

B & F Brick

The Office of Business & Finance

The Buck Stops Here

Issue 1
October 2011



Burgers, beans, a breeze, and Gordon Gee. The annual **B&F Staff & Student Appreciation Picnic**, at Fred Beekman Park, was a fun way to thank everyone for contributing to the success of the B&F team. The food was scrumptious and the weather hot, hot, hot! The competitive volleyball tournament ended with two winning teams: Living the Dream from Medical Center Financial Services and PRSM2 (Steve Lambeth's team). A special thanks to all of the volunteers who helped set up and pack up the event. Follow this link for [more pictures](#).

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Bond Ratings

What are Bond Ratings and why are they important?

As The Ohio State University continues to embark on its path from Excellence to Eminence, future funding becomes an important topic. One of the main funding sources is the issuance of both taxable and tax-exempt debt via the capital markets. For a better understanding, we asked Mike Papadakis to provide a brief overview of bond ratings and their overall importance in the issuance process.

In its simplest form, a bond rating reflects the credit quality of either the issuance or the issuer. The three main Rating Agencies provide the ratings based on their assessment of the issuer's ability to meet its overall financial obligations. The quantitative portion of this analysis focuses on a group of financial ratios. In addition, the analysis typically reflects a number of more qualitative characteristics.

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From the Desk of Geoff Chatas



One of the strategic goals for The Ohio State University is to become the model for an affordable public university recognized for **financial sustainability**, or the efficient use of resources needed to achieve funding targets. All of us in Business and Finance must recognize how our talents and services align with this important objective. How will we get there? Increasing communication about what we are doing is our first critical step. I am happy to introduce the inaugural issue of the **B&F Brick**. This newsletter from “Brick”er will be a monthly communication for everyone in Business and Finance, allowing us to share information, to strategize common objectives and to celebrate our successes! I encourage each of you to enjoy and contribute to the content of this newsletter.

Thank you all for the work that you do each and every day to support the mission of this great university! --Geoff

B&F Senior Leadership Team

Over the next several months we will be highlighting the different areas of Business and Finance.

Area	Senior Leadership
Business and Finance Operations Officer of the Controller, Office of Financial Planning and Analysis, Purchasing, Receiving, Stores and Mail	Kris Devine, Vice President
Financial Services and University Treasurer Bursar's Office, Business Continuity, Insurance, Treasury Admin, Treasury and Debt Management	Mike Papadakis, Vice President & Treasurer
Financial Services for the Medical Center	Michael Rutherford, Senior Associate Vice President
Internal Audit	Kevin Patton, Director
Investments	Jonathan Hook, Vice President and Chief Investment Officer
Resource Management Systems	Leslie Flesch, Associate Vice President
Technology Commercialization and Knowledge Transfer	Brian Cummings, Vice President

FY 2011 Accomplishments

FY 2011 has been a successful and productive year for Business and Finance. Our units have continued to provide exemplary support for the nearly 100,000 students, faculty and staff who make up the university community.

Notable accomplishments in FY 2011 include:

- **Office of the Bursar** made improvements to the university's overall collection process by automating the placement of delinquent accounts with the Attorney General's office. The online student Statement of Accounts was enhanced to provide a clear, concise, real-time presentation of student financials.
- **Office of the Controller** developed expanded interim financial reports, including quarterly comparative reports, and completed the process to bring on PwC as the new external audit firm.
- **Office of Financial Planning and Analysis** developed a five-year detailed historical financial review of the university and health system to identify and understand financial trends as a basis for modeling future outcomes. This work supported the development of a predictive long-range (15-year) financial model for the university to support strategic planning.
- **Office of Financial Services** issued \$800 million in new bonds in support of OSU capital projects and \$88 million in refinancing bonds to obtain a 5% savings on debt service. The \$800 million in new bonds was Ohio State's first ever taxable debt offering done as a Build America Bond financing to receive a 35% rebate on interest payments from the Federal Government. The net result was the lowest fixed interest rate the university has paid in over 40 years.
- **Internal Audit** issued 75 audit reports and 59 follow up reports.

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Pelotonia 2011

ONE GOAL: TO END CANCER. The 3rd annual Cancer Research fundraiser, Pelotonia, spanned the summer days of August 19th thru the 21st, 2011. Amongst the 4,986 riders and virtual riders were 46 employees who represented Team B&F Rollers. Business & Finance raised over \$21,000, and the event brought in over



9 million for The James Cancer Research fund at Ohio State. Many thanks and congratulations go out to all of the riders and supporters of Pelotonia 2011.

"It's about one thing," says President E. Gordon Gee. "It's about curing cancer at a great university. I'm grateful to have our university represented in such a wonderful, nationally significant way."



FY 2011 Accomplishments, Cont.

- **Office of Investments** exceeded the benchmarks for the Long-Term Investment Pool for the second year in a row, returning 16.8%.
- **Purchasing** negotiated many important contracts. Notably, The Office Furniture Contract was extended with improved discounts and a broader range of items from Allsteel, Haworth, Herman Miller and Steelcase, as well as State of Ohio MBE and EDGE certified suppliers. A strategic purchasing team was formed that has identified cost savings actions forecasted to save \$16 million during FY 2012. Additionally, Central Purchasing was able to process 85% of POs within 48 hours, showing an improvement of 112% over the prior 12-month period.
- **Resource Management Systems** completed rollout of eRequest, the user-friendly electronic request and approval system for procurement.
- **Risk Management and Insurance** assisted in the recovery operations at the OARDC campus following a devastating tornado and provided support services to ensure full recovery from an insurance carrier. The \$25M+ in claims was the largest single insured event in OSU's history.
- **Stores, Receiving and Mail (SRM)** aggregated an outbound delivery service to accommodate all aspects of our university community with a 99% "on time delivery" of over 78,000 items and cut costs by nearly \$600,000.00 (when compared to standard book rates).

Follow this link for the full list of [FY 2011 Accomplishments](#).

Bond Ratings, Cont.

The Ohio State University's Current Credit Ratings are:

Standard & Poor's	Moody's	Fitch
AA	Aa1	AA

You may be asking yourself, why is this important? Credit Ratings play a major role in both the marketing of a bond issuance and the overall interest rate that the issuer pays over the life of the bonds. Investors use Credit Ratings to help assess the level of credit risk of issuers and compare them to other issuers in the marketplace. It goes without saying that the higher the credit rating, the lower the interest cost and the more economic it becomes to finance new projects.

Credit Ratings are very important to investors and our overall cost of capital. OSU's current Credit Ratings make us a very attractive issuer in the marketplace. We will continue to focus on maintaining and servicing our current Credit Ratings to support the amount of additional new issuance planned through 2025.

Follow this link for the complete article on [Bond Ratings](#) contributed by Michael Papadakis.