



# **Office of Financial Services**

## **Strategic Plan**



**THE OHIO STATE UNIVERSITY**

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# *Message from the Treasurer*

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Under the direction of Interim President Drake, the University continues to strive to be the model for an affordable public University. The Office of Financial Services' (OFS) commitment to being responsible stewards of the University's assets by ensuring the University's continued financial sustainability will play a key role in achieving this goal.

The current economic situation and forecasts at both the state and federal level do not make this pursuit easy. Traditionally, a public land-grant University is somewhat dependent on state and federal funding. This can no longer be the case. To move forward the University must be willing to put everything on the table and honestly evaluate every area for cost savings and/or new revenue opportunities. Though these are sometimes not easy decisions, our willingness to do so will enable the University to support and sustain our core mission of ensuring the highest quality education for our students at the most affordable price.

The Provost and CFO challenged us to identify at least \$2 billion in resources needed to support the University in moving forward over the next 10 years. Through reallocations, savings opportunities or the identification of new revenue sources, OFS is committed to achieving this goal and being a valued partner through appropriate resource stewardship.

A key to our success will be working closely with our internal and external partners. We will leverage our resources and knowledge base across all key financial areas within the University to promote change and innovative thinking. We will look to capture revenue opportunities and cost savings to support the financial initiatives brought forward by executive management. These areas include the Medical Center, Tech Commercialization, auxiliary units (Athletics, Student Life, Don Scott Airport and other earning units), and key University affiliates. Simultaneously, we will continue to foster our critical external partnerships at the city, state and federal levels as well as our financial institution partners. Together we will identify and evaluate potential revenue opportunities related, but not limited to; public/private partnerships in support of technology licensing opportunities, optimizing our debt portfolio, supporting new and beneficial affinity agreement opportunities, maximizing our short and long term investments, reducing areas of potential financial and operational risk and identifying potential opportunities to monetize non-mission critical University assets.

Over the past two years we have worked with our partners to implement some very unconventional, innovative and profitable financial strategies. Not only have these strategies provided significant funds that could be reallocated directly back into the core academic mission, but they have received positive acknowledgement from the community at large and we have been contacted by many of our peer institutions who have indicated interest in pursuing similar opportunities.

The Office of Financial Services is committed to being recognized as a valued partner to The Office of Business and Finance, our internal and external clients and the University.

Regards,

**Michael Papadakis** Vice President & Treasurer  
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## ***Vision, Mission and Shared Values***

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### **Vision Statement**

We support the university's growth and mission of teaching, research and public service by continuously developing innovative financial solutions while effectively managing risk. We serve the university as exemplary stewards of financial resources and conduct ourselves according to the highest ethical standards.

### **Mission**

The Office of Financial Services at The Ohio State University will be recognized globally as the preeminent financial operation in higher education and a model for other institutions to emulate.

### **Office of Business and Finance Vision statement**

To be nationally recognized as the premier financial organization among public universities.

We will set the benchmark that other financial organizations strive to emulate and will be known for:

- Top tier finance capabilities
- Value-added operations
- Culture that embraces change
- Highly-regarded team, both internally and externally

