESIDENT AND PROVOST OFFICE

The Office of the President and Provost (PPO) comprises the President and Provost Office, the Board of Trustees, Continuing Studies and Summer Session/Education Program for Gifted Youth (EPGY), Institutional Research/Decision Support, the University Budget Office, Diversity and Access, Faculty Development and Diversity, Faculty Affairs, the Academic Secretary, the Office of Religious Life, and Faculty/Staff Housing. In 2012/13 PPO shows total revenues and transfers of $66.9 million and expenses of $66.7 million, resulting in a surplus of $195,000. This reflects revenues slightly lower than the 2011/12 year-end projection ($67.4 million) and nearly constant expenses ($66.7 million both years). The lower revenues reflect changes in EPGY.

PPO will continue to use reserves to support various staff development programs, cover unanticipated expenses throughout its organization, and reinstate the Springfest multicultural event. It is planning new initiatives in developing junior faculty and recruiting and retaining women faculty in science and engineering; these are not yet specific enough to be reflected in the 2012/13 budget plan but are a planned use of PPO reserves. The proposed level of general funds is sufficient to cover basic operating expenses, so no incremental general funds have been requested. Over the past twelve years PPO has built reserves to assist units with special requests and unbudgeted expenses, with 2011/12 accordingly showing a $1.1 million surplus.

Key and transformative initiatives for EPGY are the potential licensing of online courses in mathematics and language arts through the Office of Technology Licensing and the creation of a new structure at Stanford called Stanford Pre-Collegiate Studies (SPCS). The objective of SPCS is to catalyze the creation and promotion of Stanford programs that enrich and enhance the educational experience of secondary and pre-secondary students worldwide. SPCS will serve as a home for these programs, helping them to achieve their objectives while furthering common goals across the university.

PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues of $9.69 million and expenses of $9.74 million, resulting in a net operating deficit of $56,000. This deficit will be covered with reserves and is primarily due to expenses for internal and external projects, such as the Roundtable and support for other campus programs.

Total revenues are budgeted to increase 13.5% from $8.5 million in 2011/12, while total expenses are expected to increase 11.9% from $8.7 million. These increases are due mostly to the addition of several new positions, as well as higher costs for major events, such as Commencement, and one-time equipment purchases for the Ticket Office in preparation for the opening of the new Bing Concert Hall. Revenues from Stanford Video increased dramatically in 2011/12, due to the HD capability that was added last year and the improved budget situation of many campus departments, and are projected to remain at this higher level in 2012/13.

OPA forecasts an ending fund balance of $569,000, of which $104,000 is restricted to specific project and endowment-related expenditures. The unrestricted balance of $465,000 will be used to maintain a modest reserve and to support OPA events, such as the Roundtable and TedX at Stanford, and other internal and external programs.

OPA is a group of organizations dedicated to protecting and advancing Stanford University's mission and reputation as one of the world's leading research and educational institutions. Its three major departments — Government & Community Relations, the Office of Special Events & Protocol (formerly known as Stanford Events), and University Communications — work together to accomplish this mission by building and fostering relationships with local, state, and federal officials; managing and coordinating internal/external communications through all appropriate platforms; and planning and producing Stanford's highest-profile events and ceremonies.

A significant and sustained increase in demand for communications and public affairs support over the last decade has accelerated even more rapidly in the last five years. While some of this increase has resulted from the Stanford Challenge, much of it has been due to the advent of multiple new media platforms, the establishment of many new institutes and initiatives across the university, and the overall rising profile of Stanford around the nation and the world.

OPA is meeting this increased need for support by:

- Finding ways to use technology to better inform campus audiences — for example, the move from a weekly paper-based *Stanford Report* to a daily email publication that carries more content, covers more stories, and has higher readership.

- Harmonizing and strengthening content platforms across the university, thus allowing the university to present itself more effectively and more coherently to the outside world.
- Collaborating more with the various schools and institutes, thus identifying problem issues earlier and coordinating better when opportunities present themselves.

