



Resource Stewardship in Action



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THE OHIO STATE UNIVERSITY STORES RECEIVING AND MAIL



TECHNOLOGY Commercialization AND Knowledge TRANSFER

Strategic Plan Office of Business and Finance The Ohio State University 2013-2017

Strategic Planning at The Ohio State University

Supporting Faculty, Students, and the Structures that Foster their Success

Ohio State's future will be defined and driven by an unwavering commitment to our faculty, students and the structures—physical, administrative, curricular, and financial—that will foster their success. Such a commitment is founded in the overarching principles of the institution's vision, mission, values, and core goals.

VISION

The Ohio State University is the model 21st-century public, land grant, research, urban, community engaged institution.

MISSION

The University is dedicated to:

- Creating and discovering knowledge to improve the well-being of our state, regional, national and global communities;
- Educating students through a comprehensive array of distinguished academic programs;
- Preparing a diverse student body to be leaders and engaged citizens;
- Fostering a culture of engagement and service.

We understand that diversity and inclusion are essential components of our excellence.

VALUES

Shared values are the commitments made by the University community in how we conduct our work. At The Ohio State University we value:

- Excellence
- Diversity in people and of ideas
- Inclusion
- Access and affordability
- Innovation
- Collaboration and multidisciplinary endeavor
- Integrity, transparency, and trust

CORE GOALS

Four institution-wide goals are fundamental to the University's vision, mission and future success:

Teaching and Learning: to provide an unsurpassed, student-centered learning experience led by engaged world-class faculty and staff, and enhanced by a globally diverse student body.

Research and Innovation: to create distinctive and internationally recognized contributions to the advancement of fundamental knowledge and scholarship and toward solutions of the world's most pressing problems.

Outreach and Engagement: to advance a culture of engagement and collaboration involving the exchange of knowledge and resources in a context of reciprocity with the citizens and institutions of Ohio, the nation, and the world.

Resource Stewardship: to be an affordable public university, recognized for financial sustainability, unparalleled management of human and physical resources, and operational efficiency and effectiveness.





Table of Contents

Letter From the Chief Financial Officer	1
Overview of the Office of Business and Finance	2
Strategic Scan	
External.....	9
Internal	11
Succeeding in Our Strategic Focus Areas	
Resource Stewardship and Financial Sustainability	14
Tracking Our Performance (Excel Scorecards)	
Resource Stewardship Scorecard	16

Letter From the Chief Financial Officer

One of the strategic goals for The Ohio State University is to become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness.

This is what we mean at Ohio State when we say resource stewardship, and this is the primary strategy of the Office of Business and Finance at Ohio State.

In his presentation to the Ohio State Board of Trustees on April 6, 2012, Executive Vice President and Provost Joseph A. Alutto explained that over the next 10 years, the university is committed to the generation of new resources through reallocation, savings, and new sources of revenue. The estimated resource generation over the next 10 years is \$2 billion.

“We are not assuming that funding to support these initiatives will be provided through increased state subsidies as it is clear that our governor and legislators are grappling with numerous competing demands on existing and anticipated funds,” Provost Alutto said. “Instead, Ohio State is committed to generating the necessary incremental resources for improvement through a variety of approaches including the identification of savings, redirections of existing funds, and innovative development of new funding sources. We embrace this challenge and see it as simply one outcome of our commitment to a noble core mission.”

The vision of B&F is 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

These are challenging goals, yet through our dedication to excellence and commitment to our students, faculty, and staff, they are attainable.

Through a shared sense of our mission and vision, and operating in all things as *One University*, we – in the spirit of collaboration and cooperation – can and will reach new heights and levels of distinction, moving from excellence to eminence.

Sincerely,
Geoffrey S. Chatas
Office of Business and Finance
Senior Vice President and Chief Financial Officer

Overview of the Office of Business and Finance

Vision of the Office of Business and Finance

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

Mission of the Office of Business and Finance

To deliver essential and valued business and financial services to The Ohio State University.

