

OFFICE OF FINANCE

Operating and Capital Budgets for Fiscal Year 2016

Budget summaries and schedules

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MARQUETTE UNIVERSITY

Fiscal Year 2016 Proposed Operating Budget

At the December meeting, the Board of Trustees is being asked to approve the proposed operating budget for the fiscal year ending June 30, 2016 (FY16). For FY16, the university is proposing a balanced budget with total revenues and expenses of \$409.2 million, which is an increase of \$9.5 million over fiscal year 2015 (FY15). The schedules accompanying this report present both the proposed FY16 operating budget and the FY15 budget.

Enrollment and Tuition Revenue

Total gross tuition and fees revenue is projected to be \$376.1 million, which represents an increase of \$13.3 million compared to the FY15 budget. The university is proposing to increase the budgeted number of new freshmen by 100, from 1,900 in FY15 to 2,000 for FY16. The additional 100 new freshmen will be targeted to the College of Health Sciences and the College of Engineering, 75 and 25 students, respectively. The transfer student budget is proposed to increase by 25 from 150 in FY15 to 175 in FY16. To help ensure that the target of 175 transfer students is reached, the Transfer Enrollment Committee, along with the Undergraduate Admissions Office, is implementing the following initiatives:

- Identifying a full-time transfer coordinator
- Completing overhauls of the transfer website and the transfer database
- Working with the college deans in standardizing the university transfer protocol
- Student transfer decisions being made in the Undergraduate Admissions Office
- Developing a spring marketing plan with the Office of Marketing and Communication
- Dean of Arts and Sciences is working with his faculty to review that college's separate core requirements

Budgeted graduate credit hours for FY16 of 19,487 are projected to be lower by 981 compared to the budget of 20,468 in FY15. Much of the decline comes from the Graduate School of Management.

Enrollment totals used in calculating tuition revenues are shown on the "Fiscal Year 2016 Proposed Unrestricted Operating Budget Assumptions" schedule.

The Board is asked to approve a tuition rate increase of 3.50% for full-time undergraduates, an increase of 2.5% in the tuition rates for Graduate School, and no increase in the tuition rates for part-time students and summer school. Law and Dental tuition rate increases are noted on the FY16 Budget Assumptions schedule. This is the third year in which the university has proposed an undergraduate tuition increase lower than the previous year.

Tuition Discount

Total tuition discount is anticipated to be \$126.5 million, which represents an increase of \$7.6 million over the FY15 budget. Total net tuition and fee revenue of \$249.6 million is \$5.7 million above the FY15 budget.

The undergraduate unfunded discount budget was based on prior year trend analysis and enrollment goals established by the university. Marquette's financial goals continue to be multi-faceted: meet net tuition budget, enhance student quality, provide diversity, and maintain first generation and legacy students.

Graduate School discount was increased by 5.0% in order to address cost of living issues with graduate assistantships even though graduate enrollment has declined. Funded scholarships are expected to be the same as FY15.

Other Revenues

Federal, state, and private grants are budgeted at \$40.2 million for FY16.

Contributions are budgeted at \$17.4 million, the same as FY15.

Auxiliary enterprises revenues are projected at \$64.0 million, which represents an increase of \$2.9 million over the FY15 budget. Spirit Shop revenues are projected to remain the same as prior year. The Athletics revenue increase to \$15.2 million for FY16 is due to additional media revenue. Room and board revenues, included in auxiliary revenues, are \$45.3 million based on an occupancy rate of 97.0% and an average increase of 2.0% in room and board and apartment rates.

Projected sales by educational departments will increase \$390 thousand to \$10.5 million due to the approved and expanded dental clinic revenues.

Investment income is projected to be \$265 thousand, a slight increase over the FY15 budget due to the rate of return on investments.

Endowment income is projected to increase by the current 3.0% spending policy to \$15.8 million for FY16.

Increase in Other income is due to additional revenues from HEI and the Dental School.

Employee Headcount and Compensation

The FY16 total employee full-time headcount is expected to increase by 18. Please see the attached Full-time Headcount Supported by Unrestricted schedule.