To keep up with the rising demand, OPA is adding the following positions/programs in 2012/13:

- Digital Innovation & Strategy – This program was initially established to support the Stanford Challenge but will now serve the university more broadly. The director of internet media outreach and the special projects director are responsible for setting and executing Stanford's digital outreach strategy, including the use of social media and other new media, to accomplish university objectives.
- Advocacy & Media Outreach – This program, developed to extend the reach of the Stanford Challenge, will now expand its scope to enhancing the reputation and outreach of the university through creative use of media and community engagement.
- Senior director of university communications – This new official will help handle complex and sensitive communications issues in response to the increased number of high-profile issues impacting the university's reputation and requiring specific media relations and issues management expertise.

OPA will continue its focus on new media strategies, social media, digital innovation, and mobile platforms, while also strengthening its core public relations efforts to keep Stanford at the forefront of university leadership in the rapidly evolving field of communications.

STANFORD ALUMNI ASSOCIATION

The Stanford Alumni Association (SAA) projects $40.1 million in gross revenue and transfers and $40.3 million in total expenses in 2012/13, resulting in a decrease of $175,900 in its consolidated fund balance. The balance is projected to stand at $3.2 million at the end of 2012/13.

Roughly 70% of SAA's gross revenue will be generated by business and program revenue, coupled with income from life membership and building endowment fund payouts. The remaining 30% will come from base and one-time general funds and one-time presidential funds. Gross revenue and expense will be higher than 2011/12 levels by 20% ($6.7 million) and 17% ($6.2 million), respectively. These increases are fueled by growth in three areas: SAA's travel/study business; Stanford Connects, an exciting new alumni outreach program; and new strategic initiatives focusing on alumni volunteers and current students.

SAA's travel/study program is one of the internal businesses that subsidize core alumni relations programs (Stanford Sierra Camp, affinity partnerships, membership sales, magazine advertising/voluntary contributions, wine sales, and alumni relations program revenue also are significant contributors). SAA is excited to extend its travel/study offerings with a new line of custom educational trips. This new line, coupled with an around-the-world jet trip, is projected to deliver $3.2 million in incremental gross revenue and to incur $2.8 million in incremental expense in 2012/13.

Stanford Connects is a new alumni outreach tour that will seek to energize alumni in eighteen cities around the world over the next five years by delivering content (both online and in person), building community (physical and virtual), and strengthening connections. This program, supported by $2.2 million of presidential funds in 2012/13, will maintain the excitement, connection, and goodwill created through Leading Matters, the nineteen-city alumni outreach tour produced in partnership between SAA and the Stanford Challenge. Stanford Connects events, while at a significantly smaller production scale, seek to go even further in engaging alumni and building lasting community among them.

A new strategic initiative for volunteer engagement will be supported by $100,000 in one-time general funds in 2012/13. Meaningful volunteerism drives connection, engagement, and support for the university. With new programs and technologies, SAA can provide fresh volunteer opportunities and engage new volunteers. As part of this effort, SAA will enhance the volunteer experience with better tools, shared best practices, and volunteer "stories." Videos, training sessions (both live and virtual), and content collection, curation, and communication will all contribute to the effort.

A second strategic initiative, supported by $200,000 in one-time general funds, focuses on new programming, services, and networking opportunities for current students, thereby strengthening their connection with alumni. SAA sees a tremendous opportunity to better connect both undergraduate and graduate/professional students with the vast benefits afforded by the Stanford alumni network. Internships, mentorships, and career networking opportunities are just some of the ways through which Stanford students can realize the value of the alumni family. SAA is also looking to include students in existing programming and to develop new student/alumni programming for 2012/13.

SAA's greatest challenge is to keep itself — and Stanford — relevant and value-creating to over 200,000 alumni while staying mindful of its financial realities. SAA's strategic priorities to engage new volunteers, strengthen student connections with alumni, and enhance alumni community and connections will help achieve these goals.

Meanwhile, SAA remains acutely aware of the ongoing need to cut costs, enhance revenue, and improve processes. It is excited to see the growing impact of technology, alumni connection/engagement, and efficiency initiatives put in place over the last few years. SAA continues to engage its staff at all levels to aid in these efforts, which ultimately allow SAA to better realize its mission to reach, serve, and engage all alumni and to garner alumni support, satisfaction, and goodwill.