Shared Values

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

Structure: Business Units That Comprise the Office of Business and Finance



The Office of Business and Finance provides strategic direction and oversight to seven critical areas within the University, which include the Offices of Financial Services (University and Wexner Medical Center); Internal Audit; Investments; Compliance and Integrity (with Legal Affairs); Strategic Operations; and Technology Commercialization and Knowledge Transfer.

The structures of Financial Services and Strategic Operations are unique in that they are comprised of various units that touch nearly all aspects within the University, which include:

Financial Services

- University Bursar
- Treasury Management
- Debt Management
- Risk Management
- Strategic Projects
- Asset Monetization

Strategic Operations

- Financial Planning and Analysis (Budgeting)
- Purchasing, Stores, Receiving, and Mail (PSRM)
- Services: HR, Fiscal, IT
- Controller/Accounts Payable
- Payroll Services
- Surplus Materials

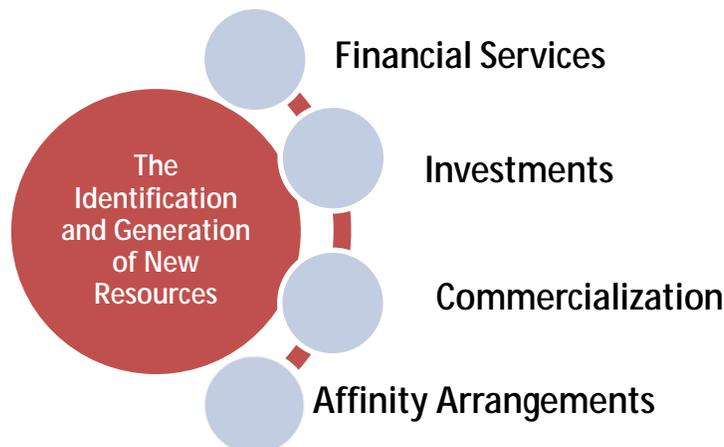
Each unit within the Office of Business and Finance has established goals that also align with University goals.

Strategic Goals of the Office of Business and Finance

The Office of Business and Finance has identified three primary goals, which align with and fully advance the goals of the University:

(1) The Identification and Generation of New Resources

- We will creatively explore, enhance, and diversify our revenue sources by maintaining a formal asset review process and continuing to promote business opportunities that improve services and provide better returns to the university's bottom line.
- We will partner with appropriate collaborators and proactively explore strategic partnerships, relationships, and affinity arrangements that serve to realize the university's core academic mission.
- We will unlock the financial power of our inventions and generate new resources through the continued support of all phases of university technology commercialization and start-up development, fostering an entrepreneurial culture, university wide; catalyzing faculty, staff, and student inventions; maximizing the value of Ohio State developments; and accelerating the transition of new developments into products, services, and new or expanded jobs.
- We will strengthen and build the endowment, exceeding an annualized 5% Real Return over a Rolling Three-year Period and/or exceeding our Investment Policy Benchmarks by 200 basis points, and/or achieving the highest risk-adjusted return possible.