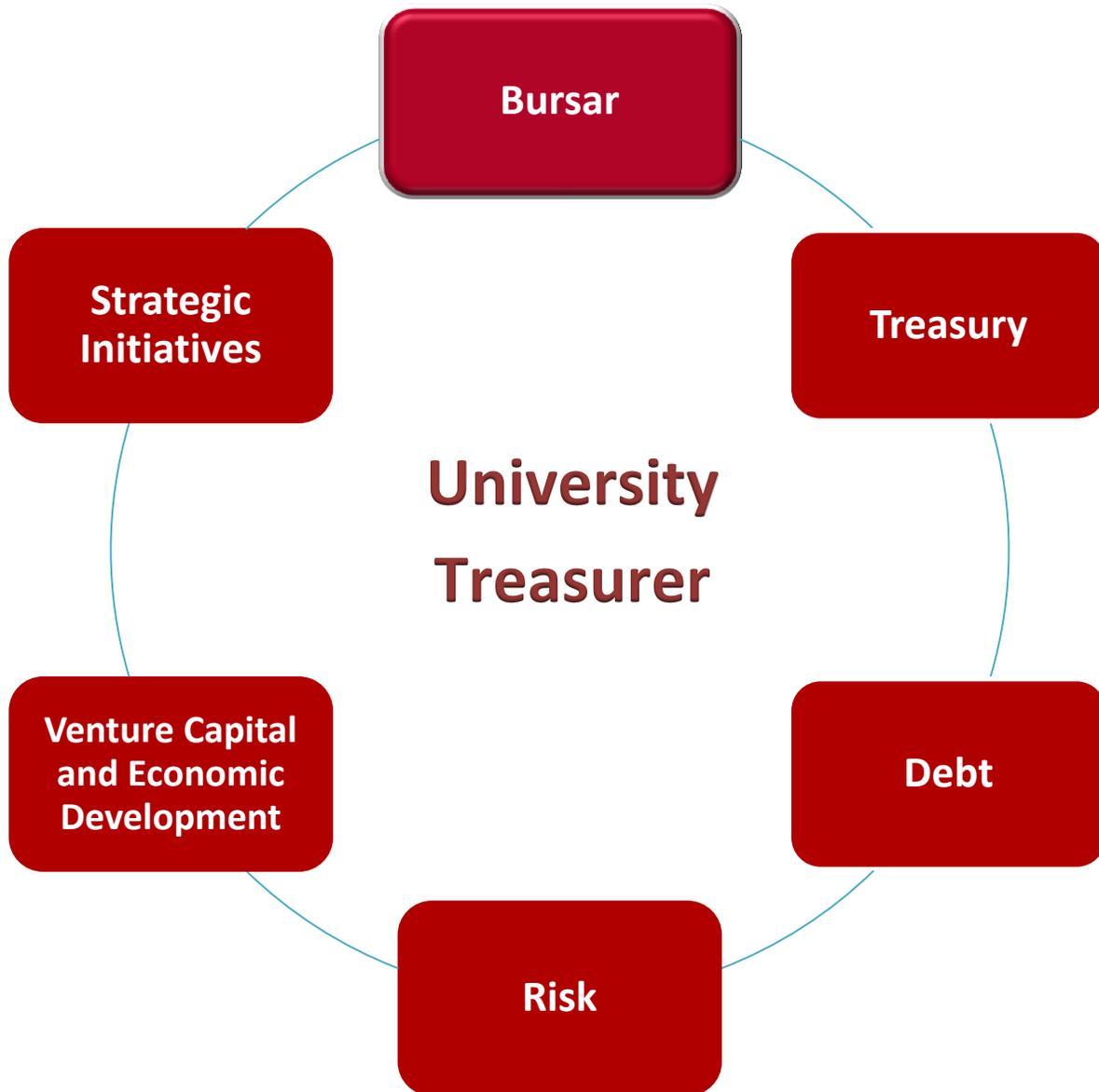
### **Shared Values**

We are committed to continuous quality improvement through integrity, innovation, diversity, and stewardship.

## Organization

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The University Treasurer/Vice President for Financial Services reports directly to the University's Chief Financial Officer. The Treasurer/Vice President for Financial Services is responsible for the Office of the University Bursar, Treasury Management, Debt Management, University Risk Management, Venture Capital and Economic Development, and certain Strategic Initiatives.



## *Functional Areas*

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### *Office of the University Bursar*

The Office of the University Bursar is the student-facing arm of Financial Services, charged with assessing fees and other charges to students' accounts, and collecting payments from students. Simply stated, the Office of the University Bursar maintains the financial assets of the University with integrity, while providing quality customer service delivered with respect and fairness to all internal and external customers.

Responsibilities of this office include billing, payment processing and collections (fees, tuition, and student loans), Perkins and Cohort administration, accounts receivable and customer service.

