

MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

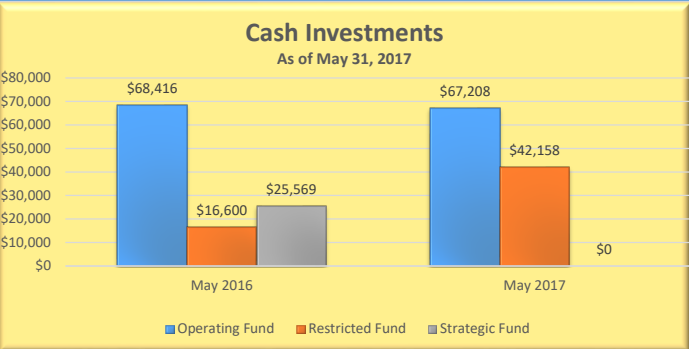
Dashboard for May 2017

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

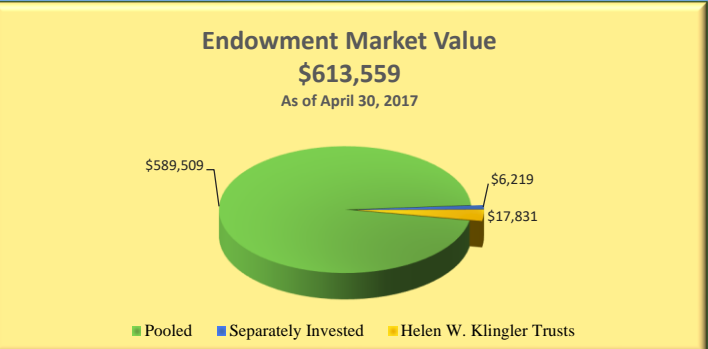
Click on any chart to see trends and explanations of that data. For more information, or to ask a question or provide feedback, click on the Ask a Question box, found at the top right corner of each trend page.

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

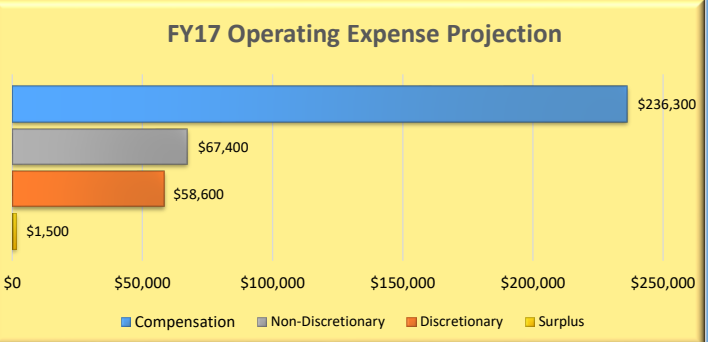
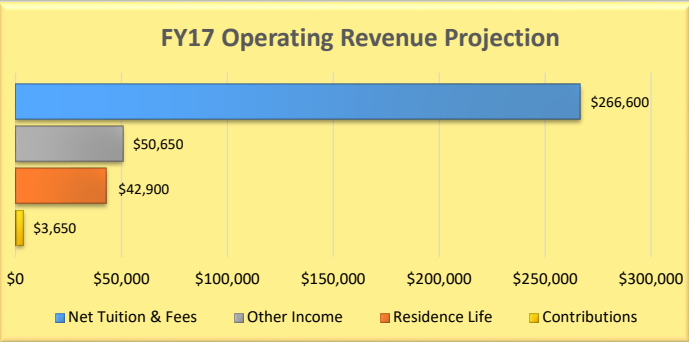
Cash Investments