(2) Holistic Management of University Risk

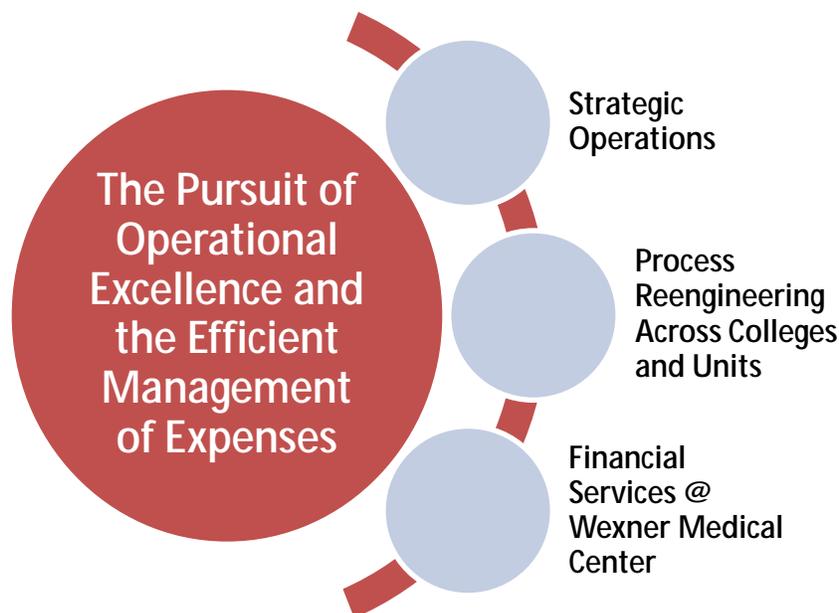


- We will organize the Office of University Compliance and Integrity, which is newly established and designed to ensure that the university meets its legal and regulatory requirements, particularly in the areas of research, medicine, athletics, Ohio Ethics, information security, student financial aid, Environmental Health and Safety, Title IX, and the Americans With Disabilities Act (ADA). As part of its organizational efforts, the office will develop a comprehensive compliance risk management program, which will contain a detailed framework to identify, assess, mitigate, and report compliance risks.
- We will identify, prioritize, and proactively address institutional risks associated with ongoing and future activities, which will allow us to quantify and qualify risk in a more holistic and inclusive way, through our University Risk Management office.
- We will support continuous evaluation and improvement of our internal audit techniques, which are designed to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes across the university.
- We will work to coordinate and align all risk management functions.



(3) The Pursuit of Operational Excellence and Efficient Management of Expenses

- We will improve processes throughout the university, beginning in the Office of Business and Finance, systematically transforming structures to achieve quality, standard work flow, and stability through problem solving, which will improve value, eliminate wasteful efforts, reduce time, and minimize costs.
- We will establish operational soundness and simplicity in all financial and management processes, ultimately to be known for our robust position using transparent, simple, and flexible systems.
- We will transition from a heavily resourced, transactional-based staffing model to a financial analytical model.
- We will develop new service models for core University business processes, including new tools and processing guidelines to simplify processes for customers, allow more focused understanding of policies and procedures, improve accuracy and effectiveness, and reduce overall costs.



Strategic Scan

The External Environment

All Universities are facing increasing financial strain as traditional sources of revenue have declined or have become less predictable.

SHRINKING GOVERNMENT SUPPORT

As a public university, The Ohio State University historically has relied on government appropriations to support its core academic mission. Yet over the last 20 years, the University has seen its proportion of general funds revenues from the state decrease from 67% to 34% in 2010.

With the State of Ohio facing an over \$3 billion deficit in its two-year budget, state appropriations for future years are uncertain. Furthermore, the costs to deliver higher education continue to grow, outpacing growth in state support. As a land-grant university, Ohio State has an obligation to provide access to education by making higher education affordable for Ohio residents.

TUITION FOCUS

In addition, tuition cannot sustain seismic increases, burdening students and their families with overwhelming and often devastating debt.

At the same time, Universities are facing increasing pressure for transparency and accountability. There is constant scrutiny of tuition levels and education related expenses by citizens, government officials, and the press.

FEDERAL BUDGET SEQUESTRATION

Another challenge facing higher education is federal budget sequestration, a process of across-the-board cuts to federal spending as a means to reduce the national deficit. Last year, in 2011, when Congress and the White House could not agree on cuts to federal spending, a special Congressional "Supercommittee" was charged with establishing deficit-reduction legislation by January 2012. The committee failed to do so, and sequestration was automatically put into effect.

