

# MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

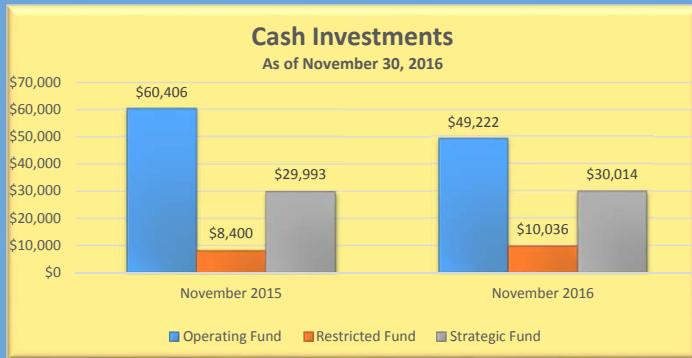
## Dashboard for November 2016

The purpose of the Marquette Financial Performance dashboard is to give the reader a clear depiction of Marquette's financial health.

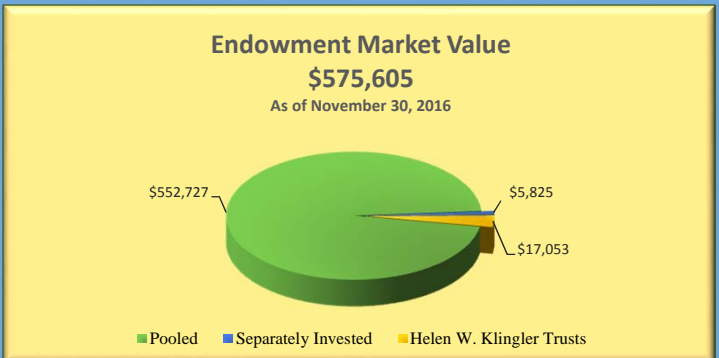
Click on any chart to see trends and explanations of that data. For more information, or to ask a question or provide feedback, click on the Ask a Question box, found at the top right corner of each trend page.

To review the analysis of this information, as well as higher ed and economic influences, visit the [Treasurer's Comments](#).

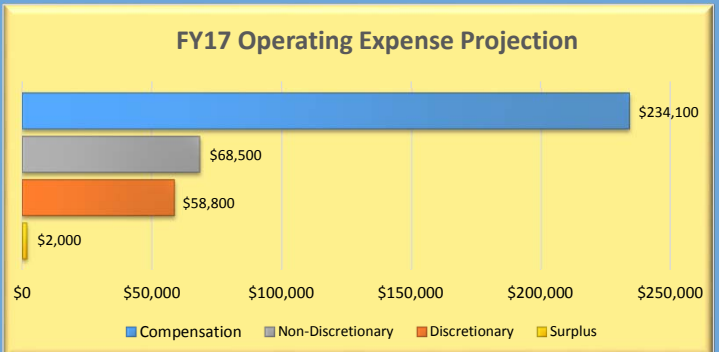
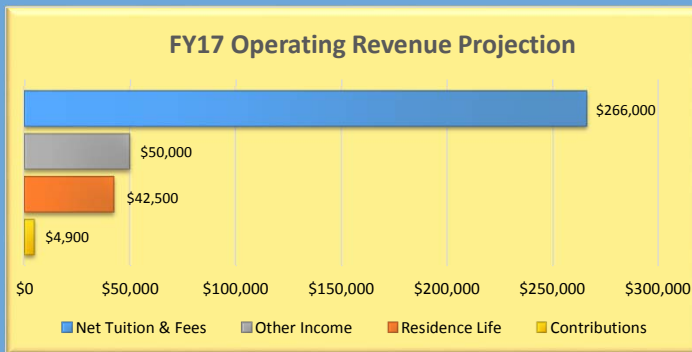
### Cash Investments