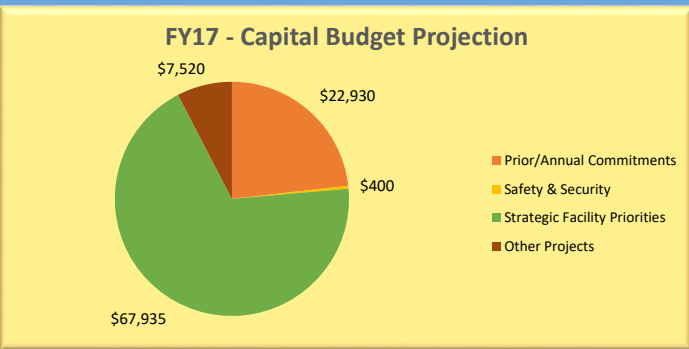
Endowment



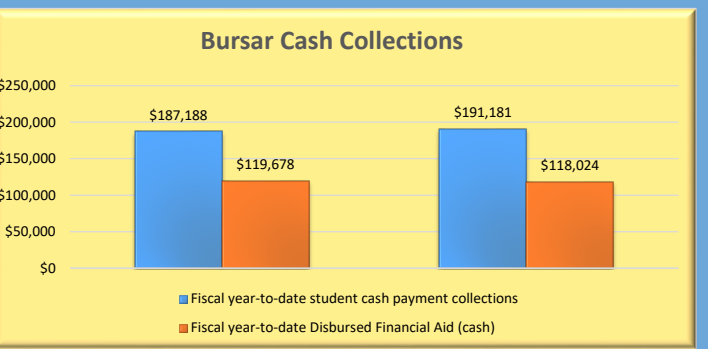
Operating Budgets



Capital Budgets



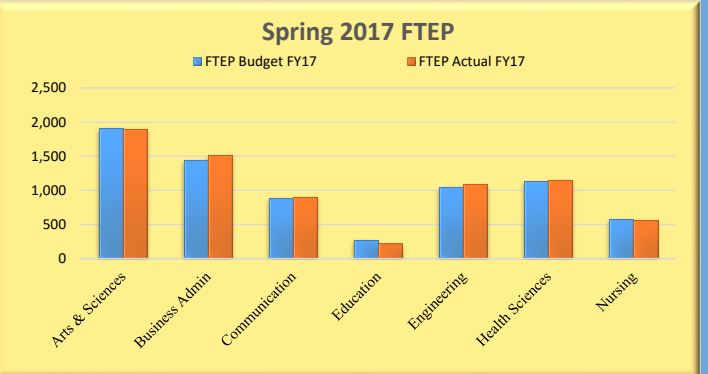
Bursar



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
Total	\$107,284	\$111,556

Actual Fall 2016 FTEP Compared to Budget



Financial Comments

Economic Comments

(Key Bank Commentary)In the past week, positive economic data in the US has continued to trickle in. Inflation numbers were better than expected as core PPI rose 0.4 percent vs consensus estimates of 0.2 percent and core import prices rose 0.5 percent vs a consensus of only 0.1 percent. The Fed's Labor Market Conditions Index rose 3.5 points in April compared to expectations of only 1.0 point and average hourly earnings rose 0.4 percent year-over-year. Throughout the week, Treasuries sold off and yields rose higher. Things reversed course on Friday, however, as Retail Sales numbers came in lighter than expected (0.4 percent vs consensus of 0.6 percent). The decline in relevancy of brick-and-mortar retail stores is partly to blame, and earnings for the largest retail corporations released over the past two weeks back up that theme. Interestingly, record high consumer sentiment levels do not entirely mesh with expected spending levels in general, a disconnect that is being closely monitored.

