



THE OHIO STATE UNIVERSITY

Transformational Partnerships

Michael Papadakis

Senior Vice President and CFO

Food Systems Leadership Institute Fellows | Feb. 18, 2020

The Changed Environment in Higher Education Finance

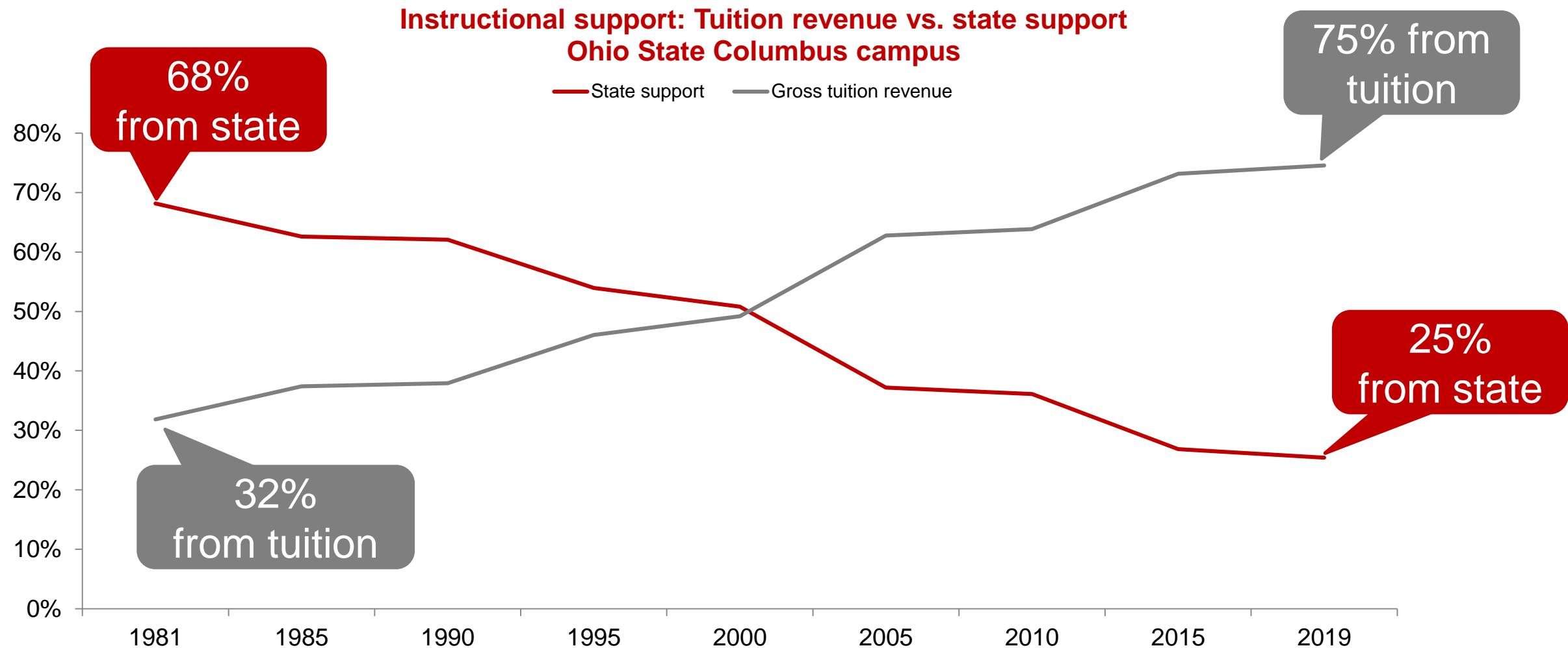
New Economic Reality

- Rising costs outpace inflation
- Decreased state funding for public institutions
- Competition and market size
- Advances in technology and delivery models
- Regulatory, compliance and tax reform

New Social Reality

- From public good to private good
- Changing demographics
- Changes in student and faculty expectations
- Eroding cultural importance

Ohio State: How Funding Has Changed



Key Principles

1. Government support is permanently smaller
2. Students and families alone can't shoulder the cost
3. We need to identify new sources of support
4. We need to use existing resources responsibly