In recent years the focus of this office has been to improve and streamline the services provided to our students. A significant milestone in this process was creating strategic partnerships with other University areas focused on our students to create a Student Services Center located in the main lobby of the Student Academic Services Center building. This location and collaborative service desk provides easy access to all students and parents. Student services needs from the University Bursar, Student Financial Aid and the University Registrar are all provided in this one stop shop for students needing assistance. Customer service reps are cross trained so that regardless of the type of question a student might have they are able to assist them in their needs. By creating and continuing to build on this partnership we have been able to work together on cross functional teams to not only better serve our customers, but in turn streamline processes and resource allocation to realize efficiencies and cost saving for the University.

One recent example of this success would be the implementation of our “the Cashless and Paperless Business Office.” The new business model delivered mandatory, dynamic online billing services, and later implemented policies and services to create a cashless business office. These two initiatives led to improved efficiency, increased cash flow, decreased expense, and streamlined operations. As a result the office received the 2013 CACUBO Best Practices Award. Achieving the office's long term goals will be contingent on the ability to build on successes like this and identifying additional opportunities to improve processes and create efficiencies that will in turn facilitate improved customer service and position the office to continue to be an example for ‘best practices’ to peer institutions.

In the near and medium term this office will continue to build on our success and partnership to identify and deliver more efficient, cost effective solutions for our service delivery. Capitalizing on technology will be an important part of achieving success. Continued partnership with Student Financial Aid and the University Registrar, as well as other areas where appropriate will allow us to leverage our resources to achieve even greater success internally.

The next step as part of our long term goals would be to look for opportunities to streamline, improve and standardize processes, expectations and deliverables from our third party providers. Much of our tuition, fees, and collection income are dependent on third party providers. State agencies, foreign governments, military (ROTC), the Attorney General's office and other local agencies are just some of our external partners that have a direct impact on revenue streams. Working with these agencies to develop standardized processes, reporting and data requirements, and coordinating calendar deadlines would create efficiencies in the process, standardized data and also improve the timeliness and accuracy of critical reporting data.

Cohort default rates continue to be a concern and will be an area of focus in the mid to long-term. Though we have some direct influence on how the Perkins default rate may be calculated, we currently have little influence on how the federal direct lending default rates are calculated. The Default rates can have a significant impact on the University both from a financial and reputational standpoint. Internally we continue to partner with Student Financial Aid, the Registrar and Student Life to build on our current student education programs stressing the importance of paying back loans in a timely manner. Additionally, we will need to investigate the value of looking at opportunities to partner with other Universities and University Government Relations to see if we can have a positive influence on how these rates are calculated in the future.

### **Treasury Management**

Treasury Management has direct oversight of the University's operating fund investments, Self Insurance Funds, Gifts and Trust Investments, and monitors portfolios and liquidity on a daily basis. The office manages the University's cash management and banking structure. It is responsible for deposit procedures of University departments. The department manages University credit card acceptance including PCI compliance. This department is also responsible for liquidating gifted securities, cash flow forecasting, and reconciling University bank accounts.

The department is working to continuously improve treasury capabilities and efficiencies at the University. Recent successes in FX payment processing, short-term investment returns, image based deposits, prepaid card solutions, and account consolidation have set the trend for ongoing improvements and enhancements. Five-year objectives include greater use of the Internal Bank structure to enhance decisions that fulfill the University's capital needs while managing the University's asset/liability exposure, improving coordination and data sharing with University departments for enhanced forecasting/analysis, upgrading the University's reconciliation system and processes, and replacing the issuance of paper checks with electronic payments and card solutions.

Treasury Management anticipates utilizing a number of technological enhancements over the next five years, including increased use of remote deposit capture terminals, automated electronic vault deposit reconciliation, payment cards that can be instantly loaded/issued, remote

check printing using secure bank-owned printing facilities and in-depth investment analysis and monitoring of portfolio holdings.