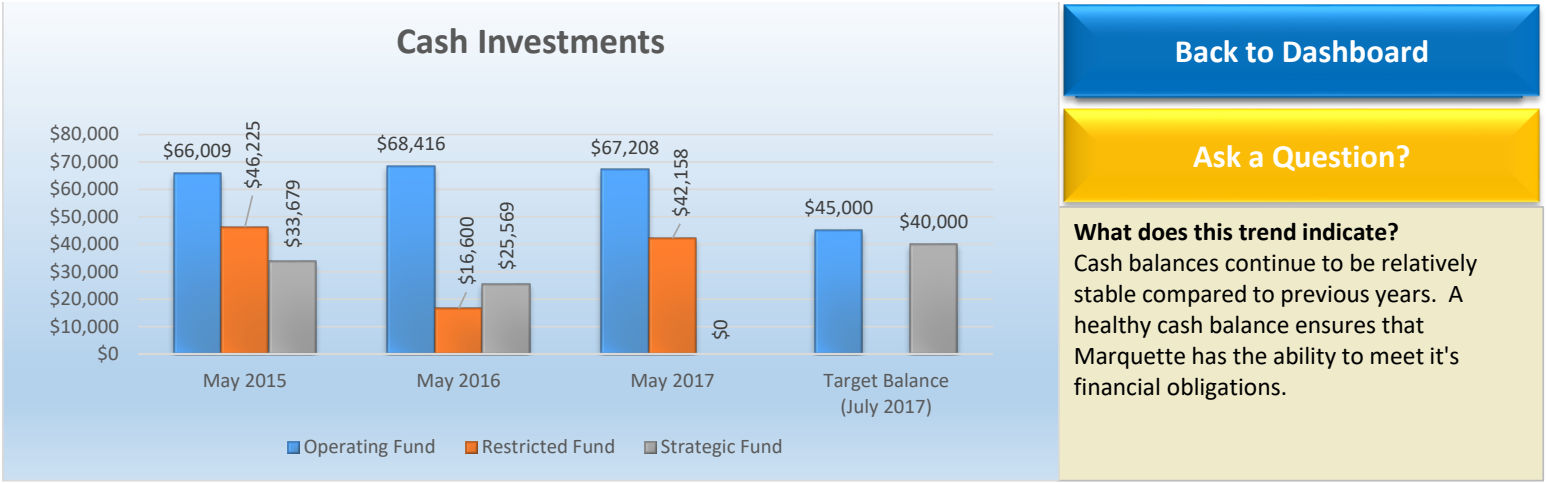
- Fedspeak in the meantime has been somewhat hawkish. Boston Fed President Rosengren argued that "Along with a gradual reduction in the level of the balance sheet, it would still be reasonable to have three rate increases over the remainder of the year". His concern lies in creating an "over-hot economy" as the unemployment rate has fallen to 4.4 percent, lower than the Fed's own 4.5 percent median estimate for the end of 2017. NY Fed President Dudley was a bit more restrained, but added to the notion, saying "if the economy continues to grow above trend, we are going to want to gradually remove accommodation." The June FOMC meeting will shed light on the Fed's timeline for the remainder of the year, but any revision to the 2018 forecast will be especially into going.
- The Fed's balance sheet has continued to be an important topic of conversation as economists widely agree that a clumsy roll-off of assets could have a devastating effect on the economy. For some context, the Fed alone financed 40 percent of the US budget deficit in 2016. Dudley's recent comments on the matter were meant to alleviate some of that concern when he said "We want this very much to run in the background, to be a very modest, minor event rather than a major event, so I think that you'll see us pursue this with great care and caution in the months ahead". This suggests that the main policy action to steer the US economy will continue to be rate hikes (or cuts if need be) rather than attempting to utilize the behemoth amount of assets the Fed acquired from 2008 – 2012.

Marquette Financial News

1. The university has embarked on a new financial strategy called M12 that highlights several areas on both the revenue and the expense side. The effort is aimed at streamlining the university and allocating resources to the implementation of the strategic plan "Beyond Boundaries". The areas include enrollment initiative, operational efficiencies and the monetization of assets.

April Financial Highlights

1. Cash reserves continue to be in line with recent trends at \$124.1 million. The annualized yield was 0.70%, which outperformed the weighted index benchmark by 25 basis points.
2. As of April 30th, the endowment reached a new high-water mark of \$606 million. The .2% return for April represents a monthly outperformance of 0.2% when compared to the 0.5% increase of the Approved Policy Index.
3. The FY17 projected revenues are \$363 million with corresponding expenses of \$361.5 million and is projected to provide an operating income of \$1.5 million for FY17.