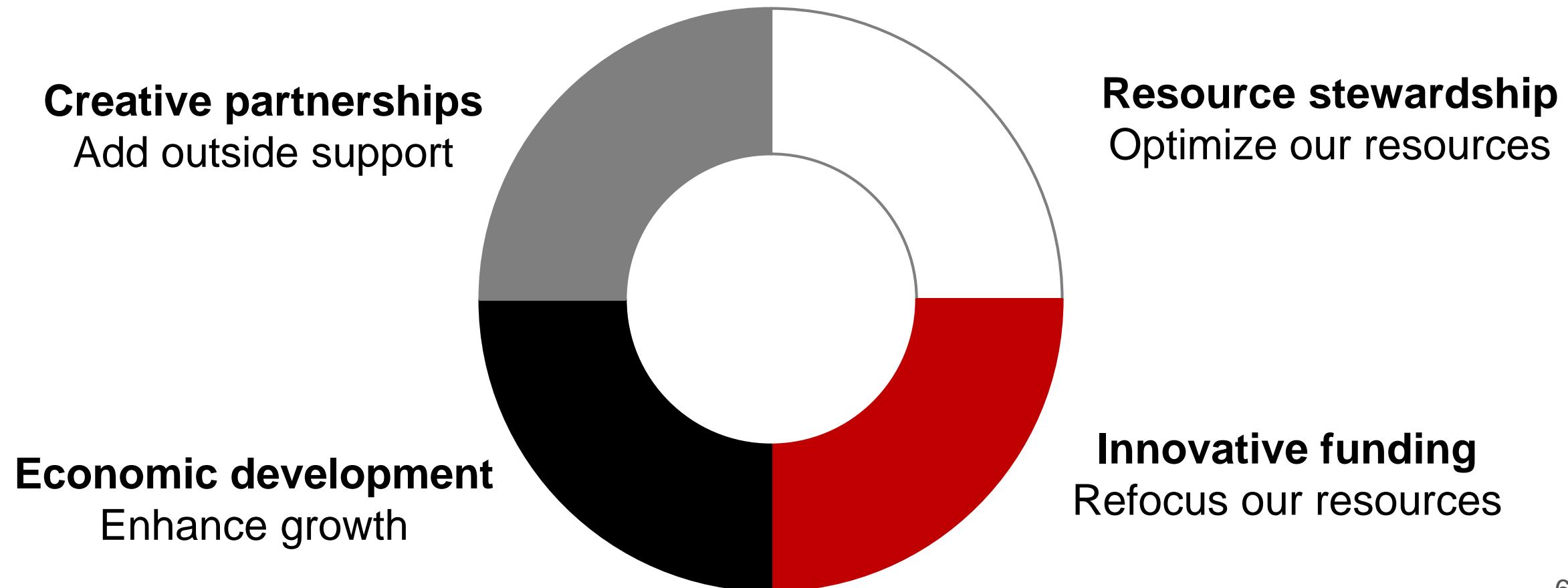
Leading With Strategy

Executing on a university's strategy may include long-term, third-party partnerships.

- Evaluate non-core assets and activities and consider potential roles for third-party partners
- Utilize third-party expertise to achieve the University's goals and objectives.
- Monetize non-core assets to unlock capital in support of the academic mission.
- Assess opportunities within the University's risk management framework.

A New Approach Focused On Innovation

The key driver: is this core to our mission?



Public-private Partnerships

A mechanism to optimize expertise and risk

- A P3 often involves:
 - Leveraging private funding or expertise to build or operate a university service
 - A long-term lease (not a sale) of university assets (a “concession”)
- Ohio State has employed P3s to help:
 - Balance resources available and strategic initiatives
 - Secure additional long-term funding for academic priorities

Expanded Programs

Significant planned investments to strengthen academic programming



- New Revenue

Affordability

Our commitment to fulfill our land-grant mission



- Constrained funding
- Cost of operations
- Student debt



Our Partnerships

Our partnerships – a brief history

2011

2012

2013

2014

**Banking:**

- 15-year, \$25 million agreement
- 30 annual paid internships
 - Classroom technology improvements
 - Community lending

**Apparel:**

- 10-year, \$97 million agreement
- Funding for academic affairs, student life, athletics and the alumni association

**Parking:**

- 50-year, \$483 million lease
- 400+ annual scholarships
 - 120 faculty hires; 53 additional searches;
 - Arts District: Sullivant Hall renovation



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Insurance:

- 10-year, \$17.1 million agreement
- 40 annual paid internships
 - Sponsor of Risk Institute



Our partnerships – a brief history



NIKE Extension:

15-year, \$252 million agreement

- \$41 million for non-athletic support
- \$2.5 million non-athletic scholarship endowment
- 90 student internships