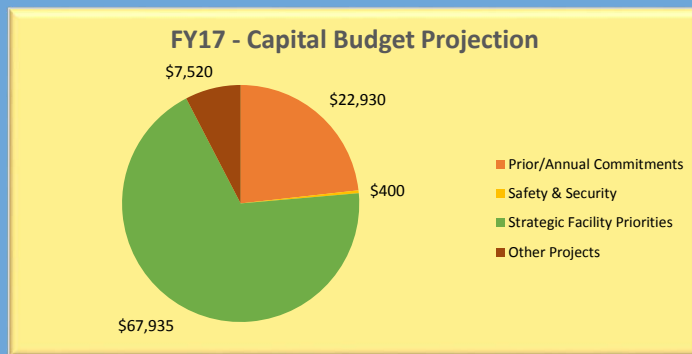
### Endowment



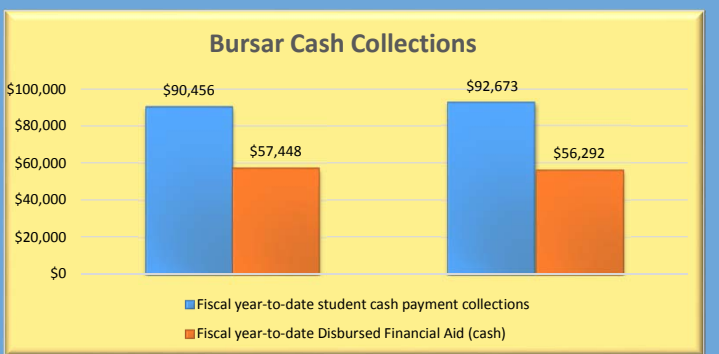
### Operating Budgets



### Capital Budgets



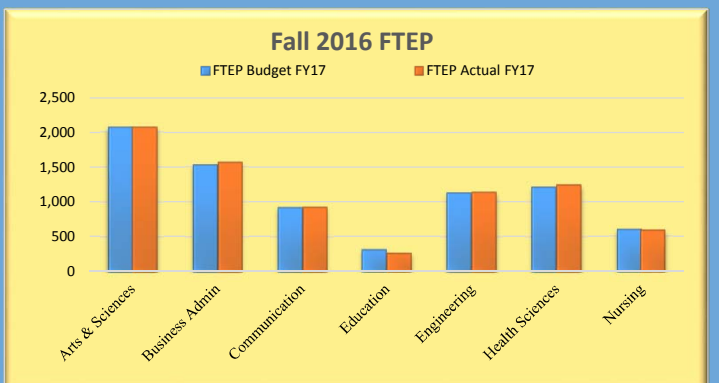
### Bursar



### Financial Aid

Financial Aid Awarding	FY17 Approved Budget	FY17 Total Committed
Continuing	\$70,714	\$69,177
Continuing EOP	3,750	2,809
Continuing Evans	620	721
Advanced Standing	2,100	2,215
Freshmen	28,550	35,283
Freshman EOP	1,250	1,120
Freshman Evans	300	231
<b>Total</b>	<b>\$107,284</b>	<b>\$111,556</b>

### Actual Fall 2016 FTEP Compared to Budget



## Treasurer's Comments

### Economic Comments

The relentless sell-off in bond markets accelerated this past week following the December Federal Open Market Committee (FOMC) meeting. After the Fed meeting concluded on Wednesday, Chair Janet Yellen provided information announcing that the federal funds target rate increased by 25 basis points, a full one year after the last hike in interest rates. Markets fully expected this as the rate increase was priced in throughout the yield curve, but the hawkish shift in the FOMC's overall outlook surprised some. The median forecast for the number of rate hikes increased from two to three hikes for 2017. Immediately after the meeting, the yield on the 10-year Treasury note jumped over 20 basis points into the overnight trading session, peaking at 2.60 percent. GDP and inflation relprojections eased by the Fed remained stagnant suggesting the strength of the labor market and inflation expectations are robust enough to merit the increases but fiscal policy and stimulus of the incoming administration were not enough to factor in the Fed's decisions. Three geopolitical events weighed heavily on the rates market today, resulting in the largest single day drop since mid-August, sending the 10-year Treasury yield to 2.55 percent: 1) China seizing a US Navy drone in the hotly disputed South China Sea. 2) Truck crashed into crowded Christmas market in Berlin, killing nine. 3) Russia's ambassador to Turkey was assassinated at an Ankara art exhibit. Overall, there will be more rate hikes as the Fed intends to increase the federal funds rate by .25% over the next three quarters of the fiscal year.