Essentially, this process could cut 8-10 percent from key federal programs that support students, faculty, and patients at Ohio State. Unless the federal government acts otherwise, sequestration will occur in January 2013. While many leaders in Washington acknowledge that this process is flawed and must be avoided or "fixed," there is no guarantee that the federal government will be able to do so before January. Therefore, it is important for the Ohio State community to be aware of the potential impacts of these cuts.

How will sequestration affect Ohio State?

These across-the-board cuts to federal spending could potentially impact three critical areas for the university community: Federally funded student aid, research, and health care. Ohio State's Office of Government Affairs has worked with colleagues from the offices of Student Financial Aid and Research and the Wexner Medical Center to estimate the potential reductions.

ACCOUNTABILITY TO DONORS

Additionally, donors are seeking evidence of the impacts of their donations, and there is public debate about imposing constraints on University investment and endowment policies.

As a result, universities are accelerating efforts to:

- Streamline and reduce operating costs
- Seek alternative means to cover revenue gaps
- Redefine tuition structure
- Develop new academic programs
- Discover new and innovative financing approaches to support infrastructure, teaching, research, and service

The Internal Environment

Collectively, the Office of Business and Finance has advanced the Ohio State and B&F visions to operate with financial soundness and simplicity, and in so doing, continues to realize the University's strategic goals. Here are some recent examples:

UNIQUE PARTNERSHIPS AND COLLABORATIONS

The University signed an affinity agreement with Huntington Bank, which included attractive terms for employees and students, and an upfront payment of \$25 million, which the university will use for academic scholarships and educational programming.

The exclusive 15-year partnership makes Huntington the university's official consumer bank. The agreement is the most comprehensive and innovative partnership of its kind in the country.

What's particularly exciting about this agreement is Huntington's commitment of an additional \$100 million in dedicated community lending and investments to support the economic development of neighborhoods surrounding main campus. The partnership includes revenue sharing, which will mean additional funds for the university to invest in the academic core as the relationship expands.

Over \$10 million of the funds have been invested into Ohio State's endowment, and will be earmarked for updating classroom space and technology. Another portion of the funds will support financial literacy programs, career initiatives that will take students into the community for internships and service learning projects, and seed money for student-developed initiatives to enhance student wellness.

The new funding also will be used to sustain and expand Alumni Association programming, including alumni career services, enhanced regional programming and events, and the development of volunteer opportunities for alumni and supporters of Ohio State.

UNLOCKING THE POWER OF INVENTIONS

The university launched a highly collaborative office of Technology Commercialization and Knowledge Transfer, which supports all phases of university technology commercialization and start-up development at Ohio State.

Its mission is to foster an entrepreneurial culture university wide; catalyze faculty, staff and student inventions; maximize the value of Ohio State developments; and accelerate the transition of new developments into products, services, and new or expanded jobs.

In FY12, our Tech Transfer area experienced a 340 percent increase in new revenue. It also saw a spike in patent filings: 368 patents filed compared to 269 in FY11. And FY12 saw 41 U.S. patents issued, up from 22 in FY11.

ASSET MONETIZATION

The university signed a 50-year agreement to lease its parking operations for \$483 million, which, in time, will provide \$3.1 billion in investment earnings for academic initiatives, such as hiring more faculty, offering more student scholarships, and supporting the arts and humanities.

The management of parking operations isn't core to what Ohio State is; teaching and learning, research and innovation, and outreach and engagement are. Resources garnered from the lease have been reinvested into the core mission of the university, allowing Ohio State to prudently secure its future in turbulent, unpredictable economic times.

CampusParc now manages and operates The Ohio State University's parking facilities, working hand-in-hand with us to provide the high-quality parking services that students, faculty, staff and visitors need and expect. Our shared goal and promise is an efficient, accessible and user-friendly parking system that takes some of the worry out of getting to your destination easily and on time.

We're proud to say that *Bond Buyer* recently recognized the university with non-traditional Financing of the Year Honors for the parking transaction.