Total salary is expected to increase by \$3.3 million to \$192.5 million. This increase includes a merit pool of \$2.3 million. \$1.0 million in salary which be allocated to the Provost Office for staff needed to accommodate the additional 100 undergraduate students (\$300 thousand), university initiatives (\$300 thousand), tenure, faculty promotion, and gender equity (\$400 thousand).

Fringe Benefits will increase by \$1.6 million because of ongoing increases in health care and the increases in additional academic staff.

Operating Expenses

Total operating expenses of \$158.3 million represent an increase of \$4.6 million over FY15.

Discretionary Expenses

Discretionary expenses are projected to be \$76.9 million for FY16, which is flat to FY15. Additional expense budgets will be provided to the Colleges of Health Sciences and Engineering to accommodate the additional 100 undergraduate students. In addition, previously approved programs, Teach for America, Dental School, Physician Assistant, and CTRH in College of Health Sciences, have additional operating budgets. The reduction in the unrestricted discretionary expenses budget is due to budget reallocation to compensation and non-discretionary expenses.

Non-Discretionary Expenses

Non-discretionary expenses, which include utilities, insurance, interest, food, contract maintenance, and depreciation, are projected to be \$69.9 million and represents an increase of \$2.6 million over FY15.

Other Expenses

The Provost Opportunity fund has declined as a permanent budget transfer of \$250 thousand was made to academic units in FY15.

For FY16, the university has established \$1.0 million of permanent unrestricted funding for the Innovation Fund that will be used for newly approved programs and initiatives.

The university will increase the annual contingency by an additional \$1.0 million from \$8.0 million in FY15 to \$9.0 million in FY16 to improve the university's overall financial viability and to mitigate enrollment and other risks.

MARQUETTE UNIVERSITY

FY2016 Proposed Operating Budget

(Dollars in Thousands)

	FY 2015 Budget			FY 2016 Proposed Operating Budget		
	Total Unrestricted Operating	Grant & Temporarily Restricted	Total Budget	Total Unrestricted Operating	Grant & Temporarily Restricted	Total Budget
Revenues:						
Student tuition & fees	\$362,885	\$0	\$362,885	\$376,140	\$0	\$376,140
Less-tuition discount	(101,930)	(17,000)	(118,930)	(109,500)	(17,000)	(126,500)
Net tuition & fee revenue	260,955	(17,000)	243,955	266,640	(17,000)	249,640
Federal, state and private grants	3,500	36,875	40,375	2,900	37,310	40,210
Contributions	6,400	11,000	17,400	6,400	11,000	17,400
Auxiliary Enterprises:						
Spirit Shop	2,500	0	2,500	2,500	0	2,500
Intercollegiate athletics	14,745	0	14,745	15,165	0	15,165
Residence life - room & board	42,835	0	42,835	45,310	0	45,310
Residence life - other	1,070	0	1,070	1,070	0	1,070
Total auxiliary enterprises	61,150	0	61,150	64,045	0	64,045
Sales by educational departments	10,110	0	10,110	10,500	0	10,500
Investment income	250	0	250	265	0	265
Endowment income used in operations	5,360	10,000	15,360	5,520	10,300	15,820
Other income	11,065	0	11,065	11,290	0	11,290
Total Revenues	358,790	40,875	399,665	367,560	41,610	409,170
Expenditures:						
Compensation:						
Salaries	170,195	19,000	189,195	173,505	19,000	192,505
Fringe benefits	54,470	2,250	56,720	56,075	2,250	58,325
Total compensation	224,665	21,250	245,915	229,580	21,250	250,830
Discretionary Expenses:						
Total discretionary	57,225	19,625	76,850	56,550	20,360	76,910
Non -Discretionary Expenses:						
Food purchases	9,715	0	9,715	10,285	0	10,285
Contract maintenance	5,505	0	5,505	5,880	0	5,880
Utilities	11,055	0	11,055	11,775	0	11,775
Insurance	3,725	0	3,725	4,500	0	4,500
Interest	9,630	0	9,630	9,220	0	9,220
Depreciation	27,720	0	27,720	28,220	0	28,220
Total non discretionary	67,350	0	67,350	69,880	0	69,880
Other Expenses:						
University contingency	8,000	0	8,000	9,000	0	9,000
Opportunity fund	550	0	550	550	0	550
Provost contingency fund	1,000	0	1,000	1,000	0	1,000
Innovation fund	0	0	0	1,000	0	1,000
Total other expenses	9,550	0	9,550	11,550	0	11,550
Total Expenditures	358,790	40,875	399,665	367,560	41,610	409,170
Operating Income (Loss)	\$0	\$0	\$0	\$0	\$0	\$0