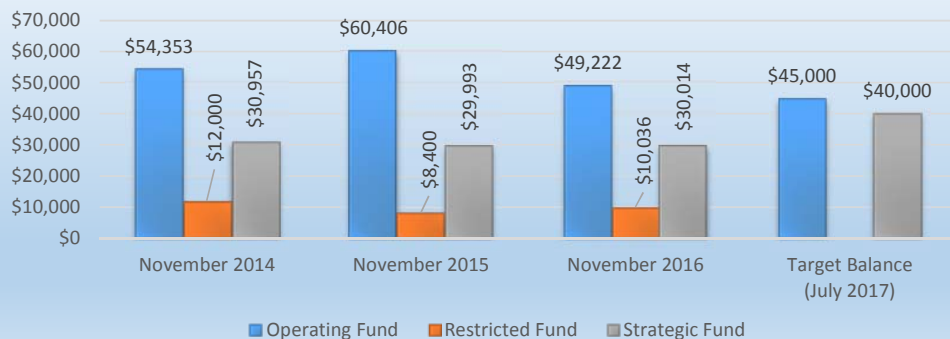
### Marquette Financial News

1. At the December meeting of the Board of Trustees, the university presented recommendations for the FY18 operating budget. The budget goals were to present a balanced budget that aligned resources with university priorities, shape a class for quality and diversity in keeping with the mission of Marquette and create a compensation approach for the retention and recruitment of faculty and staff. The university will announce the all the recommendations in January.
2. At the February Board meeting the university will provide capital budget recommendations to the Board for approval.
3. The Dining Vendor Selection Committee met with selected vendors for presentations and will be making a recommendation to senior administration before the end of December.

### November Financial Highlights

1. Cash reserves continue to be in line with recent trends at \$89.3 million versus \$98.8 million for the same period last year. The annualized yield was 0.58%, which outperformed the weighted index benchmark by 30 basis points.
2. The flat return of .01% for the month of November endowment results represents an outperformance of 0.6% when compared to the 0.7% return of the Approved Policy Index. The Domestic Equityand International equity allocation underperformed while the Hedge Funds, Real Assets and Fixed Income allocations out performed their benchmarks.
3. The FY17 projected revenues are \$363.4 million with corresponding expenses of \$361.4 million are expected to provide an operating income of \$2.0 million for FY17. While aggregate tuition receipts are up versus last year, the university's discount increased resulting in lower net tuition revenue. The largest additional expense was from the new tenure buyout policy with a cost to the university of \$3.5 million.
4. The capital budget for FY17 is \$98.8 million. To date expenditures total \$19.1 million with the largest facility expense for the Seasonal Air Supported Structure at \$2.3 million.
5. Through November student aid funds committed are \$126.5 million.
6. The 2016 Fall semester continues to show an increase in cash collections compared to last year. The number of receivable accounts has increased this month compared to last year at this tim, however, the total dollar amount is lower than the previous November's totals.

## Cash Investments

[Back to Dashboard](#)[Ask a Question?](#)

### What does this trend indicate?

Cash balances continue to be relatively stable compared to previous years. A healthy cash balance ensures that Marquette has the ability to meet its financial obligations.

## Cash Investments

### What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

### November Results

The cash management balance for the month totaled \$89.3 million, and is down from the previous month's total of \$112.4 million. This decreased is normal as cash are drawn to fund operating expenses. Relative to November 2015, the cash balance is behind by \$9.5 million. The annualized yield for the cash management investment was 0.58%, which outperformed the weighted index benchmark by 30 basis points.

### How is Marquette's Cash Invested?

Investments are made according to the university's Short-Term Investment guideline. Cash surpluses are laddered out with maturities occurring at the end of each month. This process provides a constant source of cash flow to meet the university's liquidity needs.

### What are the Concerns for Cash Investments?

The three main [concepts](#) to monitor include:

Market Risk – ensuring the investments are diversified to minimize risk.

Liquidity – investments must be readily convertible into cash.