### **Debt Management**

Debt Management coordinates the issuance of bonds, notes and master leases. Debt Management is responsible for the receipt and disbursement of borrowed funds, compliance with regulations, and the accounting for the University's tax-exempt debt. Payment of principal, interest and bond expenses are made by this area. Financing information is provided to University departments for future debt projects. Departmental repayments are collected by Debt Management. Current debt issues are monitored to determine available funds for internal loan purposes.

Another opportunity to leverage University assets is the Internal Bank. The Office of Financial Services (OFS) manages cash, investments and debt for all the departments within the institution. In performing these functions, OFS serves as a "bank" to University departments – taking internal deposits, issuing internal debt, investing operating funds and disbursing internal loans. The Internal Bank concept is a framework for coordinating these activities, providing oversight and a consolidated view of associated assets, liabilities, revenues and expenses.

Management and oversight of the University's short and long term capital investments is another function of this area. Currently the University's long term capital needs significantly exceed the available resources. Careful analysis of the proformas/business plans associated with proposed capital spend provides the information needed for leadership to assess priorities and invest wisely. Leveraging all available funds to maximize return will remain key in meeting the University's capital investment goals with available resources. Aligning capital opportunities with the University's mission, framework, financial targets and strategic priorities positions the university to develop plans for strategic investments over a 5-10 year period.

### **Office of Risk Management**

The Office of Risk Management was established to provide oversight and to assist the University in identifying, assessing, prioritizing, managing and effectively mitigating risks that are present in the daily operations across all functional areas of the University as well as to identify potential emerging risks that could positively or negatively impact the organization from a reputational, academic, research and financial perspective. The main objective over the next five years is to strengthen, promote and advance a strong risk culture that will engage, enhance and support the core teaching and learning mission of our institution and to create a best in class program amongst our peer organizations. . Functional areas under risk management include; University Risk Management (URM), International Risk Management, Business Continuity and Insurance.

As a fairly new organization within OFS, and under new leadership, the Office of Risk

Management's five-year overarching goals will be to grow the URM process into a leading resource for both internal and external clients and to gain a cultural understanding of the importance of sustaining high credibility as an organization by increasing knowledge and understanding of risk across all organizations within the University. In so doing, the University will have the proper mechanism in place to more proficiently manage strategic, reputational, financial and operational risk.

The short to mid-term focus will be on building a strong, professional organization with the necessary expertise and professionalism to accomplish the fairly aggressive mid-term organizational goals. Additionally URM will continue to build on the collegial partnerships previously developed with other risk management areas at the University as well as the Office of Compliance, Legal Affairs and all stakeholders to standardize and streamline data, processes and policies in an effort to build on prior successes and position the University for additional success in the future.

Over the past year, the URM project team has worked with all areas of the organization and Sr. Leadership to identify top strategic risks, prioritize risks, and begin formulation of mitigation plans of those top risks. Over the course of the next year we will continue to work with individual business units to help determine appropriate strategies for risk mitigation efforts and assess and report on mitigation activities. The Risk Assessment process is iterative with strategic risks re-ranked based on university priorities and our existing assessment methodology.

A decentralized environment creates opportunities for gaps in the identification, assessment and mitigation of potential risk events. Establishing and communicating strong risk

governance mitigation processes and developing comprehensive policies that can be disseminated at the unit level will be critical to our success. Establishing clear roles and responsibilities with accountability at the unit level will also be important in the creation of a comprehensive University Risk Management program.

Risk mitigation will continue to be a primary focus. The University's ability to quickly respond to and comply with continually changing State and Federal regulations and requirements becomes increasingly important. The awareness of and the ability to comply with these changes proactively will reduce both the reputational and financial impacts. The globalization of the University's teaching, learning, research and financial opportunities opens new doors to the University but will also require the expertise of our director of international risk. Comprehensive, fluid, interlinked business continuity plans and processes will minimize overall financial impact in the event of a major business disruption and enable the University's leadership and units to prioritize key operations to make quick and informed decisions thereby minimizing business interruptions.

Evaluating, negotiating and executing appropriate insurance policies, premiums and insurance model structures will reduce negative financial impacts to the university during potential loss events as well as save financial resources by instituting the appropriate insurance models based on what would be in the best interest of the University.

