

MARQUETTE UNIVERSITY

# FINANCIAL OVERVIEW

SEPTEMBER 2015

# 2015 Highlights

- **External Audit Results**
  - Unmodified opinion of the financial statements by KPMG, our external auditors
  - No material weaknesses or significant internal control deficiencies
  - The results of the 403 (b) retirement plan audit successfully met the requirements of the DOL
  - Coleman & Williams, LTD, our external auditors for the plan, had no audit adjustments or findings
- **Financial Results**
  - Maintained our positive A2 credit rating with Moody's
  - Cash Investments increased to \$99 million or \$13 million more than the previous fiscal year
  - Debt decreased from \$235 million to \$204 million primarily due to a \$21 million pledge prepayment
  - Endowment ended the year at \$545 million with a fund return of 2.7%
  - The university finished the year with a \$11.5 million Net Operating Income
- **Financial Achievements**
  - Permanently budgeted an Innovation Fund of \$2 million (\$1 million each in operating and capital)
  - Created a \$9 million contingency fund
  - Acquired 9 acres of land on Michigan; demolished 5 buildings; completed the Jesuit Residence
  - Began the Master Plan Process



# Financial Profile

External Benchmark	2008	2010	2012
Moody's Credit Rating of A2	A2	A2	A2

- Strengths: faith based comprehensive institution, strong philanthropic support, conservative debt profile and balanced operating performance
- Weaknesses: strong competition from low cost public universities, limited revenue diversity, competitive challenges in a regional market, and continuing decline in freshman matriculation rates



# Financial Profile Continued

Internal Benchmark	FY12	FY13	FY14	FY15
Composite Financial Index	2.65	2.80	4.26	TBD

- Strengths: stable and conservative debt management
- Weaknesses: Resource sufficiency (endowment size and operating results are below average)



# Financial Profile Continued (amounts in millions)

Financial Structure	FY13	FY14	FY15	FYTD as of August 31, 2015
Current Cash Reserves	44.9	86.6	99.0	138.9
Debt	243.9	234.9	204.0	203.9
Endowment	457.8	531.7	551.6	530.5

Financial Structure	FY13	FY14	FY15	FY16	FY17 Projection
Operating Budget	373.1	385.2	398.6	409.2	TBD
Capital Budget	43.3	42.4	50.4	52.3	TBD



# Financial Management

- **Operating Budget**
  - Balanced budget philosophy
  - Principal operational revenues: net tuition revenue, room & board, auxiliaries, gifts, investment/endowment income
  - Principal operational expenses: compensation, discretionary and non-discretionary
- **Capital Budget**
  - Balanced budget philosophy
  - Debt payments, books and periodicals, technology, renewal
  - Funded (gifts, grants, debt) and Unfunded (depreciation)
- **Key Cost Drivers in higher education**
  - Labor (24/7 operation)
  - Capital Assets (71 buildings, equipment)
  - Technology
  - Regulatory environment



# Fiscal Year 2016 Operating Budget

- **Key Revenue Assumptions**
  - Enrollment: 2,000 new freshmen
  - Tuition: 3.50% average
  - Discount: 33.1%, 38.9% freshmen
  - Room and Board: 2% average increase
- **Key Expense Assumptions**
  - Employees: 2,031 employees, ratio of students to employees of 5.28
  - Salaries: Merit pool of 2.3 million
- **Changes from FY14 to FY15**
  - \$9.5 million increase in total net revenues and expenses
  - \$7.6 million increase in tuition discount
  - \$2.3 million increase in compensation
  - \$4 million increase in the university contingency fund
  - \$1.5 million increase in non-discretionary expenses (utilities, debt service, etc.)
  - \$4.7 million decrease in discretionary expenses (travel, supplies, etc.)
- **Where does tuition go?**
  - 49 cents for faculty/staff compensation
  - 22 cents for grants and scholarships
  - 16 cents for student services
  - 10 cents for facility services
  - 3 cents for administrative services
- **Other facts**
  - Net Tuition Revenue covers only **61%** of Marquette's total costs

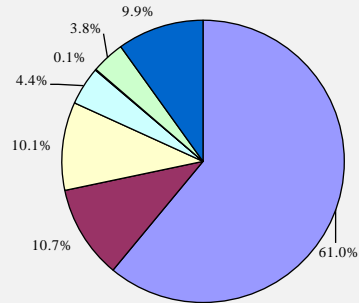


# FY15 to FY16 Operating Budget

## Fiscal Year 2015

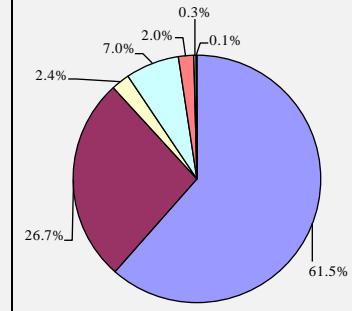
### Revenues

Net Tuition & Fees	\$243,955
Room & Board	42,835
Grants	40,375
Contributions	17,400
Investment Income	250
Endowment Income	15,360
Other Income	39,490
<b>Total</b>	<b>\$399,665</b>