Interest Rate – a low interest rate environment can negatively impact investment income.

### What Internal Influences Affect Marquette's Cash Investments?

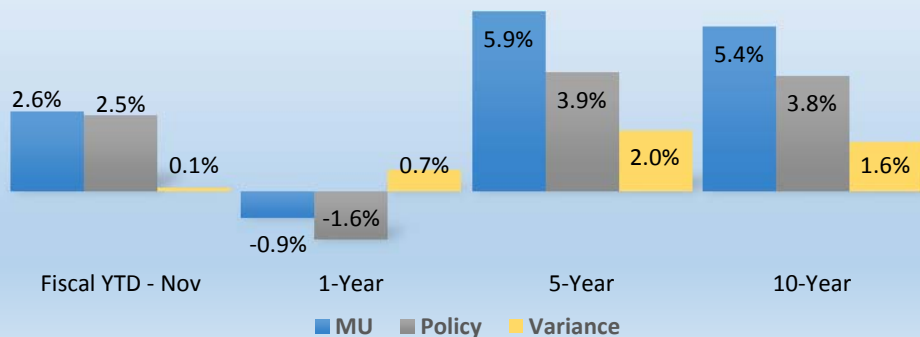
The type of cash investment, time to maturity, and return on investment (yield) are dictated by the specific demand and usage of the cash. Cash needed to fund operational expenses, strategic initiatives or other priorities such as construction projections all may require different investment instruments. Monthly operational expenses such as payroll, utilities, supplies, etc. demand a highly liquid investment such as a money market instruments, which generally sacrifice yield for security. Strategic initiatives usually have a longer time horizon that allow for investments with slightly greater risk, longer duration, less liquidity, and higher yields. Other types of cash demands, such as construction projects that have known timelines and specific drawdown requirements, may use investment instruments that allow “laddering” or staggering of the maturity periods.

### What are Marquette's Cash Investment Goals?

1. Preservation of principal – ensure the safety of cash being invested.
2. Funding the university's liquidity needs – provide cash flow for the university.
3. Yield – generate investment income for the university.

For More Information, Visit the Treasury Office by [Clicking here](#).

## Fiscal YTD and Annualized Returns as of June 30, 2016



[Back to Dashboard](#)

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### What does this trend indicate?

The active investment returns of the endowment have outperformed the passive allocation of the benchmark for all time periods.

## Endowment

### Current Results

A flat return in the month of November represents an underperformance of 0.3% when compared to the 0.3% increase of the Approved Policy Index. The Domestic and International Equity allocations represented the largest drag on monthly performance while the Hedge Funds, Real Assets and Fixed Income allocations outperformed their respective benchmarks.

### What is an Endowment?

The Marquette endowment represents financial donations given to the university that are restricted for a specific purpose and invested with the intent of providing a perpetual stream of financial support. The purpose of the endowment is to enhance fiscal stability and strengthen the mission of the university.

### How is Marquette's Endowment Used?

Annual spendable funds are broadly disbursed to support student scholarships, academic programs, and the general operations of the university.

### How is Marquette's Endowment Managed and Protected?

The Endowment Office attempts to partner with the highest quality external investment managers in a manner that is consistent with the Board of Trustee approved Investment Policy.

### What Internal Operations Influence the Success and Growth of the Endowment?

The three key variables that influence the endowment are:

- 1) Donor Gifts
- 2) Investment Returns
- 3) Spendable Income

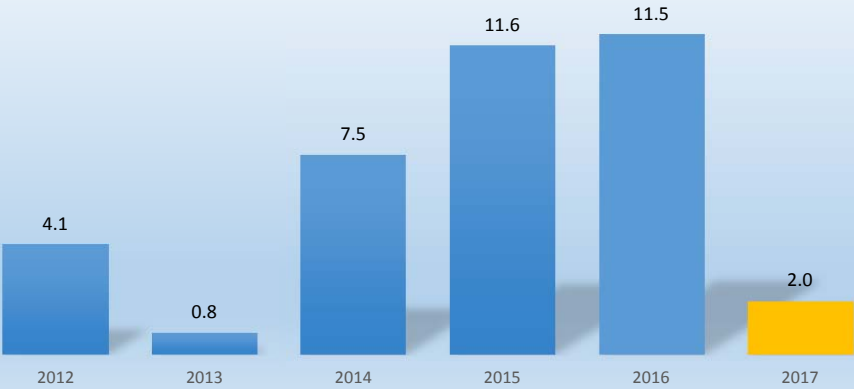
For More Information, Visit the Endowment Office Web Page by [Clicking Here](#).