MARQUETTE UNIVERSITY

FY 2016 Proposed Unrestricted Operating Budget Assumptions

	Unrestricted Operating Budget		
	FY2014	FY2015	Proposed FY2016
ENROLLMENT			
Undergraduate Students Headcount:			
New Freshmen	1,900	1,900	2,000
New Undergraduate Advanced Standing	150	150	175
Total New Students	2,050	2,050	2,175
Average Undergraduate Enrollment (Fall & Spring)	7,576	7,576	7,687
Law School New & Continuing Headcount	594	578	532
Dental School New & Continuing Headcount	340	360	380
Credit Hours:			
Graduate Credit Hours	22,390	20,468	19,487
Law Part-time Credit Hours	1,728	1,381	770
Summer Credit Hours	12,366	12,394	11,537
COPS Credit Hours	2,065	2,065	1,650
REVENUES			
Tuition Increase:			
Undergraduate	4.25%	3.75%	3.50%
Summer School	0.00%	0.00%	0.00%
Part-time	0.00%	0.00%	0.00%
Law School:			
First Year	3.00%	3.00%	3.00%
Continuing	3.00%	3.00%	3.00%
Graduate School	4.00%	0.00%	2.50%
Graduate School of Management	4.00%	0.00%	2.50%
Dental In-State	5.40%	3.00%	3.00%
Dental Out-of-State	4.50%	4.50%	4.50%
Room and Board Increase (Halls)	3.00%	2.00%	2.00%
Residence Hall Occupancy Rates	97.00%	97.00%	97.00%

MARQUETTE UNIVERSITY

FY16 Proposed Tuition, Fees, Room and Board Rates

UNDERGRADUATE TUITION

<u>Full-Time Rates</u>	FY15	FY16	Change
Undergraduate	\$35,480	\$36,720	\$1,240

<u>Credit Hour Rates</u>	FY15	FY16	Change
College of Professional Studies	\$635	\$635	\$0
Summer School	\$705	\$705	\$0

GRADUATE/PROFESSIONAL TUITION

<u>Full-Time Rates</u>	FY15	FY16	Change
Law School:			
Full-Time	\$41,040	\$42,270	\$1,230
Dentistry:			
In-State	\$45,560	\$47,380	\$1,820
Dental Capitation	\$8,660	\$8,660	\$0
Out-State	\$54,220	\$56,390	\$2,170

<u>Credit Hour Rates</u>	FY15	FY16	Change
Graduate:			
MBA	\$1,025	\$1,050	\$25
Education	\$765	\$785	\$20
Graduate	\$1,025	\$1,050	\$25
Law School:			
Part-Time	\$1,630	\$1,685	\$55

ROOM AND BOARD

	FY15 Double With Meal Plan	FY16 Double With Meal Plan	Change
Carpenter Tower	\$11,070	\$11,290	\$220
Cobeen	\$11,000	\$11,220	\$220
Mashuda	\$11,520	\$11,750	\$230
McCormick	\$11,000	\$11,220	\$220
O'Donnell	\$11,000	\$11,220	\$220
Schroeder	\$11,070	\$11,290	\$220
Straz Tower	\$11,790	\$12,030	\$240

Marquette University

Full-time Headcount Supported by Unrestricted

By Year Compared to Enrollment FTE

(schedule reflects reorganization of University)

