CHAPTER 3

ADMINISTRATIVE & AUXILIARY UNITS

ADMINISTRATIVE UNITS

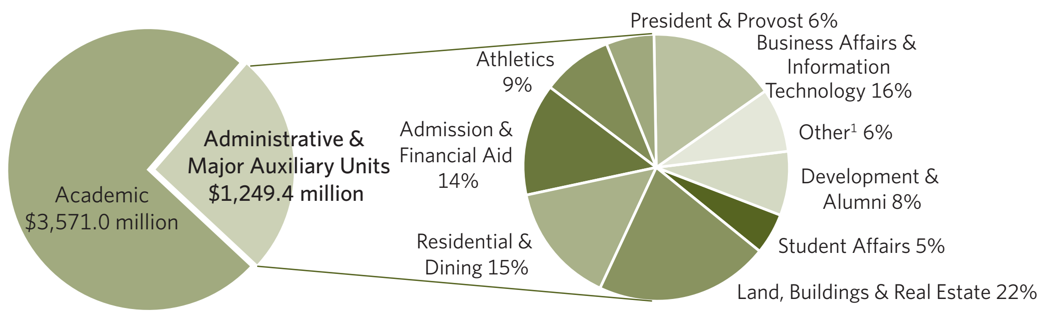
This chapter focuses on initiatives and priorities in the administrative and auxiliary units of the university.

CONSOLIDATED BUDGET FOR OPERATIONS, 2013/14: 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	198.7	203.8	(5.1)	(4.4)	(9.5)
Development	60.4	60.4			0.0
General Counsel & Public Safety	32.3	33.9	(1.6)		(1.6)
Land, Buildings and Real Estate	278.3	269.0	9.3	(11.2)	(1.9)
President and Provost Office	78.8	78.7	0.1	0.5	0.6
Public Affairs	10.1	10.2	(0.2)		(0.2)
Stanford Alumni Association	40.1	40.4	(0.3)	0.1	(0.2)
Stanford Management Company	27.1	27.1			0.0
Student Affairs	57.5	58.6	(1.1)		(1.1)
Undergraduate Admission and Financial Aid	168.7	170.1	(1.4)	(0.1)	(1.5)
Major Auxiliary Units					
Athletics (Operations and Financial Aid)	107.8	107.9	(0.1)	1.7	1.7
Residential & Dining Enterprises	188.1	189.4	(1.3)		(1.3)
Total Administrative & Auxiliary Units	**1,247.8**	**1,249.4**	**(1.6)**	**(13.4)**	**(15.0)**

2013/14 Consolidated Expenses by Administrative & Major Auxiliary Units



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

BUSINESS AFFAIRS

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; University Human Resources (UHR); Office of Sponsored Research; Research Financial Compliance and Services; Internal Audit, Institutional Compliance and Privacy; Information Security; Risk Management and Business Development.

The 2013/14 consolidated budget for Business Affairs shows revenues and operating transfers of $198.7 million and expenses of $203.8 million. Approximately $4.5 million of reserves will be used to partially fund construction of the NW Data Center and Communications Hub, to purchase equipment for the Stanford Research Computing Facility at SLAC, to complete the legacy door access conversion projects, and to fund one-time requests from operations. Fund balances are projected at approximately $28.7 million at the end of 2013/14, a reduction of $15.9 million from 2011/12. Business Affairs is investing its reserves in strategic priorities, including IT infrastructure improvements and completion of Phase One of the Stanford Electronic Research Administration (SeRA) system project. Of the $28.7 million in projected reserve funds at 2013/14 year-end, over half are held for IT systems and related projects. Commitments are made to systems projects that span fiscal years, resulting in growth or depletion of reserve funds each year, depending on the projects undertaken in a given period.

Expenses are projected to be 4.8% higher in 2013/14 than in 2012/13. Nearly all of the increase is in compensation, and 42% of that is due to headcount growth. Business Affairs headcount increased 6% last year, due to success in filling vacant positions and continued growth in UHR. UHR is undertaking several base and one-time funded initiatives, including new staff leadership and training programs, learning management systems improvements, centralization of HR transaction processing, and restructuring of university jobs classification and compensation. Business Affairs will add fourteen staff members in 2013/14 to strengthen key compliance and service areas, including information security; privacy; international payroll, benefits, and governance; central financial consulting for schools and departments; and the IT help desk. These positions are funded with a mix of base and one-time general funds and other funding sources.

Each year, Business Affairs focuses on a specific group of principal initiatives, many of which span multiple years, with annual milestones and deliverables. These initiatives are focused on continuously improving the delivery of excellent service to clients, making Business Affairs more efficient, and addressing new compliance requirements.