# Net Operating Income Projection

[Back to Dashboard](#)

[Ask a Question?](#)

**What does this trend indicate?**  
The current trend indicates that the university is becoming more financially solvent by maintaining its contingency commitment, generating positive bottom lines and strategically using its scarce resources.



## Operating Budget

### What Comprises the Operating Budget?

The university operates within an unrestricted operating budget that is annually approved by the Board of Trustees. For FY17, the approved budget was \$368.9 million which included a \$10.0 million contingency. The contingency fund protects the university in case of revenue shortfalls or unexpected expenses. If the fund is not needed in a given year, then the funds are either used to increase the quasi endowment or for strategic capital purchases.

### Current Results

The FY17 projected revenues are \$363.4 million with corresponding expenses of \$361.4 million are expected to provide an operating income of \$2.0 million for FY17. Any profit will be shared according to Law School, Dental School and RCM agreements. More detail on the various components of this projection are below.

### FY17 Revenues

Projected revenues are \$5.5 million lower than the budget due to lower net tuition revenues, contributions, and other income. Gross tuition will be over budget by approximately \$2.7 million. This increase is due to several programs being greater than budget – undergraduate – 29 students, Law – 27, and Direct Entry Nursing – 52. (Please note for the Direct Entry Nursing, Marquette shares the revenue with the online provider, Orbis so we only keep 30% of the revenue.)

This increase in gross tuition is offset by higher discounts. Undergraduate discount is expected to be over budget by \$2.4 million. Law School discount is expected to be over budget by \$1.6 million. Therefore total net tuition revenue is projected to be \$266.2 million which is lower than budget by \$0.3 million. Residence life is projected to fall short of budget by \$0.9 million, unrestricted contributions are expected to be lower than budget by \$1.5 million. All other revenues are also expected to be lower than budget by \$2.4 million collectively.

### FY17 Expenses

#### Compensation

Compensation is the largest expense category for the university at 64.0% of operational expenses. Total compensation (salary and fringe) is projected to be \$234.1 million, \$2.7 million higher than budget. Within compensation are two categories: salary and fringe benefits. Salaries are projected to be \$2.1 million over budget due primarily to the new tenure buyout policy which was enacted this year with a cost to the university of \$3.5 million. The new tenure policy is partially offset by \$1.4 million in unfilled positions and vacant lines. Fringe benefits are projected to be \$0.6 million higher than budget due to higher health care costs.

#### Discretionary Expenses

Discretionary operating budget deals with the general university activities and expenses of the university and totals \$58.8 million. Discretionary budgets of the university account for approximately 15.3% percent of the total expense budget. This expense category includes, but is not limited to, supplies, travel, telephone, professional fees and advertising and is expected to be on budget.

#### Non-discretionary Expenses

The non-discretionary operating budget contains the contractual obligations of the university. The non-discretionary expenditure budget is \$68.5 million or 20.0%. This expense category includes, but is not limited to, contract maintenance, utilities, insurance, interest, and depreciation. Non-discretionary expenses are expected to be under budget by \$2.0 million. The lower expenses are expected for utility cost based on favorable trends and interest expenses due to the refunding of the 2007 debt which will be completed this fall. However, these savings are offset by higher depreciation expense and higher food costs for the larger freshman class.

### Is Marquette's Budget Fiscally Healthy?

Overall, the university's financial situation is stable, but there is a strong dependency on net tuition revenue generated by enrollments to balance the budget. The university needs to diversify its revenue streams by increasing gift contributions, investment income, grants, endowment income, and other income sources.