	2012	2013	2014	2015	Proposed 2016
Faculty (all Provost)	641	646	653	657	663
Exempt					
Academic	400	387	394	382	383
Non-Academic	338	350	348	313	313
	<u>738</u>	<u>737</u>	<u>742</u>	<u>695</u>	<u>696</u>
Non-exempt					
Academic	421	434	436	427	438
Non-Academic	243	247	251	234	234
	<u>664</u>	<u>681</u>	<u>687</u>	<u>661</u>	<u>672</u>
Total Employees	<u>2,043</u>	<u>2,064</u>	<u>2,082</u>	<u>2,013</u>	<u>2,031</u>
Enrollment FTE (fall semester)	10,740	10,630	10,703	10,722	10,722
Enrollment/Total Employees	5.26	5.15	5.14	5.32	5.28

Increase in headcount from 2015 to proposed 2016:

Faculty:

Dental expansion	3
Health Sciences (additional 100)	2
Engineering (additional 100)	<u>1</u>
	6

Academic exempt:

Teach for America 1 reclass from part-time supported by increased revenue

Academic non-exempt:

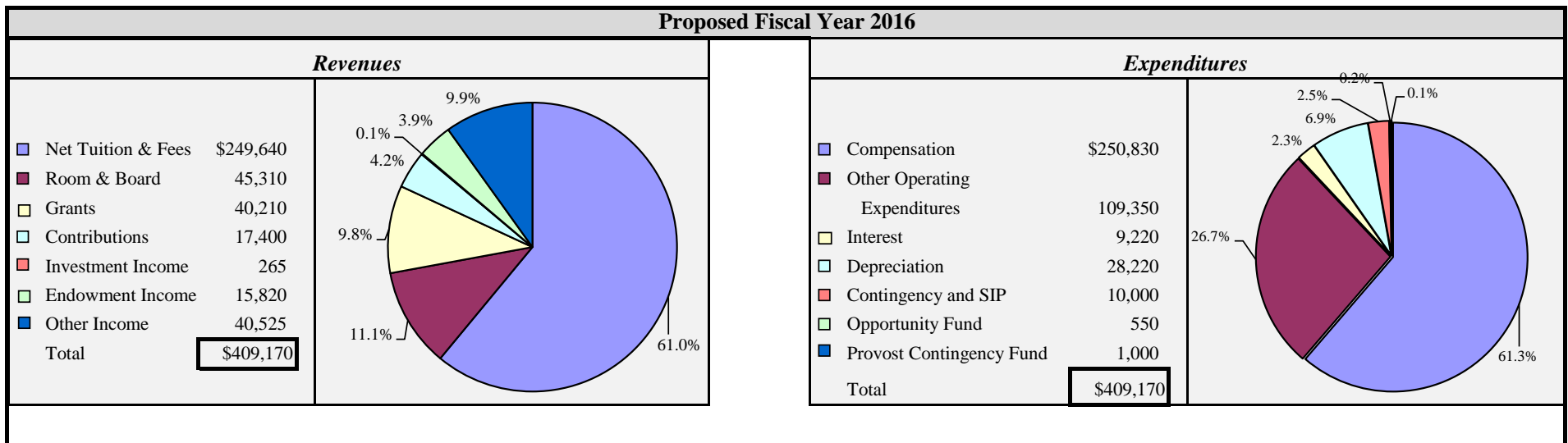
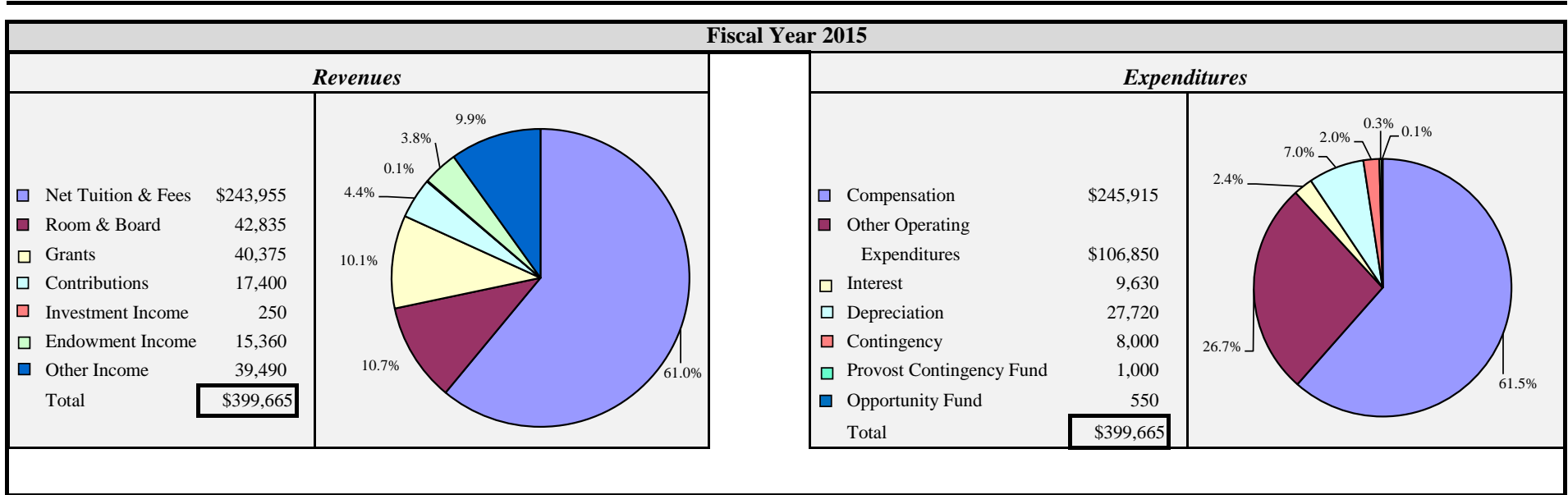
PT Clinic	2 reclass from part-time supported by increased revenue
Dental expansion	7
Health Sciences (additional 100)	<u>2 reclass from part-time supported by increased revenue</u>
	11