Over the next five years the office of risk management will enhance its position of a valued and strategic partner and resource at the University.

### **Venture Capital and Economic Development**

The area of Venture Capital and Economic Development provides strategic oversight for the \$100 million funds set aside to advance and support economic development in the region. This includes coordination of the University's investment in Drive Capital, the planned Ohio Innovation Fund, the existing Concept Fund and Catalyst Fund, as well as any future investments in this space.

This area is responsible for the financial affairs, strategic leadership, and key operational areas associated with the management of the equity holdings in university technology companies and university Venture Capital Pool investments. It provides the necessary leadership to ensure that the unit has proper financial and operational controls, administrative and reporting procedures, and systems in place to effectively grow and manage the organization and to ensure financial strength and operating efficiency.

Building and maintaining close, productive relationships with the university's partners in each of the Venture Capital Pool investments, the board of the Ohio State Innovation Foundation, as well as internal constituencies in Business & Finance, Legal Affairs, and the Office of Investments will be key to our continued success.

### **Strategic Initiatives**

To achieve the University's strategic goal, we must be innovatively identify or create funding sources for initiatives not supported through existing funding. Strategic programs identify and evaluate opportunities for the university to streamline operations, reduce costs, enhance revenue streams, restructure non-core assets and establish strategic partnerships. The ability to objectively assess and deliver the financial benefits and risks of all of these options will provide new revenue sources to support the University strategic investments in the 5-10 plans. The newly generated revenue or savings from these activities also allows investment in the core missions without negatively impacting the University's affordability.

Strategic Programs within the Office of Financial Services is in the unique position of having access to both the financial expertise of the organization as well University Risk Management to assist in assessing strategic opportunities and partnerships that may exist or become available in the future. The area's role is to assist in identifying key resources and stakeholder required to assess the viability of opportunities as they arise and facilitate as assist in performing the necessary due diligence.

The successful negotiation of the parking concession agreement generated significant resources

for University programs. Revenue from this agreement provided funding for areas such as eminence fellowship programs, staff career development, and a significant contribution to the University endowment that will generate income to be distributed back to university priorities including teaching, learning and research. The Huntington agreement and other Affinity agreements have generated significant resources back to University academic and student oriented priorities.

This area continues to assist in the on-going strategic review of all University non-core mission assets. The purpose of the assessment would be to provide recommendations to leadership regarding potential revenue generation opportunities related to University utility assets and the University airport.

Though each transaction of this type is somewhat unique in nature, we are in the process of developing information sharing tools, business model templates, check lists, stakeholder templates and decision process trees will prove to simplify and expedite similar due diligence process in the future.

The long term focus will be influenced by the outcome of the strategic asset review and other opportunities as they arise. Partnerships with the University's Affinity group, Technology Commercialization and other areas of the University promise to uncover other opportunities as well.

Strategic alliances, both internally and externally, will provide the University with the competitive edge through access to resources, technology, capital and people. The Office of Financial Services Strategic Initiatives group will continue to take the lead on identifying and building those relationships to assure continued momentum in securing non-traditional funding sources that will help ensure affordable access to excellence for all our students.

### **The External Environment**

The external economic environment impacts the Office of Financial Services in a variety of ways including the following.

### **Projected Decreases in Federal, State and Local Funding and Maintaining Affordable Access**

The University is committed to providing an affordable education, while being mindful of rising student debt, and aware of the financial challenges to educational access. Ohio State intends to become the model for an academically excellent, affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness. To do so we must build on traditional revenue streams and continue to identify innovative, new sources of revenue to offset student costs.

Environmental factors including financial pressures on students and families, federal sequestration and health reform require that we build a more dynamic and adaptable approach in financing Ohio State. Revenue from grants and contracts is expected to decrease due to decreased governmental funding. We project decreased revenues for sponsored research projects is the result of federal and state budget cuts and the uncertainty associated with grant funding during the federal sequestration.