Cash Investments

What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

May Results

The cash management balance for the month totaled \$109.3 million, and is down from the previous month's total of \$124.1 milli on. This decreased is normal as we continue to draw down cash to fund operation. Relative to May 2016, the cash balance is lower by \$ 1.2 million. The annualized yield for the cash management investment was 0.72%, which outperformed the weighted index benchmark by 22 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.

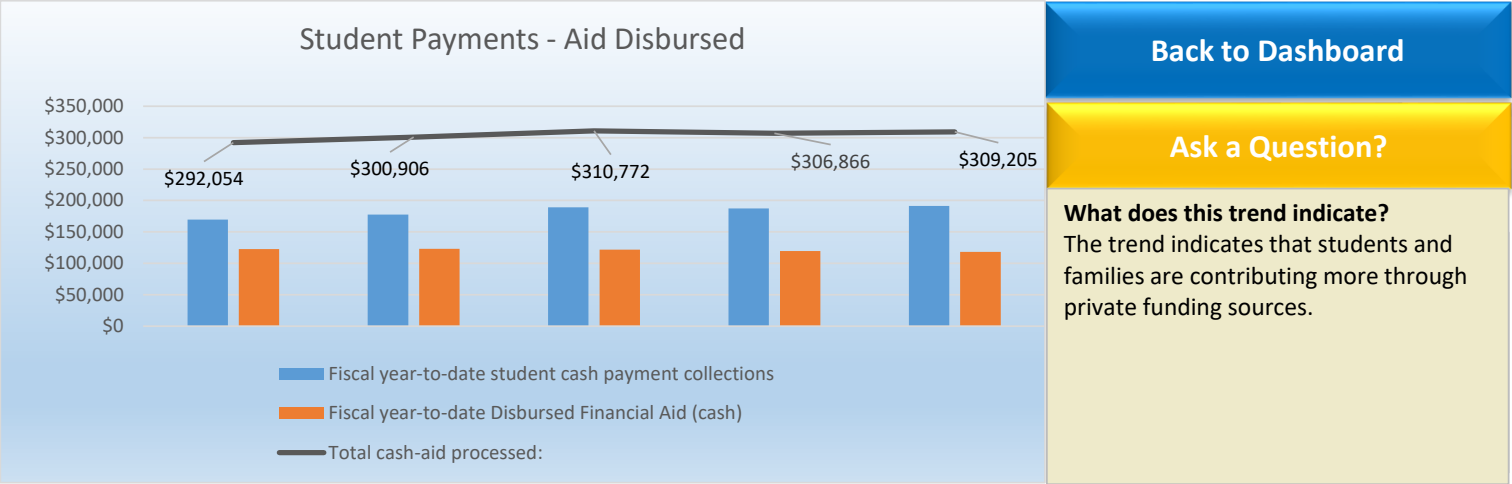
What Internal Influences Affect Marquette's Cash Investments?

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 requi re 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](#).



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.).

May 2017

Cash collections continue to be up compared to this time last year. Receivable data is from mid-June reporting and we are in line with what we have reported at this time of year. Staff has also been proactively contacting delinquent cohort borrowers to provide options to bring their account current.