Total increase to full-time headcount 18

MARQUETTE UNIVERSITY

Budgeted Operations

(Dollars in Thousands)



MARQUETTE UNIVERSITY

Fiscal Year 2016 Proposed Capital Budget

At this meeting, the Board of Trustees will be asked to approve the proposed \$52.3 million capital budget for the fiscal year ending June 30, 2016 (FY16). The proposed FY16 capital expenditures include:

A. Available Cash (\$52.3 million)

Projected unrestricted annual capital/debt expenses are anticipated to total \$28.2 million and will be funded by the cash generated from operations (depreciation expense). Projected restricted/other source expenditures totaling \$24.1 million will be funded from contributions, grants, cash reserves, and bond proceeds.

B. Prior / Annual Commitments (\$20.6 million)

Prior commitment funding will include principal payments, books and periodicals, replacement programs, technology upgrades, and facility improvements and expansions. Noteworthy projects are as follows:

- **Academic Start Up**

For FY16, the Provost Office is being provided \$1.3 million in academic equipment for the recruitment and retention of faculty.

- **Innovation Fund**

As part of the university's commitment to its strategic goals, an Innovation Fund of \$1.0 million will be provided to support the capital needs of approved new programs and initiatives.

- **Computer Replacement**

The computer replacement program will be funded at \$1.0 million to continue upgrading technology for faculty and staff.

- **Dental School Expansion**

The School of Dentistry will be funded \$1.1 million to purchase additional equipment and finish renovations.

- **Engineering Hall**

Pledge payments and restricted funding of \$600 thousand are expected for Engineering Hall in FY16. The funding will be used to purchase additional research equipment as identified by the College of Engineering.

C. Proposed New Commitments (\$31.7 million)

Proposed new commitments will include addressing safety and security issues as well as strategic facility priorities. Proposed new commitments are as follows:

Safety and Security (\$930 thousand)

- **Facility Renewal – Façade**

A \$400 thousand pool is being set aside to address City of Milwaukee mandated façade repair. These improvements cover academic, administrative, and/or student housing facilities.