VICE PROVOST FOR STUDENT AFFAIRS

Student Affairs' mission is to promote student learning and development as an essential component of the student experience, and as a complement to learning that occurs in academic settings. In 2012/13, Student Affairs will pursue strategic initiatives in residential education, compliance and risk management, program quality and capacity, and innovation in program and service delivery.

Student Affairs anticipates consolidated revenues and transfers of $55.4 million, operating expenses of $57.6 million, resulting in a net operating deficit of $2.2 million. It will cover the deficit by drawing down accumulated reserves, leaving $19.9 million in total fund balances at year end. Major contributors to the drawdown from reserves include:

- use of Vaden reserves to fund the dependent health care plan subsidy;
- use of central reserves to fund risk management programs, an initiative to centralize and enhance information technology resources, and assessments of programs and operations; and
- support for public service programs and initiatives in the Haas Center for Public Service.

At the same time, Student Affairs will use new base and one-time funding to support needs in several priority areas:

- Residential education – One-time general funds and incremental base rent funds will support the third and final year of a strategic reorganization and programming enhancement plan. In years one and two, the focus was building the staff and departmental infrastructure. In year three, Residential Education will build upon this infrastructure to grow a dynamic and engaging undergraduate residential program. New programs and enhancements will complement the findings and recommendations of the SUES Task Force and the Residential Education Advisory Group.
- Compliance and risk management – Student Affairs received a one-time funding increment to support a major new initiative establishing the Office of Alcohol Policy and Education. Incremental base funds will support an associate dean position to oversee the new Office of Community Standards, which has responsibility for the Office of Judicial Affairs, the Organization Conduct Board, and the Restorative Justice Project. It will also help administer the Involuntary Leave of Absence Policy. Incremental base funds will also support additional staff for Vaden Health Center's clinical nutrition and dietary education/outreach programs. A multiyear one-time general fund allocation will support an education coordinator/case manager in the Office of Sexual Assault & Relationship Abuse Education and Response (SARA).
- Maintenance of program quality and capacity – Incremental base and one-time funds were added to support operating needs in several areas:
    - Base funds will support a Web programmer to staff a strategic initiative to enhance and expand Web presence and resources. Funds will also support licensing fees for OrgSync, an application that allows staff and students to access and manage information for over 600 voluntary student organizations.
    - Vaden will add staffing to help meet high demand for medical services, particularly on weekends.
    - The Offices of the Dean for Student Life and the Dean for Educational Resources will add administrative support, as will the Bechtel International Center's Overseas Resources Center.

- Incremental base funds will support a number of programs to promote community development and engagement among students of different backgrounds and academic disciplines, and to help students develop leadership and collaborative skills. These include the New Graduate Student Orientation, the Graduate Student Programming Board, undergraduate class-based programs, Powwow, and the Office of Student Activities and Leadership's Peer Advisor Program.
- Other one-time general funds allocations will support a program manager for Diversity and First Gen Programs and a graduate student program coordinator in El Centro Chicano.
- Encouragement of innovation in program and service delivery – Incremental base funds will be used at the vice provost's discretion to support strategic initiatives and programs.

Student Affairs will continue to regularly assess and evaluate programs and operations through a comprehensive plan. These reviews provide the vice provost, his leadership team, and unit staff with critical information needed to shape strategic decisions. The Judicial Affairs Office, the Office of Student Activities and Leadership, and the Stanford Online Accessibility Program have most recently completed external evaluations. Assessments of the six community centers will take place during the next year.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES (ADMISSIONS)

Admissions projects total consolidated revenues and transfers of $164.2 million and expenses of $160.5 million, resulting in an operating surplus of $3.7 million and 2012/13 ending fund balances of $5.86 million. The consolidated budget is divided between the student aid and administrative budgets as follows:

- The budget for undergraduate need-based aid includes revenues of $151.5 million and expenses of $153.1 million, resulting in a net operating surplus of $1.4 million. This surplus is composed chiefly of endowment funds that cannot be spent in the year in which they are earned. Ending student aid fund balances for 2012/13 are projected at $2.74 million.
- The administrative budget projects revenues of $9.7 million and expenses of $9.0 million, resulting in a net operating surplus of $750,000. This surplus will bring the projected 2012/13 administrative ending fund balances to $3.12 million.