### What are the Major Budget Triggers?

There are two major "triggers" that currently have a strong impact on the university's operations: enrollment and number of employees. As the university is highly dependent on net tuition revenue to run its operations, any decline in enrollment will have ramifications on revenue and will need to be offset in expense reductions.

For More Information, Visit the Budget Office Web Page by [Clicking Here](#).

## Capital Budget Trend and FY17 Projection

[Back to Dashboard](#)[Ask a Question?](#)

### What does this trend indicate?

This trend indicates that the university continues to maintain and improve its inventory of fixed assets.



## Capital Budget

### What is a Capital Expense?

Capital expenditures are funds used by the university to acquire or upgrade physical assets such as equipment, property, or buildings. Any one of these assets with a life longer than the accounting year are considered a capital expense. In the case when a capital expenditure constitutes a major financial decision, \$1.0 million or more, the expenditure must be approved by the Board of Trustees in the annual budget approval process.

### Year-to-Date Results

Year-to-date capital expenditures for the university are \$19.1 million compared to the budget of \$98.8 million. Annual capital projects include work on: façades, roofing, elevators, security systems, as well as other projects totaling \$2.3 million. Major project expenditures thru October include:

ARPC-	-\$0.3 million
Lower division student housing	- \$0.8 million
Valley Field Dome	- \$2.3 million
Vehicle replacement program	- \$0.2 million
Computer replacement program	- \$0.2 million
Other non-reoccurring items	- \$0.8 million
Principle payments and library	- \$8.8 million

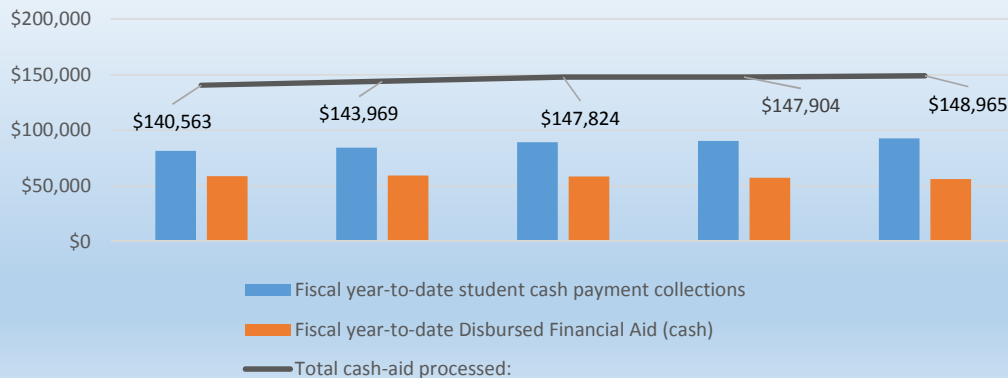
### What Comprises Marquette's FY17 Capital Budget?

The total university capital budget, approved by the Board of Trustees for fiscal year 2017, is \$98.8 million. This budget is composed of current year operating funds of \$28.8 million and debt, donor funds, or cash reserves of \$70.0 million. The breakdown is as follows:

- A) \$22.9 million or 23.1% for prior and annual commitments.
- B) \$67.9 million or 68.8% Academic Renovation, Athletic facility renovations, Facility Improvements, lower division housing, and property acquisitions.
- C) \$8.0 million or 8.1% to purchase equipment, and improve existing academic and student facilities, and provide technology upgrades.

**For More Information, Visit the Budget Office Web Page by [Clicking Here](#).**

## Student Payments - Aid Disbursed

[Back to Dashboard](#)[Ask a Question?](#)

### What does this trend indicate?

The trend indicates that students and families are contributing more through private funding sources.

## Bursar Report

### What Comprises Outstanding Receivables?

Outstanding receivables are payments owed to the university by students for tuition, room and board, and other student fees (e.g. Student Health Fees, Student Activity Fees, U-Pass, etc.).

### November 2016

The 2016 Fall semester continues to show an increase in cash collections compared to last year. The number of receivable accounts is higher compared to last year at this time. However, the total dollar amount of receivables is considerably down from last year's November totals.