Significant current Business Affairs initiatives include the following:

- UHR transformation—Launch the new manager academy and graduate initial cohorts; implement a new system for job applicant recruiting and staff performance management; and improve the user experience and profile management associated with the university's learning management system.
- Research administration transformation—Achieve major SeRA system milestones, including enhancements to the existing modules; complete PTA manager rollout for sponsored accounts; and complete requirements for award closeout. In addition, the team has supported development of the new DoResearch website.
- Procurement transformation—Implement strategic sourcing, new payment solutions, and improved e-commerce processes.
- Evolution and consolidation of financial planning and reporting—Consolidate and update tools for financial management reporting, with the ultimate goal of moving financial reporting content to Oracle Business Intelligence Enterprise Edition (OBIEE). Initial new reports cover the labor and payroll business functions.
- Payroll distribution reporting and certification—Design and implement processes in support of this new compliance requirement, with completion in early 2014.
- Endowment payout—Complete redesign of endowment payout processes to improve efficiency, transparency, predictability, and consistency. Implementation is targeted for the beginning of 2013/14.
- Research computing—Open the Research Computing Facility at Forsythe; hire a director of computational research; and get several large clusters installed and operated online.
- Campus-wide encryption—Support encryption of all School of Medicine laptops with access to protected health information; complete evaluation of mobile encryption solutions; and pilot encryption initiatives internally in preparation for campus-wide rollout.

OFFICE OF DEVELOPMENT

The Office of Development (OOD) projects total revenues and operating transfers of $60.4 million and expenses. 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 (MCD). Fund balances will remain largely unchanged at $2.9 million at 2013/14 year end.

The total expenses for 2013/14 are 6.3% higher than the 2012/13 year-end projection of $56.9 million. OOD received incremental general funds for its highest priorities. In addition, MCD expenses are increasing. In May 2012, MCD launched the $1.0 billion campaign for Stanford Medicine, which focuses on priorities in the School of Medicine and Stanford Hospital & Clinics. Program spending will increase in 2013/14, due to costs associated with the campaign. In addition, MCD increased its staff in 2012/13, but many positions were not filled during the year. Compensation costs for MCD will keep increasing as more positions are filled in 2013/14. Given the additional general funds for OOD and the anticipated full staff in MCD, compensation costs will rise 7.4%.

In February 2013, the Council for Aid to Education released the fundraising results for colleges and universities during 2011/12. It recognized Stanford as the first and only university to ever secure $1 billion in gift revenue during a single year. Looking ahead to 2013/14, OOD will continue fundraising for key university and hospital priorities and will invest incremental general funds (as well as its own reserves) in a few key areas, as described below. The targeted investments are intended to increase OOD's capacity to engage donors and prospects and to sustain the high level of fundraising success attained in the past several years while keeping staff growth to a minimum.

- Information technology—Technology plays a key role in OOD's ability to raise philanthropic support for academic priorities. Its current database is nearly 20 years old, and OOD will be launching a functional review to plan for its eventual replacement or significant overhaul. With incremental one-time funds, OOD plans to hire two additional staff to augment the team and to increase its capacity to support new projects and system enhancements. OOD will use reserves to start evaluating new technologies to replace or overhaul the existing database.
- Prospect management and analytics—OOD will expand its emerging analytics team, adding a new position to focus on predictive data modeling to better identify prospects. The new role will support development efforts campus-wide and will make recommendations to inform business strategies.
- Integrated marketing services—OOD plans to expand its direct-appeal staff by two positions to provide a higher level of personalized content to prospects. One position will focus on data analysis, consolidating annual fund reporting across campus and creating more sophisticated donor segmentation populations. The other will focus on personalized content for qualified prospects.
- Stewardship—Stewardship is a key emphasis for OOD, and the success of the Stanford Challenge secured many more scholarship, fellowship, professorship, and other endowed funds requiring regular reports to donors. OOD surveyed donors at the end of the Stanford Challenge about how stewardship efforts are perceived. Areas of opportunity were also identified, and plans are in place to implement the highest priorities. The central stewardship team will expand by 1.2 FTE, providing more staff to manage the expanding portfolio of funds in the university and school-based programs.

In addition, OOD expects to carefully review compensation of its field staff to ensure that development officers are paid at an appropriate market rate. This will enable the university to attract and retain a talented team. The review will likely lead to incremental investments in compensation beyond the annual merit program.

GENERAL COUNSEL AND PUBLIC SAFETY

The Office of General Counsel (OGC) projects a balanced consolidated budget of $13.3 million in 2013/14, a 1.8% increase over the 2012/13 year-end projection. OGC projects a $454,000 consolidated surplus in 2012/13. OGC does not anticipate any significant increase in operational costs in 2013/14 other than increased rates for outside counsel. OGC will try to limit the firm rate increases and reduce law firm utilization if necessary to balance the budget. The proposed level of general funds along with anticipated client retainers is expected to cover operating expenses absent any unanticipated or extraordinary matters in 2013/14.

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, although 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, though 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 2013/14 consolidated revenues for Public Safety—which includes the Stanford Department of Public Safety and the contract for fire protection and emergency communications services with the City of Palo Alto—are expected to be $18.9 million, which is $890,000 lower than the 2012/13 year-end budget projection. Consolidated expenses for 2013/14 are expected to be $20.5 million, resulting in a deficit of $1.6 million. The deficit is the direct result of the projected fire contract expenses, which are expected to exceed general funds base operations support under the current contract terms. Budget projections for the 2013/14 fire contract are based on the 2012/13 adopted budget for the City of Palo Alto with anticipated growth. The university is presently reviewing the current fire contract, and changes to the service model are expected; however, the specific nature of those changes and the timing of their implementation are uncertain. Should the year end without any changes, general funds will likely cover the deficit.