The following information pertains exclusively to the administrative operations of Admissions.

Admissions' total expenses for 2012/13 are budgeted to be slightly lower than the $9.2 million projected for year-end 2011/12. Compensation costs will increase beyond growth assumptions because Admissions expects to add two incremental FTEs and ten part-time seasonal readers. Total compensation costs, therefore, are approximately 3.5% higher in 2012/13 than the year-end projection for 2011/12. Non-salary costs will decline, principally because Admissions' recurring five-year print, Web, and video collateral updates originally scheduled for 2010/11 will be completed in spring 2012.

Admissions is funded almost entirely from general funds. Gifts, campus tour fees, and the sale of related merchandise generate minimal additional revenue. In 2011/12 Admissions received midyear one-time funding of $200,000 to implement a new constituent management system (CMS), which includes an alumni interview segment that will integrate data from Stanford's alumni database and provide an alumni online portal in support of the expansion of the alumni network interview program.

Three 2012/13 incremental uses of base funds will be:

(1) A new assistant dean of admission to manage the expanded interview program approved by the Committee on Undergraduate Admission and Financial Aid in May 2011. An alumni interview will become an option for all applicants over the next five years.

(2) A front-desk receptionist to permanently relieve current staff on rotation, so half days are not lost to reception responsibilities.

(3) Significant expansion of the part-time seasonal reader team with the addition of ten readers. This brings the total number of part-time seasonal readers to 38. At full staffing, Admissions would employ 64 full- or part-time staff members with reading responsibilities.

In recent years, Admissions' reserves have increased significantly, from $861,000 in August 2006 to $2.4 million in August 2011. Nearly all of this increase stems from the unusually high level of position vacancies among admission officers. Some of it, however, stems from outreach opportunities and activities that Admissions has been unable to pursue.

Admissions has plans to use these reserves over the coming two to four years. Addressing staffing needs is its top priority. Finalizing plans for and implementing a new staffing structure, which will increase personnel costs, will come first. Additionally, in 2012/13 previously foregone outreach activities, including domestic and international travel and targeted marketing, will ramp back up. Implementation of Admissions' new CMS will also require more travel and training to prepare alumni volunteers for interviewing prospective applicants.

Admissions has developed a premier organization to attract and yield the brightest undergraduate students. Despite scaled-back outreach since 2008, the university received 36,813 applications in 2011/12, the largest number in its history and 7.2% more than in 2011/12. This success brings additional needs, however, as Admissions must maintain its careful attention to the proper processing, screening, and review of an ever-increasing volume of undergraduate applications.

MAJOR AUXILIARY UNITS

The budget lines for the School of Medicine, the Graduate School of Business (GSB), Humanities & Sciences (H&S), VPUE, and Libraries and Academic Information Resources (SULAIR) include auxiliary revenues and expenses. These auxiliary operations include the Blood Center at the School of Medicine, the Schwab Center of the GSB, HighWire Press and Stanford University Press in SULAIR, Bing Overseas Studies in VPUE, and Stanford in Washington and Bing Nursery School in H&S. These items are separately identified in the schools' consolidated forecasts in Appendix A. Due to their size, HighWire Press and Stanford University Press are also discussed in this chapter. The major independent auxiliaries are Athletics and Residential & Dining Enterprises (R&DE).