- **Security Camera Replacement**

The aging security camera infrastructure is being replaced. This is the final year of a three year project with \$530 thousand being allocated in FY16.

Strategic Facility Priorities (\$25.4 million)

- **Historic Core**

Funding of \$2.5 million is being allocated to complete the renovations of Johnston Hall, Marquette Hall, Sensenbrenner Hall, and Coughlin Hall. This is the final year of a multi-year project totaling \$30.0 million.

- **Jesuit Residence**

Funding of \$15.0 million has been raised for construction and design of the new Jesuit Residence (\$12.0 million) and additional site improvements / demolition of the old facility (\$3.0 million). At the May meeting, the Board approved a completed design and budget of \$1.0 million. Construction is expected to be completed by November of 2015.

- **Academic Renovations**

The Provost Office has requested \$1.2 million for academic capital projects. These projects will be funded by the individual units operating budgets or donations. These projects include Health Sciences equipment, Law School classroom equipment, Raynor Library technology, College of Business office renovation and Haggerty Museum technology upgrades and renovations.

- **Athletic Facility Improvements**

Intercollegiate athletics has requested \$1.7 million for facility improvements for the McGuire Center, Walk of Champions, and Valley Fields. Work in Valley fields will include turf, running track, and lighting replacements. These projects will be funded by donor activity or unit operating budgets.

- **Weasler Auditorium**

In order to accommodate the additional 100 undergraduate freshman, the Weasler Auditorium will be reconfigured to also function as a high capacity classroom. The cost of needed seating and equipment is \$500 thousand.

- **Facility Improvements – Housing**

\$3.0 million is being provided as a placeholder for student housing.

- **Property Acquisitions**

\$2.5 million will be set as a place holder for property acquisitions.

Other Projects (\$5.3 million)

For FY16, \$5.3 million in funding will be allocated to Information Technology Services (servers, software and network updates), Provost / Academic Projects (faculty equipment, and lab renovations), Student Affairs (musical instruments and recreational equipment), and Facilities Services (HVAC, renovations, and various infrastructure improvements).

MARQUETTE UNIVERSITY
Fiscal Year 2016 Proposed Capital Budget
(Dollars in Thousands)

	Fiscal Year 2015		Projected FY 2016	
	Funded from Operations	Funded from Restricted/Other Sources	Funded from Operations	Funded from Restricted/Other Sources
A. Available Cash	\$27,720	\$22,665	\$28,220	\$24,060
B. Prior / Annual Commitments				
Principal Repayment	9,400		10,000	
Books and Periodicals	4,400		4,230	
Academic Requests - Start Up	1,350		1,350	
Innovation Capital Fund	1,000		1,000	
Computer Replacement Program	460		1,000	
Rec Plex Renovation			500	
Vehicle Replacement Program	250		250	
Smart Classrooms / General Pool			150	
Johnston Hall Projects		500		500
Telecommunications System (Phone)	315			
MFS Upgrade - Oracle		500		
Dental School Expansion		1,200		1,050
Engineering Hall		230		600
Total Prior / Annual Commitments	17,175	2,430	18,480	2,150
C. Proposed New Commitments:				
Safety & Security:				
OSHA Equipment - Mandate	50			
Facility Renewal - Façade	400		400	
Security Camera Replacement	700		530	
Sub-Total	1,150		930	
Strategic Facility Priorities:				
Historic Core		15,000		2,500
Jesuit Residence		1,000		14,000
Academic Renovations		1,735		1,200
Athletic Facility Improvements				1,710
Weasler Auditorium Conversion			500	
Facility Improvements - Housing	3,000		3,000	
Property Acquisitions		2,500		2,500
Sub-Total	3,000	20,235	3,500	21,910
Other Projects:	6,395		5,310	
Total New Commitments	10,545	20,235	9,740	21,910
D. Total Expenditures (Total of B & C)	\$27,720	\$22,665	\$28,220	\$24,060