Key initiatives for Public Safety operations in 2013/14 include bicycle safety and theft prevention, safety in the student residences, community outreach and education, employee training and development, a multiagency partial-scale emergency response exercise, and domestic and international Clery compliance efforts. 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 developing and implementing the university's capital plan; managing commercial real estate on endowed lands; managing campus utilities, grounds, and parking & transportation; providing stewardship for 8,180 acres of land; and managing operations and maintenance (O&M) for 267 academic buildings totaling over nine million square feet, Hopkins Marine Station, and other off-campus facilities.

During 2013/14, LBRE estimates total revenues and transfers of $278.3 million and total expenses of $269 million, yielding operating results of $9.3 million. After an expected transfer of $11.2 million for capital renewal projects, LBRE forecasts a planned deficit of $1.9 million, which will result in a drawdown of capital renewal reserves.

Total expenses in 2013/14 are expected to increase by $20.3 million, or 8.2% over 2012/13. The majority of this increase is due to higher utilities expenses of $11.1 million. This increase is largely due to increases in purchased utilities and higher debt amortization expenses resulting from the Piping and Building Conversions (a component of the Stanford Energy System Innovations (SESI) project), which begin to amortize as segments are completed. Incremental O&M costs of $3.4 million are the result of new campus structures, with the remaining year-over-year variance due to general increases in compensation and materials.

In addition to the responsibilities described above, LBRE leads numerous initiatives which typically span years from concept to completion. The following significant initiatives are currently active:

- Conversion to New Energy Platform - SESI is the single most important project under LBRE management. The capital cost is estimated at $438.0 million and involves three unique components: a new central energy plant estimated at $230.0 million, 20 miles of underground pipe distribution and building conversions totaling $165.7 million, and a replacement electrical substation for the remaining $42.3 million.
- Once SESI is complete, the campus will utilize about 70% of its current waste heat to meet 80% of campus heating demand. It will also reduce campus water consumption by 18% and greenhouse gas emissions to less than 50% of current levels. For more information on SESI, please see page 69 in the Capital Budget and Three-Year Capital Plan.

- Stanford in Redwood City Campus – LBRE is currently working with Redwood City to draft a detailed 30-year development agreement, to which significant deal points have been agreed. This property is part of a strategic initiative that allows core campus lands to be used for the highest academic priorities by locating administrative functions to a new (nearby) campus.
- Faculty Housing – In conjunction with the Faculty/Staff Housing office, LBRE commissioned a faculty survey to better understand demand for housing on or near the Stanford campus. This faculty housing needs assessment was designed to inform planning staff about more specific demand characteristics that could be factored into both near term and future faculty development plans. The demand data has meaningfully contributed to planning and design efforts around the Mayfield housing project. More information on the Mayfield project can be found on page 74 in the Capital Budget and Three-Year Capital Plan.
- Real Estate Commercial Development – In addition to the faculty housing projects, LBRE will be leading two Research Park developments totaling 190,000 gross square feet (gsf). Upon completion and occupancy, net operating income is projected to be $11.5 million per year (stabilized in 2015) that will directly benefit general funds.

The construction and development of academic and real estate properties continue at a fast pace. Ongoing challenges include both internal resource management and campus disruption, the latter of which is further compounded by the SESI project and the expansion of the hospitals. Though LBRE is mitigating these constraints to the extent possible, it is reaching the point of diminishing returns and may have to prioritize the capital plan further. Additionally, Stanford's 2,035,000 gsf General Use Permit (GUP) entitlement, which governs growth on campus, is now 50% expended. We estimate that our remaining square footage will last until 2020, which in entitlement and planning terms, is nearly around the corner. A solution to address regional and local transportation concerns may need to be identified as part of the next GUP, to avoid a limit on future campus growth.

PRESIDENT AND PROVOST OFFICE

The Office of the President and Provost (PPO) projects total revenues and operating transfers of $78.8 million and expenses of $78.7 million. After a transfer in from plant funds of $505,000, a surplus of $600,000 is projected for 2013/14. PPO comprises the President and Provost Office, the Board of Trustees, Continuing Studies and Summer Session, Stanford Pre-Collegiate Studies (SPCS—formerly the Education Program for Gifted Youth, EPGY), Institutional Research and Decision Support, the University Budget Office, Diversity and Access, Faculty Development and Diversity, Faculty Affairs, the Academic Secretary, the Office of Religious Life, Faculty/Staff Housing, and, new for 2013/14, the Vice Provost for Online Learning (VPOL).

PPO will continue to use reserves to support various staff development programs, cover unanticipated expenses throughout its organization, and support the reinstated Springfest multicultural event. A small amount of incremental general funds has been added in 2013/14 to support growth in University Budget Office staffing and systems. Over the past thirteen years PPO has built reserves to assist units with special requests and unbudgeted expenses, with 2012/13 showing a projected $2.0 million surplus to add to these reserves.

