

Ahead of the Curve:

Automated Payments Accelerate Cost Savings at the University of Washington

TABLE OF CONTENTS

Taking a new course	2
Accelerating success through collaboration	2
Adding up the benefits	3
Putting payments automation in motion	4

EXECUTIVE SUMMARY

Renowned for world-class academics, research, and patient care, the University of Washington (UW) knows the importance of maintaining a competitive edge. In a challenging economic and budgetary environment for public institutions, UW sought to reduce cost and streamline process to keep its finances and people operating as efficiently as possible. Automating paper-intensive payments using electronic solutions from Bank of America Merrill Lynch has enabled UW to transform its accounts payables operations and reduce costly paper check disbursements by 32,000 annually and growing.

TAKING A NEW COURSE

Founded in 1861 in what is now the heart of downtown Seattle, UW is one of the largest public universities in the nation and an economic engine for the region. UW maintains a \$4 billion operation serving more than 92,000 students annually, with a presence in 50 locations across 10 countries, and a leading medical program comprising of four hospitals. UW is also a long-time leader in Federal research funding among public universities.

Bank of America Merrill Lynch, which has a long-standing payments and banking relationship with the university, advised UW on card- and ACH-based solutions (ePayables and PayMode) to replace UW's paper-intensive manual payments processes and aging check printing equipment. UW was highly interested in taking advantage of technology efficiencies to take paper out of the equation. But they also had questions about moving to paperless payments. Would it strain their IT resources or supplier relationships? Were there added costs? Would startup time make it a nonstarter? How could they get critical stakeholders onboard to support successful implementation?

"Providing a stellar education at a reasonable price, and attracting the best faculty, staff and students, requires getting the most out of our financial resources," says UW Associate Controller Jeff Follman. "We had a strong desire to evolve from a paper check operation to not only save cost but also give us more time to focus on cash forecasting and analysis. Once we understood how it worked and the minimal impact on our internal resources, we were able to attract support from key stakeholders in multiple departments."

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ACCELERATING SUCCESS THROUGH COLLABORATION

After thoroughly assessing and discussing UW's unique requirements, Bank of America Merrill Lynch took the lead in helping contact and register UW's suppliers through a well thought-out approach. Taking it a step further, UW's cross-discipline team representing financing, purchasing and operations worked together to create a shared vision for reducing UW's reliance on paper-based payments, cutting costs and improving efficiency. Collaboration accelerated the program's success, notably through collective agreement to change purchasing policies and contracts to require electronic payment, as well as the bank's ability to speed supplier adoption.

According to Follman, UW felt confident in leveraging the experience and support of Bank of America Merrill Lynch due to the close, long-standing relationship and the bank's leading track-record of helping institutions and businesses of all types convert from paper to electronic payments. "We've received tremendous guidance and ongoing support from our client team and payments experts at Bank of America Merrill Lynch. The process of working together and the results we've achieved have been outstanding," says Follman.

ADDING UP THE BENEFITS

"The University of Washington is a tremendous example of how a public institution that's reliant on manual check processing can transform from paper to electronic payments without straining their internal resources—while achieving significant efficiencies in a relatively short period of time," says Ed Johnson, card products manager at Bank of America Merrill Lynch. "They went from zero to one of the leading public sector automated payments programs in the West, which is strong testament to the relative ease and exponential benefits that resulted from having strong buy-in and teamwork."

The benefits of implementing ePayables and PayMode electronic solutions at UW continue to add up:

- **Savings costs and trees**—UW has reduced paper check disbursements by 32,000 annually and growing, with an average cost savings of over \$2 per check. Additionally, UW has dramatically reduced its express mail costs that were previously incurred to avoid late payments.
- **Improving cash flow**—UW disburses an average of \$10 million in monthly payments electronically on a single day, helping optimize cash flow with greater control and visibility, and adding an additional float advantage of approximately \$50,000 a year.
- **Enhancing supplier relationships**—Several hundred UW suppliers representing over \$85 million in spend are already on board, and the volume continues to grow—improving the university's buying power and supplier relationships with the ability to provide fast, reliable supplier payments.
- **Optimizing time and resources**—Relieving the administrative burdens associated with manual processing, reconciliation and oversight of a large paper-based payments operation, has freed up university staff to add more value by focusing on other critical needs, such as cash forecasting and analysis.

UW's keys to successful electronic payments adoption:

- Broad commitment to achieving the full benefits of electronic payments
- Disciplined approach to supplier enrollment and strong teamwork across key functions, including financing, purchasing and operations
- Ability to leverage bank resources and support at every step, from customizing a solution to accelerating supplier adoption
- Updated purchasing policies and contracts to require electronic payment

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PUTTING PAYMENTS AUTOMATION IN MOTION

“Whether it’s a large public university, state or local government agency or public utility, our first step in discussing ways to reduce the cost and burden of paper disbursements is not only to educate, but to listen to what they’re looking to achieve,” says Alex Johnston, UW’s client manager at Bank of America Merrill Lynch. “The University of Washington not only recognized the benefits of electronic payments but was highly proactive in promoting these tools across campus. Their disciplined approach to supplier enrollment and exceptional internal teamwork has been instrumental in creating a highly successful program.”

Visit bankofamerica.com/government to learn more about leading electronic payments solutions designed to help public institutions increase efficiency and optimize cash flow.

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