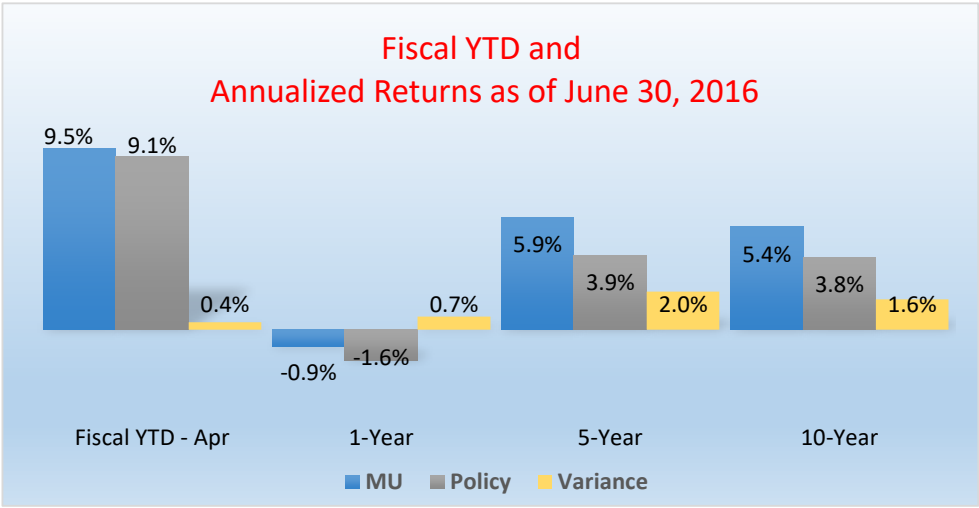
How are Billing, Receivables and Cash Collections Managed?

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](#).



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Ask a Question?

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

The 1.0% return for April represents a monthly outperformance of 0.1% when compared to the 0.9% increase of the Approved Policy Index. Global Equities outperformed while Hedge Funds, Real Assets and Fixed Income trailed their respective indices.

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?

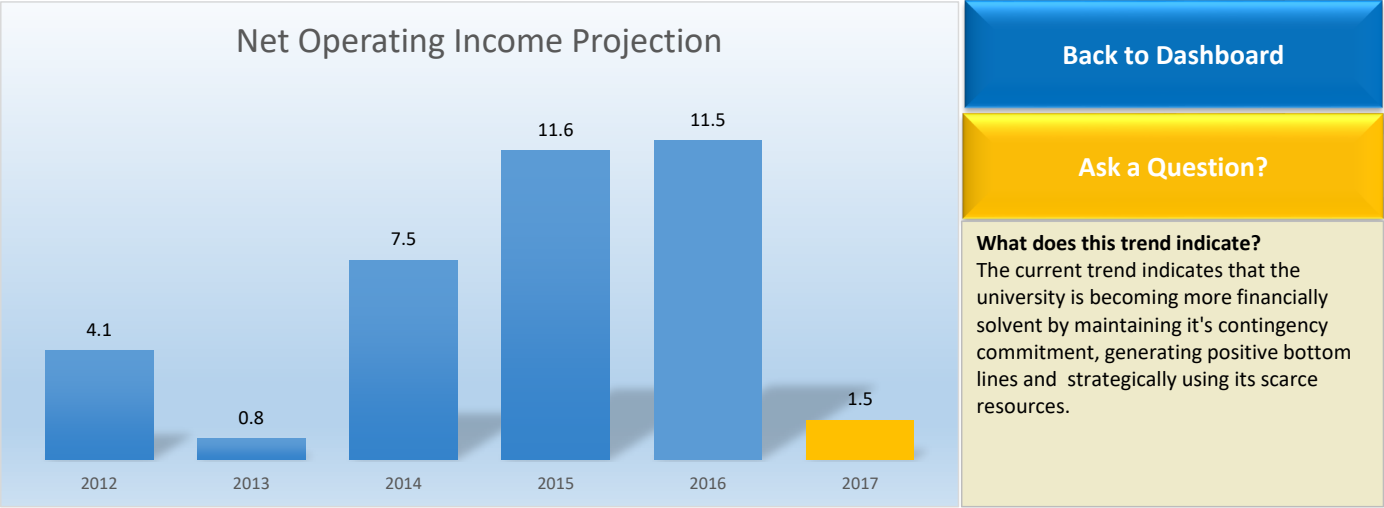
The Endowment Office attempts to partner with the highest quality external investment managers in a manner that is consistent with the Board of Trustee approved Investment Policy.