The restructuring of SPCS provided a basis for growth for a number of programs. The Online High School (OHS) budget grew to over $4 million and should exceed $5 million in 2013/14. Led by the addition of the Stanford Humanities Summer Institute, the residential programs component of SPCS had a budget of $6 million in 2013/14, and with the addition of the Stanford Youth Orchestra program the revenue for 2013/14 will approach $7 million. The planned licensing of the older online EPGY courses in mathematics and language arts has taken longer than anticipated but should be concluded in calendar year 2013. While the departure of those courses will have a short-term negative impact on revenue for the unit, new initiatives building on OHS methodologies will be rolled out in 2013/14, and the unit anticipates these will return the program to its long-term growth trajectory.

In 2012/13, VPOL plans to develop a collection of online teaching and learning material, leverage the material to improve on-campus teaching and learning, license content to other colleges and universities, and publicly enhance the reputation of faculty and programs. These goals will be accomplished through broad faculty engagement, partnerships around the open-source platform, the media, a web presence, and community activities. In 2013/14 and beyond, VPOL's objectives are to produce exemplary online materials of increasing quality and visibility; solidify platform strategies with continuity, stability, and leadership for the open-source platform; and experiment with new revenue or delivery options by licensing courses to other universities and evaluating revenue sharing. Other initiatives will include the creation of a cross-campus center or institute to research and disseminate findings on the most effective practices for online learning. This will start as a joint effort with the Graduate School of Education. Staff will also be needed to support a new industrial affiliates program to facilitate transfer of knowledge into society and enhance dialogue between academia and industry.

PUBLIC AFFAIRS

The Office of Public Affairs (OPA) projects total revenues of $10.1 million and expenses of $10.2 million, resulting in a net operating deficit of $151,000. This planned deficit reflects a project funded in 2012/13 that will be continued in 2013/14, using the remaining balance of the initial funds.

Total revenues are budgeted to increase 2.2% from $9.8 million in 2012/13, while total expenses are expected to increase 3.9% from $9.8 million. Incremental base general funds allocated to OPA include funding for one new position and conversion of a current part-time position to full time. Revenue will be relatively flat from 2012/13 to 2013/14 after the dramatic increase in Stanford Video's revenue in 2011/12.

OPA forecasts an ending balance of $471,000, of which approximately $150,000 is restricted to specific project and endowment-related expenditures. The remaining unrestricted balance 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 and 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; planning and producing Stanford's highest-profile events and ceremonies; and managing and coordinating internal/external communications through all appropriate platforms.

A significant and sustained increase in demand for communications and public affairs support over the last decade has accelerated in the last five years. While some of this increase has resulted from the Stanford Challenge and the opening of the Bing Concert Hall, much of it is 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:

- Further developing Stanford's digital media footprint through social media efforts, mobile technology, the web, and electronic publications, such as the Stanford Report and the Arts Weekly and Stanford for You newsletters. These efforts create more content, cover more stories, and increase readership and outreach.
- 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, thereby identifying problems and issues earlier and coordinating better when opportunities present themselves.

The higher level of global media exposure at Stanford has substantially increased the number of high-profile issues that affect the university's reputation and require specific media relations and management experience. Keeping up with this rising demand while maintaining current service levels and continuing to be a leader in digital communications is OPA's biggest challenge in 2013/14. With limited resources for new staff, OPA looks to leverage new technologies, digital media consultants, and student interns to meet this challenge.

More specifically, OPA plans to:

- Convert the part-time digital media strategist position to full time to provide additional social media output and more effective coordination and management of digital media interns and other internal communication teams.
- Redefine the digital media program to provide a more comprehensive strategy for use of videos across all university communications platforms.

- Engage a digital strategy consultant to provide insight and guidance on the successful application of emerging new media communications toward key university objectives.

Through these endeavors and more, OPA will continue to 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 operating transfers and $40.4 million in total expenses in 2013/14, resulting in a reduction of $241,000 in its consolidated fund balance after asset transfers. Reserve balances are projected to stand at $3.0 million at the end of 2013/14.

Business and program revenues, coupled with income from life membership, building, and other endowment fund payouts, generate roughly 70% of SAA's gross revenue. 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 2012/13 levels by 4% ($1.5 million) and 2% ($0.7 million), respectively, excluding the one-time costs in 2012/13 of the Rose Bowl. These increases are fueled by a ramp-up in Stanford+Connects, a multiyear alumni outreach program; expansion of SAA's alumni education offerings; enhancement of SAA's mobile platform capabilities; and additional investment in critical technology resources shared with the Office of Development (OOD).

In 2012/13 SAA used one-time general funds to facilitate and enhance volunteer engagement with the university. SAA launched a new volunteer gateway on its website, a volunteer-friendly online event module, and a pilot program bringing alumni perspectives to strategic issues across campus. These offerings facilitate alumni navigation of meaningful campus-wide volunteer opportunities, the creation and execution of alumni-led events, and alumni partnership on strategic challenges and opportunities with groups across the university.