CENTURY BONDS

Ohio State issued \$500 million in Century Bonds, becoming the first public university in the nation to do so. The university secured a favorable interest rate of 4.6 percent. Proceeds from the sale of the bonds will be used to fund \$2 billion of capital-expenditure projects on campus, including the expansion of the Wexner Medical Center.

We're proud to say that *Columbus Business First* recognized the university with Transaction of the Year honors for the Century Bond transaction.

EFFICIENTLY MANAGING EXPENSES

At Ohio State, we're transforming our operating model so that we run with greater efficiency, and the accumulation of seemingly small gains adds up quickly. For example, in FY12, our incremental cost savings was \$22 million through the implementation of strategic procurement initiatives.

We are creating an Operational Excellence plan at Ohio State, which is a customized, structured, disciplined, research-, and team-based approach to operational improvement, which emphasizes purpose, people, and processes, to move the University from excellence to eminence. It is a systematic transformation to achieve quality, standard work flow, and stability through problem solving, which will improve value and eliminate wasteful efforts, reduce time, and minimize costs.

What we are calling OE@OSU is resource stewardship – to become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness – in action and fully actualized.

To date, we've successfully reduced the number of suppliers in our vendor database by 20 percent, leveraging the university's size and collective ability to negotiate for quality goods and services.

We've launched a series of e-Tools designed to improve operational efficiencies and support campus sustainability efforts, making paperless systems more of a reality at Ohio State.

We're on a mission to achieve operational excellence in all areas within the Office of Business and Finance in an effort to reduce costs, eliminate wasteful practices, standardize work flow, and enhance efficiencies. Throughout, we'll continue to value with the upmost respect the people and processes that help realize the Ohio State vision and make the Ohio State experience an unforgettable one for the students and families we serve.

STRENGTHENING THE ENDOWMENT

The university has achieved a three-year average investment return for the Long-Term Investment Pool of 10.5 percent, which exceeded established benchmarks by 1.6 percent. Through choppy and unsettled markets, our investments team secured positive returns and helped to secure the corpus for an unpredictable future.

UNIQUELY POSITIONED WITHIN UNIVERSITY

The Office of Business and Finance occupies a unique position within the University.

When B&F achieves success in its primary focus areas, then positive results are experienced throughout the institution.

Our strategic focus area is and remains Resource Stewardship: to become the model for an affordable public university recognized for financial sustainability, unsurpassed



management of human and physical resources, and operational efficiency and effectiveness.

Succeeding in Our Strategic Focus Areas (See the included Excel spreadsheets.)