ATHLETICS

Like the rest of the university, the Department of Athletics, PE, and Recreation (DAPER) has experienced significant budget challenges over the last few years. While the outlook has improved in 2012/13, the fiscal environment remains challenging due to uncertainty in several revenue streams. DAPER projects a balanced budget in 2012/13 based on projected revenues, as well as expenses, of $97.4 million. While significant incremental revenues are anticipated in 2012/13 in some areas, they are offset by decreases in other areas, slowing the overall expected growth in revenue to 2.6% over the projection for 2011/12. DAPER's consolidated budget consists of three distinct sets of activities: auxiliary operations ($71.5 million), financial aid ($20.2 million), and designated activities ($5.7 million).

Auxiliary Operations

The projected revenues and transfers, as well as the expenses, for auxiliary operations in 2012/13 are $71.5 million, a 3.5% growth over the projected level of $69.1 million in 2011/12. As in most years, DAPER's actual revenues for the year will largely be determined by the success of football ticket sales and annual fundraising efforts. In 2012/13, however, there is a potentially significant but uncertain new revenue source — the newly created Pac-12 television network, which will be in its first year of operations. There are also several other key changes on the revenue side compared to the 2011/12 projections. Intercollegiate revenues show a significant net increase of 28.4% due primarily to the new Pac-12 television agreement. However, this increase would be even greater if not for a significant decrease in football ticket sales in 2012/13 as a result of a less favorable home schedule. Restricted revenues are down due to a decrease in funding from the DAPER Investment Fund, a separately managed endowment that, for the last two years, has been contributing additional funds to cover budget shortfalls. On the expense side, compensation expenses are up over the projection for 2011/12 due to several new hires in the football coaching staff as well as the addition of a few administrative staff. All other expense categories show relatively small changes as DAPER continues to work to hold expense growth down in challenging budget times.

Financial Aid

DAPER's financial aid endowment continues to be a huge asset to the department. For several years the payout from these endowments significantly overfunded financial aid needs. This allowed the department to work with donors to transfer the financial aid surplus to help with operating expenses. However, the decline in endowment payouts for 2009/10 and 2010/11, combined with continued increases in tuition costs, created financial aid expenses that exceeded the endowment payouts. Despite a rebound in the endowment, this problem will continue in 2012/13 and DAPER projects needing a transfer of approximately $1.1 million from operating revenues to balance the financial aid budget. For 2012/13, projected revenues (including this transfer) and expenses are $20.2 million, for a balanced financial aid budget. This budget provides approximately 340 scholarships that benefit nearly 500 student-athletes. This compares to projected 2011/12 revenues and expenses of $19.6 million.

Designated Activities

DAPER's designated activities consist primarily of summer camps, which are mainly pass-through operations and not actively managed by the department. The remaining activities include incoming revenues that are transferred to support auxiliary operations each year. Significant changes are not expected in any designated activities in 2012/13. In total, revenues and expenses from designated activities are projected to be $5.7 million in 2012/13, the same as projected in 2011/12.

RESIDENTIAL & DINING ENTERPRISES

Residential & Dining Enterprises (R&DE) shows total revenues and net transfers of $168.1 million and expenses of $169.8 million. The auxiliary operations anticipate a balanced budget, but a planned use of reserves for maintenance and capital projects yields a drop in fund balances of $1.7 million for 2012/13. Revenues are planned to be 2.7% higher than the 2011/12 year-end projection of $163.7 million, mainly due to planned room and board increases. Total 2012/13 expenses are projected to be higher than the 2011/12 year-end projection by $0.4 million, 0.2%.

This plan reflects a combined undergraduate room and board rate increase of 3.5% (4.44% room and 2.25% board). This increase in student payments is necessary to cover regular inflationary impacts on operating costs, including regular and bargaining unit labor, food, maintenance, utilities, services, materials, and supplies. In addition, 2012/13 budgetary increases in asset renewal and new debt service are achievable given operational efficiencies and business optimization efforts, planned use of reserve funds, and reductions in both the fringe benefits rates and debt service interest rates.

The 2012/13 year is the third and last to include above-inflationary incremental funding to support enhanced Residential Education programs at 7% over the 2011/12 year-end projection. The plan also reflects the initial projected negative impact on utility costs stemming from Stanford Energy System Innovations (SESI), an impact expected to be more substantial in 2013/14 and future years.