SAA also used one-time general funds in 2012/13 to enhance its student-focused programming, services, and networking opportunities. One-time funding of $200,000 in 2013/14 allows SAA to continue these efforts, thereby growing and strengthening the connection and engagement between students and alumni. One-time general funds also supported Rose Bowl–related events in 2012/13.

Stanford+Connects is an outreach program designed to energize alumni in eighteen cities around the world over the next four years by delivering content (both online and in person), building community (physical and virtual), and strengthening alumni connections to the university and to each other. This program, launched in 2012/13 in Phoenix and Minneapolis, will travel to five cities in the United States and Europe in 2013/14, supported by presidential funds.

SAA's ability to leverage technology is proving to be a significant and critical underpinning for many offerings and services. A total of $307,500 in continuing one-time and new base general funds in 2013/14 will partially fund seven billets shared by SAA and OOD. This funding will allow for ongoing delivery of technology solutions that support almost every alumni-facing area of SAA's portfolio of products and services.

In 2013/14, a new strategic initiative will focus on leveraging SAA's most unique asset—the ability to provide alumni with access to a wide range of meaningful, topical, and thought-provoking Stanford academic and intellectual content. Directly through Stanford faculty, and indirectly through their scholarship and research, many of SAA's current programs and service offerings include an alumni education component. With additional one-time funds of $125,000 in 2013/14, SAA will further its investment in this area with content curation and delivery using a variety of media and formats.

A second new strategic initiative will focus on enhancing SAA's mobile platform capabilities. SAA will use $75,000 of new one-time general funds to support efforts to incorporate mobile functionality into existing key online services and to explore new mobile offerings with beta testing and pilot programs that leverage the broader potential to build alumni community through social-local-mobile functionality.

SAA's greatest challenge is to keep itself—and Stanford—relevant and value-creating to over 210,000 alumni while staying mindful of its financial realities. SAA looks to the strategic investments discussed above to deliver a significant return to the university in terms of heightened connection, active engagement, and a stronger community of alumni—all leading to increased levels of goodwill and support.

Meanwhile, SAA remains focused on cost management, revenue enhancement, and process improvements across its operations. SAA staff at all levels are enlisted to aid in these efforts, which ultimately allow the organization to better realize its mission to reach, serve, and engage all alumni and students; to foster a lifelong intellectual and emotional connection between the university and its graduates; and to provide the university with goodwill and support.

VICE PROVOST FOR STUDENT AFFAIRS

Student Affairs' primary 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 2013/14, Student Affairs will pursue strategic initiatives to sustain and enhance program quality and capacity, advance student learning and development, and fulfill compliance and risk management mandates.

For 2013/14, Student Affairs projects total revenues and operating transfers of $57.5 million and total expenses of $58.6 million, resulting in a net operating deficit of $1.1 million. Anticipated consolidated fund balances will be $21.6 million at year end.

Major contributors to the net 2013/14 operating deficit will include drawdowns against prior-year operating budget carryforwards and against accumulated restricted funds balances. In the operating budget, an anticipated 2013/14 beginning balance of $869,000 is expected to be almost entirely expended to support programs and other operating needs. Accumulated gift fund balances, projected to be $4.4 million at the start of 2013/14, will be drawn down by $711,000 during the year, primarily to support expansion of public service/service learning programs in the Haas Center for Public Service, including resumption of the Stanford College Prep Program, which had been put on hold for a year due to funding uncertainties.

Consolidated revenues and transfers for 2013/14 are expected to exceed those projected for 2012/13 by $1.1 million, or 1.9%. Most of the difference is attributable to increases in base general funds. Other major revenue streams, including designated, restricted, and auxiliary incomes, will remain at about the same levels as projected for 2012/13.

Total 2013/14 expenses will exceed 2012/13 expenses also by about $1.1 million (1.8%), with standard cost rise accounting for the majority of the projected growth. Student Affairs units received incremental base and/or one-time funding to support needs in the following areas:

- Sustaining/enhancing program quality and capacity
  - The Student Affairs Information Technology unit received incremental base general funds to support 1.0 FTE database programmer (funded for the last two years by a combination of one-time general funds and division reserves) and IT infrastructure expenses.
  - Vaden Health Center will use incremental base to add a part-time clinical educator/staff psychiatrist in the Counseling and Psychological Services unit.
  - The position of assistant dean in the Office of Student Life, which is the primary liaison with the Stanford Band and the Frosh Council and oversees student recognition awards and an online voluntary student group registration/management system, will be extended for an additional year with one-time funds.
- Advancing student learning and development
  - The Haas Center for Public Service was allocated incremental base to help stabilize long-term staffing needs in well-established, gift-funded community service programs.
  - The six community centers and the Bechtel International Center received one-time funds to help meet emergent needs of the increasingly diverse undergraduate and graduate student populations, including international students.