### Expenditures

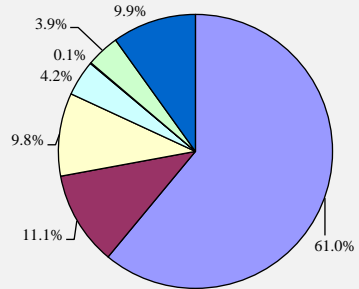
Compensation	\$245,915
Other Operating Expenditures	\$106,850
Interest	9,630
Depreciation	27,720
Contingency	8,000
Provost Contingency Fund	1,000
Opportunity Fund	550
<b>Total</b>	<b>\$399,665</b>



## Proposed Fiscal Year 2016

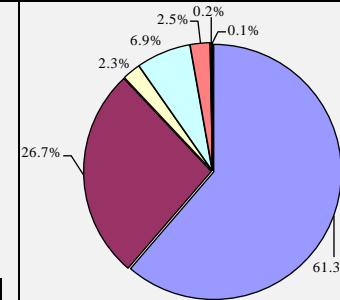
### Revenues

Net Tuition & Fees	\$249,640
Room & Board	45,310
Grants	40,210
Contributions	17,400
Investment Income	265
Endowment Income	15,820
Other Income	40,525
<b>Total</b>	<b>\$409,170</b>



### Expenditures

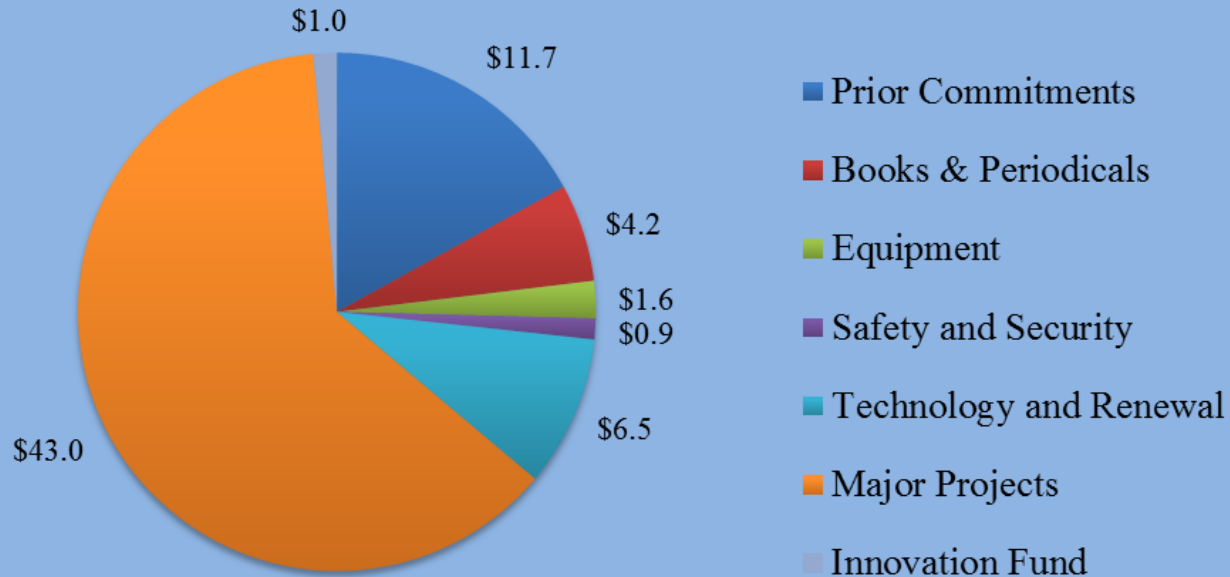
Compensation	\$250,830
Other Operating Expenditures	\$109,350
Interest	9,220
Depreciation	28,220
Contingency and SIP	10,000
Opportunity Fund	550
Provost Contingency Fund	1,000
<b>Total</b>	<b>\$409,170</b>





# Capital Budget

Revised FY16 Capital Budget, \$68.8 Million



# Fiscal Challenges

- **Economic Impact Issues**
  - Parents and students (accessibility, affordability, debt burdens)
  - Donor giving and alumni support (gifts)
  - Decreasing governmental financial support (research and student aid) and increasing government oversight (compliance, regulations, restrictions)
- **Strategic Issues**
  - Develop comprehensive vision, goals and plan
  - Clarity of fundraising priorities
  - Size of endowment
  - Academic program quality and research (graduate education, start-up funds)
- **Revenue Challenges**
  - Enrollment
  - Decreasing tuition margin and increasing unfunded discount
  - Decreased investment and endowment income
  - Decreasing government grants and annual contributions
- **Expense Challenges**
  - Compensation levels / Health care costs
  - Building renewal and technology
  - Operational budgets



# Financial Goals

With the commencement of a major strategic planning effort, the university has an opportunity to improve the viability of its financial position by increasing cash reserves and providing permanent funding sources for the strategic planning initiatives. To do so, the university adopted two specific 5-7 year financial goals and strategies beginning in FY14:

- **Financial Viability** – focus on increasing available financial resources relative to other private Catholic colleges and universities
  - Increase its cash reserves to provide adequate resources for strategic purposes:
    - Capital improvements
    - Fund land acquisitions
    - Fund quasi-endowment
- **Fund the Strategic Plan** – create a pool of resources that will be available to permanently fund the strategic priorities of the university through the following strategies:
  - Diversifying and increasing revenue streams
  - Reallocation of resources
  - Developing new programmatic initiatives





MARQUETTE  
UNIVERSITY

---

**BE THE DIFFERENCE.**