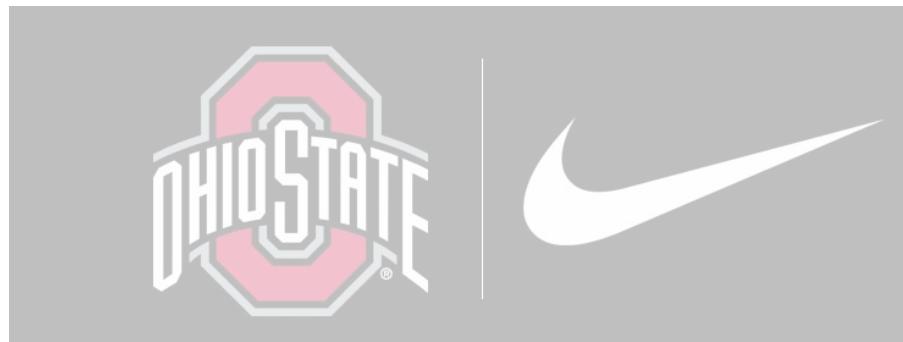
Our partnerships – a brief history

2015 2016 **2017** 2018



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- 15-year, \$252 million agreement
- \$41 million for non-athletic support
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Comprehensive Energy Management:

- 50-year, \$1.165 billion
- Funding for academic mission
 - Energy efficiency program
 - Academic collaboration



Digital Flagship University

Collaboration with Apple:

- Student-success initiative; incoming students to receive iPad Pro suites
- iOS design laboratory
- Training in coding skills



Case Study: A Transformational Partnership

The IDEA

Comprehensive Energy Management

*Achieving optimization
through an enterprise-wide
systems approach to energy*

- **Systems operations management**
 - Operate, maintain, and expand utility systems with a constant focus on the impacts and benefits to the enterprise
 - One vendor with extensive relevant expertise, scale, and reach
- **Energy Efficiency management**
 - Overcome a one-building-at-a-time approach
- **Financial resource management**
 - Enables redirection of existing financial resources (debt capacity) to support its core academic missions

Main Priorities of Energy Project

SUSTAINABILITY

- Our goal is 25% energy efficiency improvement within 10 years
- Campus-wide upgrades would cost an estimated \$250 million
- A dedicated funding stream would propel progress (avoid redirecting capital from other academic and strategic priorities)

ACADEMIC MISSION

- Substantial new resources for teaching, learning and research would support our strategic priorities
- Campus requested support of internships, scholarships and research
- A partnership could make Ohio State a top university for sustainability and energy research

Community Engagement

- **Three advisory committees**
 - Faculty experts
 - Council on the Physical Environment
 - President and Provost's Council on Sustainability
- **Campus engagement**
 - Meetings with 30+ organizations
 - 3 public forums
 - University Senate meeting
- **Other communication**
 - 9 campuswide emails, plus use of OnCampus
 - Website (go.osu.edu/cemp)
 - Media (*The Lantern*, *The Dispatch*, *Business First* and others)

A Transformational Partnership

- **Largest investment in Ohio State's academic mission**
 - \$1.165 billion for access, affordability, excellence and sustainability
- **Energy efficiency management**
 - Unprecedented energy efficiency program to modernize our campus
- **Establish Ohio State as an international leader in sustainability**
 - New research center and other academic collaborations