Also in the coming year, Student Affairs will continue to regularly assess and evaluate programs and operations through a comprehensive plan. These reviews, funded with division reserves, provide the vice provost, his leadership team, and unit staff with critical information that shapes strategic decisions. The Office of Student Activities and Leadership and the Office of Judicial Affairs (now called the Office of Community Standards) recently completed their reviews. Currently, the six community centers and Fraternity/Sorority Life Office are under review. Assessments of the Office of Sexual Assault & Relationship Abuse Education & Response and of the Office of Alcohol Policy and Education are scheduled to take place in 2013/14.

UNDERGRADUATE ADMISSION, FINANCIAL AID, AND VISITOR INFORMATION SERVICES

Undergraduate Admission & Financial Aid projects total consolidated revenues and operating transfers of $168.7 million and expenses of $170.1 million, resulting in an operating deficit of $1.4 million and 2013/14 ending fund balances of $4.3 million. The consolidated budget is divided between the student aid and administrative budgets as follows:

- The budget for student aid includes revenues of $159.2 million and expenses of $159.6 million. The majority is need-based undergraduate student aid, representing about 88% of the budget. The remainder is graduate aid, including roughly $17 million for the National Science Foundation Graduate Research Fellowships Program, and emergency grant-in-aid funding for students in financial hardship. The net operating deficit for 2013/14, $400,000, derives chiefly from the use of endowment income that had no qualifying recipients in prior years. Ending student aid fund balances for 2013/14 are projected at $1.2 million.
- The administrative budget projects revenues of $9.4 million and expenses of $10.5 million, resulting in a net operating deficit of $1.0 million. This deficit will bring the projected 2013/14 administrative ending fund balances to $3.0 million.

The following information pertains exclusively to the administrative operations of Undergraduate Admission. Details of the undergraduate aid budget are found in Chapter 1.

Total 2013/14 expenses are budgeted to be 18.9% higher than the $8.8 million projected for year-end 2012/13, or $1.7 million. Compensation costs are expected to increase in line with trend growth, while non-salary costs are expected to spike.

Undergraduate Admission is funded almost entirely from general funds. Gifts, campus tour fees, and the sale of related merchandise generate minimal additional revenue. Undergraduate Admission is not requesting any incremental funding beyond its base funding allocation. All potential special projects with costs exceeding the base allocation will be paid for out of accumulated reserves.

In recent years, Undergraduate Admission's reserves have increased significantly, from $861,000 in August 2006 to $3.0 million in August 2012. Much of this increase stems from position vacancies. Outreach activities that Undergraduate Admission tabled to pursue at a later date were also a contributing factor.

Undergraduate Admission has plans to use these reserves over the coming two to four years. Planned 2013/14 uses of reserves include implementation of a new staffing structure, which will increase salary costs; additional updates to print collaterals, promotional videos, expansion of social media presence, and other marketing measures; ramped-up outreach activities, including domestic and international travel and targeted marketing; and expansion of the number of Outreach Volunteer Alumni Link interview cities, which will require additional travel and training of alumni volunteers to interview prospective applicants.

Undergraduate Admission has developed a premier organization to attract and yield the brightest undergraduate students. Despite scaled-back outreach since 2008 (to address the economic downturn), the university received 38,828 applications in 2012/13, the largest number in its history and 5.5% more than in 2011/12. This success brings additional needs, however, as Undergraduate Admission 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

The fiscal outlook for the Department of Athletics, PE, and Recreation (DAPER) has improved for 2013/14, although challenges remain due to uncertainty in several revenue streams. DAPER's consolidated budget covers three distinct sets of activities: auxiliary operations ($81.8 million in revenue), financial aid ($21.1 million in revenue), and designated activities (e.g. Camps: $6.6 million in revenue). In 2013/14, DAPER projects a consolidated surplus of approximately $1.7 million based on projected revenues and operating transfers of $107.8 million, $1.7 million of transfers from other assets, and expenses of $107.9 million. Significant incremental revenues are anticipated in key areas, with overall revenues and transfers exceeding the projection for 2012/13 by 9.6%. New expenses accompany some of these new revenues, so overall expenses are expected to exceed the 2012/13 projection by 8.1%.

Auxiliary Operations

The projected revenues and transfers for auxiliary operations in 2013/14 are $81.8 million, 11.3% higher than the $73.5 million projected for 2012/13. Projected expenses are $80.3 million, 9.3% higher than the $73.5 million for 2012/13. The $1.5 million surplus will be used to reduce the accumulated deficit in the auxiliary of $7.9 million. As in most years, DAPER's actual revenues will largely be determined by the success of football ticket sales and annual fundraising efforts. In 2013/14 there is also a potentially significant but uncertain new revenue source—the newly created Pac-12 television network, which will be in its second year of operations. However, no significant incremental revenue from the network is projected in 2013/14 due to the uncertainty in this area.

There are several other key changes on the revenue side. Intercollegiate revenues show a significant increase of 22.1% primarily due to increased projections for football ticket sales as a result of a very favorable home schedule. University funds are up 22.2% due to funding for the operations of the new Arrillaga Outdoor Education and Recreation Center (AOERC), scheduled to open exclusively for recreational usage in September 2013. Expenses are up across the board over the projection for 2012/13 due to AOERC staffing and operating expenses. Other expenses show relatively small changes as DAPER continues to hold expense growth down.