We continue to explore new revenue opportunities in addition to the leased parking funding, century bond funding, and current affinity contracts. We continue to focus on our financial investment strategies, streamlining activities and procurement strategies in order to maximize the funding available to advance our goals of Teaching and Learning, Research and Innovation, Outreach and Engagement, and Resource Stewardship.

### **Compliance and Regulations**

There are numerous compliance regulations that require ongoing monitoring to ensure potential financial risks to the University are mitigated. These include, but are not limited to; possible audits of ARRA awards, increased audit scrutiny that generally accompanies funding decreases, impact of health care reform on clinical research and NSF's new Data Analytics audit methodology.

## **Record Low Interest Rates, Investment Returns, and Debt Opportunities**

The Ohio State University seeks to prudently invest operating funds in conservative short-term and intermediate-term investment programs. The outlook for interest rates and returns on short-term investment continues to be “low for long.” The Federal Reserve, as recently as September 30, 2013, has an official position that it will maintain official rates near zero for as long as unemployment remains above 6.5%.

The low return on short-term investments is causing many Universities to renegotiate interest rates on banking products and to seek out and prudently select other short-term investment programs, including new “enhanced cash” and ultra-short mutual funds.

The record low interest rate environment also provides a unique opportunity for higher rated universities to issue new debt at historically low interest rates. During 2011, 2012, and early 2013 a number of universities, including The Ohio State University, issued 100-year “Century” bonds at attractive interest rates

## **Increased Public Scrutiny of Existing and New Funding Strategies**

Internal and external factors have created resource restraints that challenge us to identify alternative funding sources to enable our pursuit toward excellence. Going forward this will require that we continue operating more efficiently and remain focused on strategic goals while avoiding the danger of diverting resources to non-essential initiatives. The continued commitment to innovative financial change must be done in a thoughtful, strategic manner and become an integral part of any future university planning

## **Health Care Reform**

Medicare represents 44% of the typical hospital’s patient volume, ensuring that any payment change has significant impact on industry growth rates. Medicare is expected grow faster over the next decade as the population ages, especially baby boomers, and greater numbers of people enroll in Medicare

Reducing costs while making investment necessary to adjust to changing reimbursement methodologies brought on by the Affordable Care Act (ACA) and the demands of other industry participants such as insurers and employers will be necessary for the University to succeed in these challenging times.

In the coming years will continue to navigate the multiple challenges related to various influences such as of the impacts of health care reform, the continued success of the new the cancer and critical care tower, and managing operating costs while maintaining exceptional patient care.

## *Strategic Scan - Internal*

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### **The Internal Environment**

Long-term financial planning at the University forms an important foundation for our academic, physical and financial growth. Our goal of achieving eminence through our students, faculty, discovery themes and becoming a top ten University will require a significant financial investment. At the same time, we are firmly committed to providing affordable access to our students.

On the surface these goals may seem to challenge each other. However in 2014 our rankings in the September *U.S. News & World Report* reflect uncharacteristic upward progress. Tuition remains frozen, semester conversion was successful, favorable financing for the North Residential Housing Program was secured, and the parking concession agreement was successfully signed and provided significant dollars to advance core priorities including Discovery Themes, Eminence Fellowship programs, and additional Staff Career Development grants.

Our continued success being able to strengthen existing and identifying new funding streams will be contingent on our ability to continue to work collaboratively, think strategically, and mitigate operational, reputational, strategic, and financial risks proactively so we can leverage resources effectively.

Maintaining the University's favorable debt rating and continuing to project a stable financial outlook will be critical to strengthening our financial position. Our continued success as a large, research-intensive university with an academic medical center and healthy operating performance will be an important factor. The depth of the University's leadership team and its ability to continue to keep the focus on moving forward in achieving core goals is critical. The successful transition of the University President Drake and his seamless transition into the new governance structure has strengthen the University position.