The 2011/12 year was marked by the opening of the Arrillaga Family Dining Commons to rave reviews and the achievement of optimal labor efficiencies across the Stanford Dining and Stanford Hospitality & Auxiliaries divisions with no net increase in hourly staff positions. The 2011/12 year-end projection and 2012/13 plan demonstrate break-even auxiliary budgets while supplementing some operational initiatives with reserve funds. Over the past few years R&DE has been able to increase its reserves; it will use some in current and future years to fund unforeseen emerging priorities. During 2011/12 R&DE is assuming $24 million in new debt to perform maintenance backlog work. R&DE plans to use reserves to fund the first two years of related debt service ($0.9 million in 2011/12 and $1.8 million in 2012/13) and another $4.7 million in 2011/12 to complete 2010/11 projects and initiatives. These unusual activities explain the 2011/12 year-end projection increases in both transfers-in and expenses (EM&S and maintenance).

R&DE's plan for 2012/13 capital projects, forecasted at $18.1 million, includes:

- Row House kitchen replacements;
- Escondido Village apartment heating system, roof, and fire sprinkler systems replacements;
- Florence Moore Residence utility systems, bathroom plumbing, and mechanical systems upgrade and replacement, as well as resident fellow apartments, kitchen, and servery renovation; and

- Infrastructure preparation for technology upgrades supporting residential academic programs.

R&DE's plan also includes $27.1 million in renovation projects to reduce maintenance backlog, addressing safety system upgrades to meet current codes, exterior restorations, window and roof replacements, mechanical and electrical system upgrades, interior work, and plumbing/equipment replacement at various campus locations.

The R&DE Initiative for New Housing will commence in 2012/13 with design work to yield 750 new on-campus bed spaces over the next several years. This will provide additional on-campus housing for both graduate and undergraduate students, improve the campus-wide General Use Permit (GUP) position, support the SUES recommendations, and address uncrowding priorities. The initiative will do the following:

Build:

- approximately 425 bed spaces for graduate students at Escondido Village;
- roughly 125 bed spaces for undergraduate students at Manzanita;
- over 200 bed spaces for undergraduate students at Lagunita and
- one new resident fellow apartment at Crothers.

Convert:

- certain existing spaces from student rooms to academic program spaces;
- some student rooms to the original designed capacity and
- one-bedroom apartments to efficiency two-bedroom apartments.

R&DE continues to support the university's academic mission by providing the highest-quality services to students and the Stanford community in a sustainable, compliant, and fiscally responsible manner. R&DE ensures critical needs for seismic retrofit, the Americans with Disabilities Act, life safety, and code compliance are met while upholding safe, comfortable, and contemporary living and dining spaces.

HIGHWIRE PRESS

HighWire Press projects revenues of $26 million and expenses of $30.2 million in 2012/13. The 2012/13 projected operating deficit of $4.2 million follows an anticipated $6.3 million operating deficit in 2011/12. The reasons for the deficits are explained in the paragraphs that follow and are expected to be covered by a combination of transfers from HighWire Reserves, and SULAIR and provostial discretionary funds.

HighWire Press is at the forefront of strategic scholarly publishing, providing digital content development and hosting solutions to the scholarly publishing community. Innovating in partnership with influential societies, university presses, and other independent publishers, HighWire produces definitive online versions of high-impact, peer-reviewed journals such as Science, the Proceedings of the National Academy of Sciences, and the British Medical Journal, as well as books, reference works, and other scholarly content.

However, the market for online delivery, discoverability and curation of scholarly content is increasingly dynamic. New competitors are entering the space; old actors (for profit commercial publishers such as Elsevier) continue their assault on independent scholarly publishers and library budgets. Drivers such as mobile computing, the semantic Web, and social networking are providing challenges and opportunities.

In response, in March 2011, HighWire embarked upon a major revitalization initiative encompassing investments in staff, technology, and market positioning. The continuing goals are to 1) accelerate innovation in key areas and 2) improve operational efficiency across HighWire's systems and processes.