Financial Aid

DAPER's financial aid endowment continues to be a huge asset. For several years its payout significantly overfunded financial aid needs. This allowed the department to work with donors to transfer the surplus to help with operating expenses. However, the decline in endowment payout for 2009/10 and 2010/11, combined with continued increases in tuition costs, created financial aid expenses that exceeded endowment payout. Despite a rebound in the endowment and significant new gifts in this area, this problem will continue in 2013/14, and DAPER projects a need for a transfer of approximately $1.6 million from operating revenues to balance the financial aid budget. For 2013/14, projected revenues (including this transfer) and expenses are $21.1 million, for a balanced financial aid budget; in comparison, projected 2012/13 revenues and expenses are $20.0 million. This budget provides approximately 340 scholarships that benefit over 500 students.

Designated Activities

DAPER's designated activities consist primarily of summer camps, which are mainly pass-through operations 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 2013/14. Revenues and expenses from designated activities are projected to be $6.6 million, only slightly higher than the $6.5 million projected for 2012/13.

RESIDENTIAL & DINING ENTERPRISES

Residential & Dining Enterprises (R&DE) is a university auxiliary generating revenues primarily through room and board, conferences, cafés, catering, guest houses, and other enterprises. R&DE houses over 11,000 undergraduate and graduate students and serves approximately 18,000 meals per day, while providing stewardship for five million square feet of physical plant. R&DE supports the University's academic mission by providing high-quality services to students and the Stanford community in a sustainable and fiscally responsible manner. R&DE ensures critical facility needs for life safety and code compliance are met while maintaining safe, comfortable, and contemporary living and dining spaces.

The 2013/14 auxiliary budget plan projects total revenues and net transfers of $189.3 million with off-setting expenses that result in a break-even auxiliary budget. The consolidated budget plan includes a planned use of reserves for maintenance and capital projects. Consequently, fund balances are projected to decline by $1.3 million.

The 2013/14 combined undergraduate room and board rate increase is 3.5% (4.47% room and 2.19% board). When combined with increases in other revenues, the R&DE total auxiliary revenue for 2013/14 is projected to increase by 3.0% over the prior year projection. R&DE plans to address inflationary impacts on operating costs and anticipated escalation in asset renewal, debt service and emerging projects with the projected revenue increases as well as continuous business optimization. The 2013/14 operating expenditures reflect the projected impact on utility costs stemming from the Stanford Energy System Innovations (SESI) project. In addition, expenses include $4 million of emerging projects to be funded with a combination of $2.6 million in auxiliary operational funds and $1.4 million in reserve funds.

R&DE provides ongoing funding support to Residential Education, Residential Computing and the Graduate Life Office. R&DE collaborates with the Vice Provost for Undergraduate Education (VPUE) to implement the findings of the Study of Undergraduate Education at Stanford (SUES), including the Integrated Learning Environment (ILE) program.

R&DE is also making significant investments in its physical plant. Accordingly, R&DE has developed an ongoing long-range capital plan to address its facility renewal needs, with expenditures of $38.2 million in 2012/13, $49.6 million during 2013/14, and additional costs in future years on a variety of capital renovation projects. In 2012, R&DE also initiated a plan to address a backlog of deferred maintenance across residential and dining facilities and invested roughly $27 million to complete the first phase. The deferred maintenance backlog plan and the long-range capital plan both address life-safety system upgrades to meet current code, interior and exterior restorations; and window, roof, plumbing, mechanical and electrical replacements across the student housing and dining system. The R&DE Initiative for New Housing, commenced in 2012/13, will result in 764 new graduate and undergraduate bed spaces by 2015. This initiative will also help meet the General Use Permit (GUP) housing linkage requirements to academic building growth, improve the future campus-wide GUP position, support the SUES, and address over-crowding in the student residences.

In addition to the Initiative for New Housing, the 2013/14 capital project plan will mainly focus on: Row House renovations and kitchen replacements; Escondido Village apartment kitchen renovations, heating system upgrade, fire sprinkler installations, and roof replacement; Governor's Corner utility systems, bathroom plumbing, mechanical systems, as well as program and bed space upgrades; and Manzanita refurbishment of existing living, programming, and dining space.

R&DE operates in a dynamic and changing environment; therefore, it is essential to plan for uncertainties by building reserves. R&DE's continued commitment to business optimization results in a sustained trend of generating positive operating outcomes that enable the growth of R&DE's reserves. This is achieved by a constant pursuit of excellence, diversifying revenue sources, managing costs, mitigating risk, increasing internal controls, enhancing accountability, and driving business results.

HIGHWIRE PRESS

HighWire Press projects revenues of $27.0 million and expenses of $27.0 million for 2013/14, an operational break-even for the year. HighWire's revenue projection of $26.0 million for 2012/13 reflects a 2.7% increase over 2011/12; the preliminary projection of $27.0 million for 2013/14 reflects an additional 3.8% increase. Recent market wins and the beginnings of a shift in market conditions that are favorable to HighWire signal an uptick to returns beginning in 2014/15.