Other internal influences we continue to evaluate are organizational structure, central/decentralization, budgets, processes and employee talent. Strategic investments in talented resources should provide significant returns to the university. A commitment to investing in our people will enable the university to continue to recruit and maintain a professional and talented team. Strategic investments in technology will also further enable our agility to meet changing demands. Revenue sources for these and like investments will need to be identified and may be supplemented by our continued focus on streamlining and cost savings. Communicating this reinvestment may encourage participation in cost saving initiatives as well.

Our current decentralized environment can be a particular challenge when implementing Risk Management. Positioning URM as a strategic management practice and not as an additional task will be critical. Competing priorities, changing federal regulations, lack of understanding about risk management and a legacy culture somewhat resistant to change can present challenges. The URM governance structure, including the Risk Committee has had a positive start. Strengthening the newly formed partnership between the Compliance office and the Office of Risk Management will be important role in successfully moving the combined programs forward.

## Office of Financial Services Strategic Goals

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**The Office of Financial Services** is responsible for promoting and ensuring the financial security of the University. Each unit within the Office of Financial Services has established strategic goals that align with the three primary goals of the Office of Business and Finance. The Business and Finance goals are:

1. The Identification and Generation of New Resources
2. Holistic Management of University Risk
3. The Pursuit of Operational Excellence and Efficient Management of Expenses.

Offices Of Financial Services Goals	Strategies
<p><b>Goal 1:</b>  <b>Lead the Review and Analysis Process Related to New Resource Generation</b></p> <p><i>Focus area : Financial</i></p>	<ul style="list-style-type: none"> <li>• Complete strategic review of non-core assets (OSU airport, energy distribution system, shale acreage, golf course, etc.)</li> <li>• Assist in the continued implementation of new and existing Affinity agreements</li> <li>• Lead the execution of all future resource generating activities</li> </ul>
<p><b>Goal 2:</b>  <b>Holistic Management of University Risk</b></p> <p><i>Focus area : Financial/Operational</i></p>	<ul style="list-style-type: none"> <li>• Gain cultural understanding of the importance of sustaining creditability</li> <li>• Develop formal Risk Management, business continuity and insurance programs</li> <li>• Improve risk culture</li> <li>• Aligning risk with University goals and objectives</li> <li>• Develop and promote a more efficient and effective means of managing risk</li> <li>• University wide agreement on core values and the necessity for a broadly integrated risk approach</li> </ul>

Goals	Strategies
<p><b>Goal 3:</b>  <b>Pursuit of Operational Excellence and efficient Management of University Resources</b></p> <p><i>Focus area : Operational</i></p>	<ul style="list-style-type: none"> <li>• Promote policies to ensure a sound fiscal footing over the long term</li> <li>• Investigate and implement Best Practices where appropriate</li> <li>• Challenge the status quo and the existing processes and procedures</li> <li>• Expand the use of electronic transactions as appropriate</li> <li>• Modernize financial IT systems where appropriate</li> <li>• Continuously improve our operations and processes to generate efficiency savings</li> </ul>
<p><b>Goal 4:</b>  <b>Strengthen the University's Position through Targeted Financial Actions</b></p> <p><i>Focus area : Financial</i></p>	<ul style="list-style-type: none"> <li>• Influence policy, laws, and regulations to safeguard the University</li> <li>• Increase and improve accounts receivable collection efforts</li> <li>• Continued support of the University's Technology Commercialization initiative</li> <li>• Support opportunistic growth, partnerships, and acquisition opportunities</li> <li>• Maintain lowest possible cost of capital without undue interest rate risk</li> <li>• Enhance cash flow forecasting and accuracy</li> <li>• On-going review of the University's investment portfolio characteristics to prudently optimize yield and cost effectiveness</li> </ul>
<p><b>Goal 5:</b>  <b>Continue to Develop a Well Trained, High Performing, Diverse Workforce</b></p> <p><i>Focus area : Organizational</i></p>	<ul style="list-style-type: none"> <li>• Support through professional development, career development and improved performance management</li> <li>• Continued focus on making Financial Services a 'destination of choice' for our internal and external partners</li> </ul>