### How are Billing, Receivables and Cash Collections Managed?

The Office of the Bursar is responsible for the billing of tuition, fees and housing as well as crediting student accounts with financial aid and payments received. Bursar administrators provide guidance and counseling to students and their families by informing them of payment options that can help make an education at Marquette attainable. The Office of Student Loan Accounts (SLAC) reports to the Bursar and serves to assist students in their loan inquiries. SLAC is entrusted with the responsibility to collect loans on behalf of the federal government and Marquette University, as well as to help students throughout the repayment period.

### What is Important About Receivables and Cash Collections?

As with any business, Marquette's operations include expenses for salaries, fringe benefits (e.g. health care, retirement contributions, social security and Medicare payments, etc.), facilities, technology and day-to-day operational costs. Cash collections are vitally important to meet these monthly outlays and also to maintaining and building a healthy financial position that sustains the university for future generations.

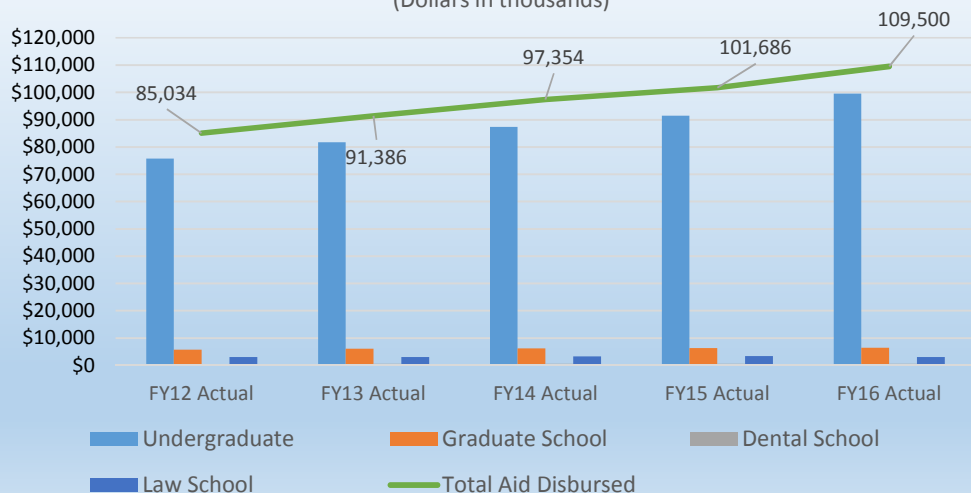
Visit the Bursar Web Page (Marquette Central) for More Information, [click here](#).

**What does this trend indicate?**

FY12-FY16 indicate financial aid disbursed in the categories identified. FY16 represents the budget.

**Unfunded Financial Aid Disbursed**

(Dollars in thousands)



## Financial Aid

### What Comprises Financial Aid?

Student financial aid is comprised of scholarships, grants, loans and work-study. Aid sources can be from federal, state, local governments, private institutions, individuals, the university's endowment, or the operating budget. Scholarships and grants do not need to be repaid. Work study is an employment program in which students are paid for the work they perform. Loans must be repaid, although some programs have forgiveness or deferment provisions.

### Current Results.

Committed funds for 2015-2016 are at 96.3% of the approved budget.

### How is Financial Aid Used?

Student financial aid is used to defray a student's cost of attendance. This typically includes tuition, room and board, student fees and other related costs.

### How is Financial Aid Managed?

The Office of Student Financial Aid (OSFA) provides Federal, State and institutional financial assistance to students who might not otherwise be able to avail themselves to a Marquette education due to inadequate financial resources. Aid is awarded consistently, while maintaining compliance with state, federal and institutional regulations and policies. Institutional resources are stewarded per donor or benefactor's wishes as outlined in the gift agreement. OSFA partners with Undergraduate Admissions to provide timely and accurate information to prospective students and their families. OSFA and Admissions participates in local, state and national outreach efforts through local high school financial aid nights and state-wide events like College Goal Wisconsin.

### How Much Aid Does Marquette Provide?

The university currently funds approximately \$109.5 million in discount directly from operations and uses approximately another \$17 million from endowment and restricted funds.

To Visit Marquette Central, [Click Here](#).