Resource Stewardship

To become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness

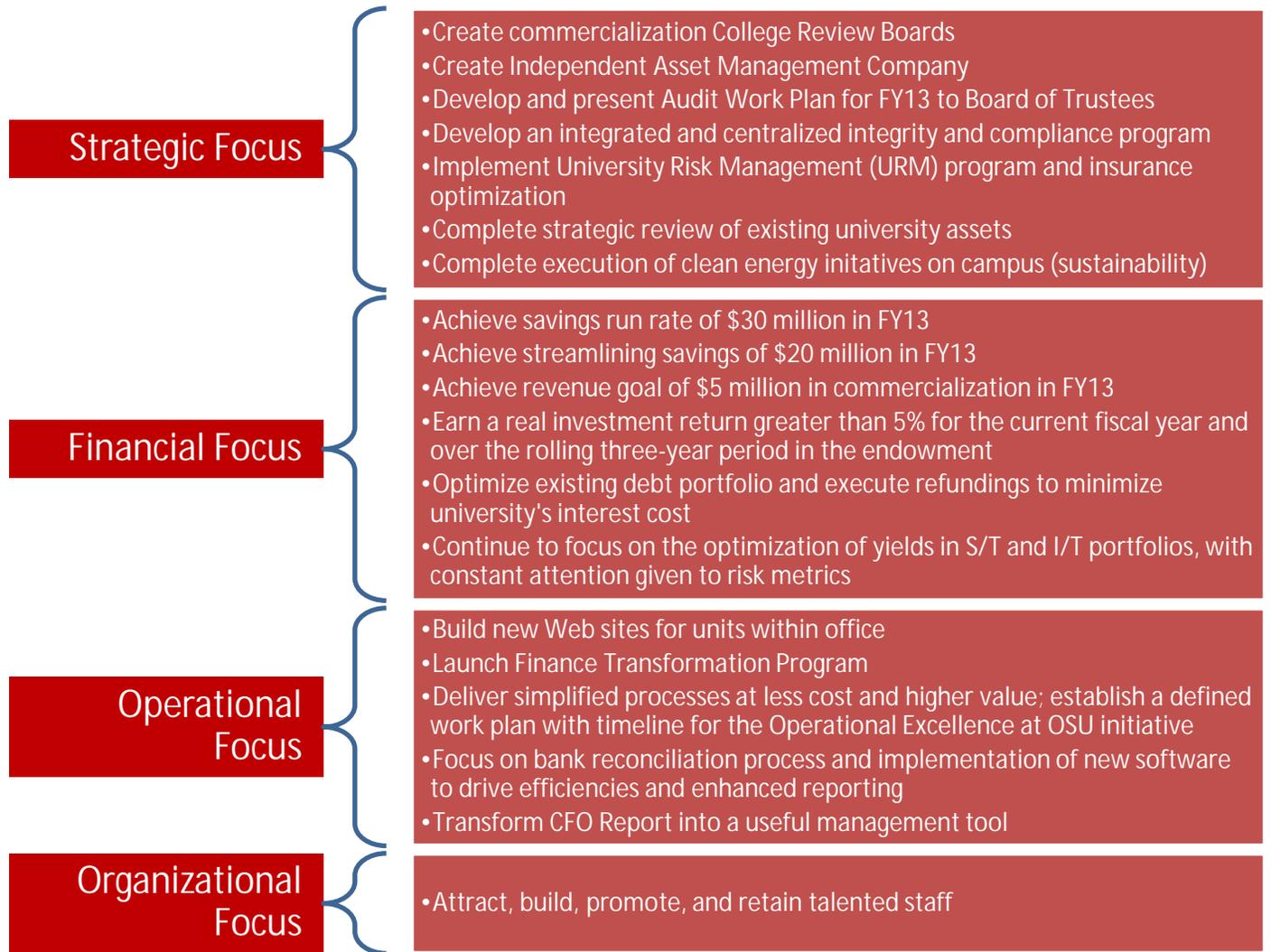
- ü **People:** We've renewed our investment in the training and professional development of our staff, encouraging attendance at national conferences and requiring Ethics Training for all B&F employees. We seek to attract, hire, promote, and retain talented professionals across the Office of Business and Finance, and will invest in their professional growth and development.

- ü **Leadership Continuity /Succession Planning:** We're creating a leadership continuity and succession plan, which emphasizes disciplinary cross-training and collaboration within and across B&F units.

- ü **IT:** We are committed to building the best IT infrastructure and are leading an effort with Administration and Planning, and the OCIO, to improve our IT services so that they operate within the One University framework, are more closely aligned, and, ultimately, better fulfill our internal and external needs.

- ü **Financial Sustainability:** We're consistently reviewing and questioning the ways in which we finance ourselves so that resources are directed in appropriate ways consistent with the mission, vision, and strategic goals of the office and university. For example, we have launched a Financial Transformation Program, which is an effort to enable us to engage in strategic decision-making via a financial reporting tool and enable university-wide planning and forecasting. The ultimate goal is to move away from a transactional model and toward a true analytical model.

Strategic Focus Areas: Implementation Initiatives Planned for 2013



Tracking Our Performance

Completed Excel scorecards (provided by the Office of Institutional Research and Planning) for Resource Stewardship.