HighWire Press remains at the forefront of strategic scholarly publishing, providing digital content development and hosting solutions to the scholarly publishing community. It 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 related scholarly content.

In March 2011, HighWire embarked upon a major revitalization initiative encompassing investments in management and staff, technology, customer satisfaction and retention, and market positioning. This initiative was undertaken in response to new competitors and new technology drivers in the market space, and was enabled by funds received from both Stanford University Libraries and the provost. The continuing goals of the initiative are to accelerate innovation in key areas, improve operational efficiency across HighWire's systems and processes, and return HighWire to a position of growth and profitability.

HighWire has progressed dramatically with its revitalization plans and completed a multiyear project to migrate more than 1,400 websites to its new HighWire Open Platform. This platform allows publishers, and HighWire, to leverage technology advances. HighWire now hosts over 1,750 sites, of which 1,250 have been optimized for mobile computing.

HighWire's operational highlights include the following:

- The management team has been strengthened and restructured and the core staffing model has been shifted. Two executive positions have been eliminated, and several employees have been promoted into new roles, providing pivotal industry knowledge. In addition, HighWire now employs an onshore-offshore model, especially in production and engineering. The combination approach has provided greater around-the-clock technical support, a lower-cost resource blended rate, and flexible capacity.
- A Product Development Roadmap has been established and is delivering great returns. It targeted 70 items for delivery during the last quarter of 2012, and 69 were delivered as projected, a 98.5% success rate. The Roadmap has continued to evolve as a strategic initiative, leading to integrated strategic roadmaps with several key clients.
- The investment in technology has enabled HighWire to recapture a highly visible innovative position in the marketplace. The use of Drupal technology, leveraging the HighWire Open Platform, has clearly demonstrated a leadership position for HighWire. In addition, retiring aged servers, investing in current platforms such as VMWare, and reducing/eliminating single points of failure have resulted in system uptime of 99.91% for calendar year 2012.
- HighWire has created and rolled out an iOS and Android mobile application that is currently being sold and adopted by its customer base.
- HighWire has introduced a rigorous operational excellence program, using SalesForce to track customer requests. The system has effectively tracked more than 16,000 requests in 2012/13.
- Lastly, HighWire has implemented integrated account management for its top 30 clients. The program has resulted in the successful renewal of several top publishers.

STANFORD UNIVERSITY PRESS

The Stanford University Press consolidated budget for 2013/14 projects revenue and transfers of $6.5 million and expenses of $7.5 million. The Press will close the funding gap by withdrawing $1.0 million from the Press Research Fund principal. This withdrawal will significantly deplete the Research Fund, and a fundraising effort was approved early in 2013 to replace this source of support for Press operations. Sales revenue reflects growth of 3% over the anticipated 2012/13 year-end total. Gross margin on sales (the remaining income after deduction of production costs, royalties, and write-down) is expected to improve, despite a fractional increase in operational costs. Through continuing margin improvement and cost control, the Press will keep its operating loss comparable to the 2012/13 year-end figure.

Despite several market shifts and acquisitions, there remains no market leader in digital sales of scholarly book content, outside of consumer sales through Amazon (which retains more than 75% of the marketplace for digital content). As with the large majority of university presses, print sales still represent 90% of the revenue stream, with overall sales to individuals of e-books showing signs of greatly reduced growth. At the same time, new sales models are maturing, and the Press will see the launch of Stanford Scholarship Online in July 2013. There has been strong prelaunch interest in this collection-based platform, which will allow libraries to purchase entire lists of Press publications in areas such as history, literary studies, and philosophy. Predictions of the likely income stream, however, remain understandably cautious. Entry into this platform, hosted by Oxford University Press, has required a significant reorganization of the workflow to include full chapter-level abstracts and keywords, but these additional metadata are intended to be reused within an updated and completely retooled Press website, which will launch in early fall 2013. This rebranded site will offer a range of free content and tie into a broader push in social media marketing.

In 2012, the Press launched Stanford Briefs, the line of short-form scholarship across the full range of disciplines, priced at $9.99 in the digital format and also available in print-on-demand paperback. Modeled on the essay style, this product line stands out in the field of short-form publishing as the only original-content model—competitors from all other university presses at present repurpose content from existing books. Early titles have been in business, philosophy, healthcare policy, and Middle East studies. Early sales have been very strong, matched by keen author interest. Meanwhile, the Press continues to experiment with rental-based e-textbook models and is partnering with various market leaders in the digital textbook space. The Press has also established a trackable digital system of distributing review copies for the media and for class adoption consideration, providing robust access analytics that will increase usage and efficiency.

The accelerated write-down plan has resulted in dramatically reduced inventory. The write-down for 2013/14 is down more than 30% over 2012/13, for a cumulative reduction in the Press' key inventory ratio of over 50%. The move toward on-demand printing continues, although aspirations remain slightly ahead of the available technology. The new print model will be rolled out in the spring of 2013, with full implementation by fall. A competitive marketplace has greatly reduced the costs, but the internal infrastructure necessary to support this shift will likely result in a drop in the gross margin and thus affect the bottom line during the transitional period.