ACADEMIC
COLLABORATION



SUSTAINABILITY



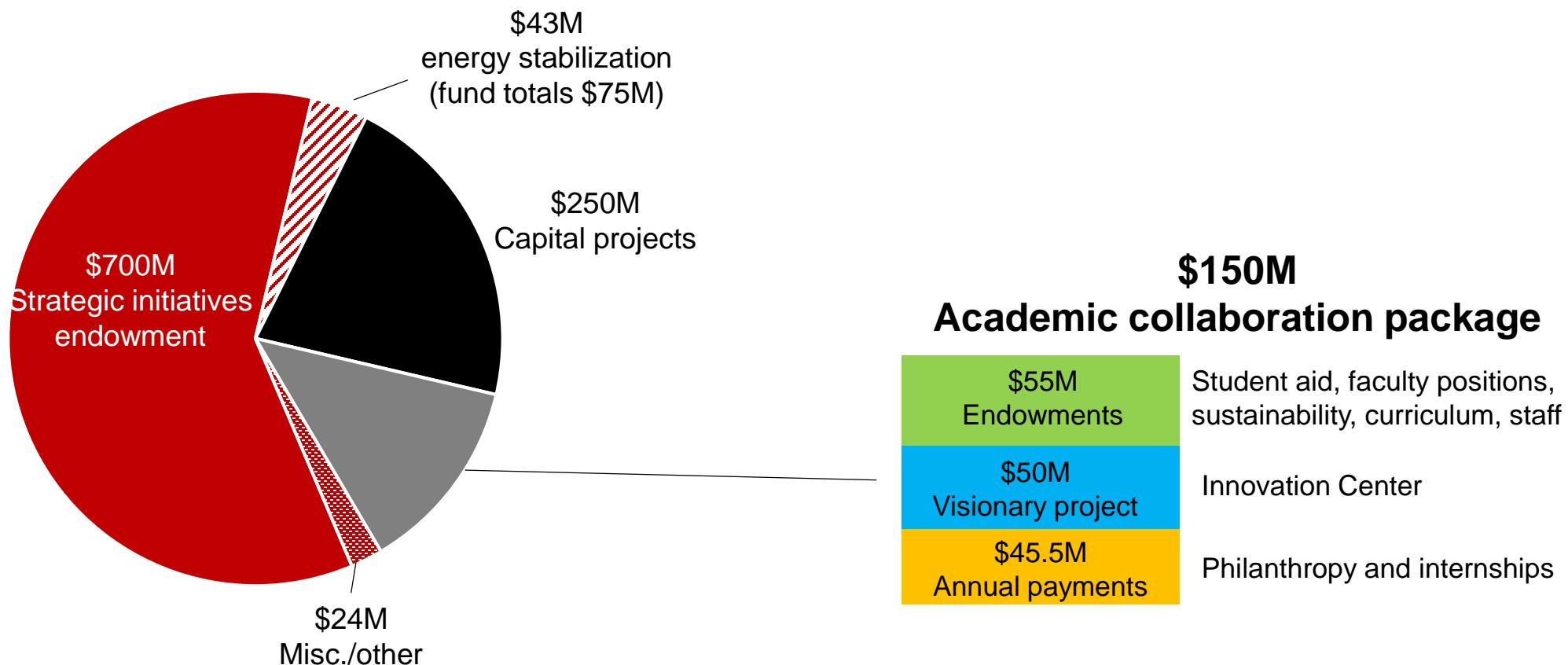
OPERATIONS



SUPPLY

Upfront Consideration Payment - Academic Mission

New endowments, capital funds and other priorities





Benefits to the Partners

Ohio State Energy Partners

- **Stable, long-term investment in assets**
 - Positive history and forecast
 - Steady and predictable returns and cash flows
- **Distributed utility system operations**
 - Aligns with core strengths
 - District systems, single owner/customer
- **Opportunity to be an industry leader**
 - Academic collaboration and innovation
 - Showcase a new energy management model

The Ohio State University

- **Stable, long-term investor operator**
 - Achieve efficiency and sustainability goals
 - Steady and predictable cash flows
- **Distributed utility system operations**
 - Not the university's core strengths
 - Campus systems, single vendor
- **Opportunity to be a university leader**
 - Redirect capital to academic mission
 - Showcase a new energy management model

Keys to a Successful Process – A True Partnership

Keys to Success

*Partners Strength
Make it easier to
succeed than to fail*

- Balanced risks and rewards
- Flexibility
- A dispute resolution staircase
- Diligent attention and advocacy
- Alignment

Next Steps

- **FY20 Capital Plan Implementation**
 - Approved proposed projects to start in FY20
- **Energy Advancement and Innovation Center**
 - \$50 million, 60,000-square-foot hub, in innovation district
 - Collaboration on smart energy systems, renewables, green mobility
- **Academic Collaboration**
 - Continuing to fill five endowed faculty positions, student scholarships and employment
- **Reporting**
 - Second annual reported to governance groups fourth quarter 2020

Lessons Learned:

Why Partnerships Have Worked

- Evaluate each opportunity based on its merits and risks
- Develop the right oversight structures and performance requirements
- Build flexibility into contract to allow for change over time
- Identify risks and mitigate them carefully
- Engage with campus community
 - Utilize expertise
 - Identify touch points – opportunities for collaboration
 - Answer questions to build confidence
- Demonstrate value proposition with tangible benefits



THE OHIO STATE UNIVERSITY

Discussion

More information: busfin.osu.edu/major-initiatives