Resource Generation Scorecard
Fiscal 2013 - 2021 Targets

Metric (in millions)	2013 Target	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target	2020 Target	2021 Target	2021 Target Result	Results Achieved to Date	2020 Target Yet to be Achieved
A. Revenue Enhancement												
1. Affinity Arrangements	\$25	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$210	\$25	\$185
2. Commercialization	\$5	\$5	\$7	\$10	\$12	\$15	\$15	\$20	\$20	\$111	\$2	\$109
3. Tuition Management net of salary increases	\$7	\$22	\$22	\$22	\$22	\$22	\$22	\$21	\$20	\$200	\$20	\$180
4. Auxiliaries		\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$96		\$96
5. Net New Cash Development	\$10	\$20	\$30	\$40	\$50	\$60	\$75	\$100		\$385		\$385
6. President/Provosts Reserve	\$34	\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$50	\$490	\$35	\$455
Subtotal Revenue Enhancement	\$81	\$132	\$144	\$157	\$169	\$182	\$197	\$226	\$122	\$1,492	\$82	\$1,410
B. One-Time Revenue Options												
1. Asset Monetization - one time funds		\$200		\$200		\$200		\$200		\$1,283	\$483	\$800
2. Asset Monetization - recurring funds	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$180		\$180
Subtotal One-Time Revenue Options	\$20	\$220	\$20	\$220	\$20	\$220	\$20	\$220	\$20	\$1,463	\$483	\$980
C. Expense Management (Streamlining & Procurement)												
1. Strategic Procurement Savings	\$30	\$40	\$49	\$49	\$50	\$50	\$50	\$50	\$50	\$440	\$22	\$418
2. Strategic Streamlining Savings	\$20	\$30	\$40	\$50	\$60	\$75	\$75	\$75	\$75	\$500		\$500
Subtotal Expense Management	\$50	\$70	\$89	\$99	\$110	\$125	\$125	\$125	\$125	\$940	\$22	\$918
D. Capital												
1. Capital Uses Requested or Approved	\$121	\$412	\$412	\$412	\$412	\$412	\$412	\$412	\$412	\$3,420		\$3,420
2. Capital Sources Available	\$121	\$263	\$263	\$263	\$263	\$263	\$263	\$263	\$263	\$2,221		\$2,221
Subtotal Capital Requested Currently Not Funded				-\$149	-\$149	-\$149	-\$149	-\$149	-\$149	-\$1,199		-\$1,199
E. Reallocation of Base Funding to Colleges/Support Units	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$27		\$27
Total Resource Generation	\$151	\$422	\$253	\$327	\$150	\$378	\$193	\$422	\$118	\$2,696	\$587	\$2,109

Please note: Asset-monetization – one-time funds: This is a two-year goal.

Resource Generation Scorecard
Year to Date September 30, 2012

Metric (in millions)	Current Year	Current Year Target	Progress Against Current Year Target	2020 Goal
A. Revenue Enhancement				
1. Affinity Arrangements	\$25	\$25		\$190
2. Commercialization	\$5	\$5		\$91
3. Tuition Management net of academic salary increases	\$7	\$7		\$180
4. Auxiliaries	\$12*	\$12*		\$84
5. Net New Cash Development	\$10	\$10		\$385
6. President/Provosts Reserve	\$34	\$34		\$440
B. One-Time Revenue Options				
1. Asset Monetization	\$200*	\$200*		\$400
C. Expense Management (Streamlining & Procurement)				
1. Strategic Procurement Savings	\$30	\$30		\$390
2. Strategic Streamlining Savings	\$20	\$20		\$425
D. Capital				
1. Capital Sources Available	\$121	\$121		\$1,962
2. Capital Uses Requested or Approved	\$121	\$121		\$3,005
E. Reallocation of Base Funding to Colleges/Support Units				
	\$3	\$3		\$24

* = 2 year goal

Meets or Exceeds Goal Performance Up
 Caution or Data Pending No Change in Performance
 Below Goal - Action Needed Performance Down