HighWire is on track with its operational plans through 2011/12. During the first half of 2011/12, HighWire completed its multi-year project to migrate more than 1,400 websites to its new technology platform. Total HighWire-hosted sites now exceed 1,650 – 1,000 of which have been optimized for mobile computing.

HighWire has invested resources to improve throughput, secure long-term customer revenue commitments, and accelerate the rate of technology roll-out. While competition stabilizes and while HighWire works to secure long-term revenue commitments from current and prospective customers, HighWire will receive one-time support from SULAIR and provostial discretionary funds.

Revenue for several major publishing customers has already been contractually secured into calendar 2015. Recent market wins and the beginnings of a shift in market conditions favorable to HighWire signal an uptick to HighWire returns beginning in 2013/14, allowing the replenishment of reserve levels.

The market will continue to be dynamic and fast-moving; over the next 12-24 months competitors' strengths and weaknesses will become apparent, creating strong prospects that with bold action HighWire can become the dominant scholarly player in an ever-consolidating field.

STANFORD UNIVERSITY PRESS

The Stanford University Press consolidated budget for 2012/13 projects revenue and transfers of $6.7 million and expenses of $7.7 million. The Press will close the funding gap of $1 million by drawing down that amount from the Press Research Fund, after fully utilizing the Press Sustaining Fund in 2011/12. The Research Fund has a market value of $2.7 million and is expected to provide operational support for the next few years as the Press continues to explore funding strategies. Sales revenue reflects growth of 5% over the anticipated 2011/12 year-end total. Gross margin on sales (the income remaining after deduction of production costs, royalties, and write-down) is expected to hold steady at 60.5%, while overhead will drop 0.5% as a fraction of revenue. Through continuing margin improvement and cost control, the Press will keep its loss comparable to the 2011/12 year-end figure.

The marketplace for scholarly, educational, and professional information continues its very slow business model migration. Print sales still dominate the revenue stream, so the Press must retain the infrastructure and support for this model despite its declining revenue. At the same time, new digital initiatives are beginning to produce tangible results, with digital income rising by an order of magnitude over prior years. However, this income is still less than 10% of overall revenue, so the digital model will not be self-sustaining for some time. The most significant investment is in ensuring a platform-neutral digital strategy. Building for divergent reading platforms has duplicated workflow, thus increasing the workflow overhead and reducing operational efficiency and savings opportunities. These problems are industry-wide, and the Press remains a leader in the development of efficient solutions, as evidenced by continued interest in, and sales of, its workflow and IT system.

The conversion of the backlist to electronic file format, coordinated with the assistance of Apple, is almost complete, and the entire rights-cleared backlist of close to 2,000 titles is presently loading into the full range of e-bookstores. In the library space, the Press is still assessing the business models of the newer aggregated content delivery systems, while renegotiating agreements with extant library aggregation partners. The Press will be positioned to enter 2012/13 participating in at least one new collection-based e-book model. Within the educational space, the Press continues to refine its rental-based e-textbook model. A number of new market entrants are hoping to deliver textbook content directly within the various learning management systems, such as Blackboard, and the Press is evaluating various proposals for content inclusion.

The Press has continued the inventory management initiative begun two years ago for both existing stock and new publications. The accelerated write-down plan has dramatically reduced inventory, which has dropped over 11% in 2011/12 and 50% over ten years. At the same time, the Press continues to reduce initial printings and is migrating printing as close as possible to the end customer, using print-on-demand technology at the major retail intermediaries, as well as globally distributed facilities operated by traditional print partners. These necessary changes will negatively impact gross margin in the short term. This impact, combined with the reduced per-unit revenue of the digital models, will adversely affect the bottom line for at least the next two years.

The overall revenue growth outlined in the first paragraph is aggressive, as in previous years, and predicated on continued growth of the digital retail market and quick pickup in the library-based collections market. Strong evidence supports these trends, but the market remains relatively unpredictable as technological developments focus on improving the digital reading experience. At the same time, new research methodologies will stretch the definition of "publication," and thus the Press's ability to keep pace with the market will depend, in part, on its ability to adapt quickly and take risks.