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](#).



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 \$363.8 million with corresponding expenses of \$362.3 million are expected to provide an operating income of \$1.5 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 \$5.1 million lower than the budget due to lower net tuition revenues, contributions, and other income. Gross tuition will be over budget by approximately \$2.9 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 \$3.8 million. Law School discount is expected to be over budget by \$1.8 million and Intercollegiate Athletic scholarships are projected to be over budget by \$0.3 million. Therefore total net tuition revenue is projected to be \$266.6 million which is lower than budget by \$0.9 million. Residence life is projected to fall short of budget by \$0.5 million, unrestricted contributions are expected to be lower than budget by \$2.7 million. All other revenues are also expected to be lower than budget by \$1.0 million collectively.

FY17 Expenses

Compensation

Compensation is the largest expense category for the university at 65.0% of operational expenses. Total compensation (salary and fringe) is projected to be \$236.3 million, \$4.8 million higher than budget. Within compensation are two categories: salary and fringe benefits. Salaries are projected to be \$4.1 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 \$0.7 million higher than budget due to higher social security and TIAA expenses.

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 15.4% 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 \$67.5 million or 18.8%. 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 was completed in Fall of 2016. However, these savings are offset by higher depreciation expense and higher food costs for the larger freshman class.

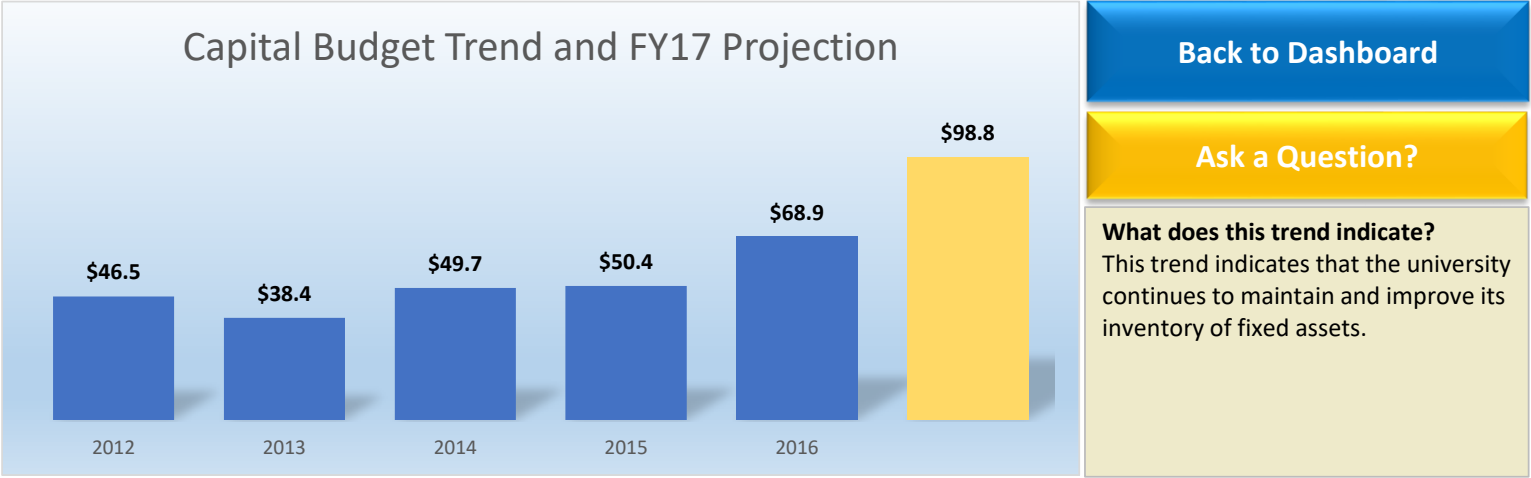
Is Marquette's Budget Fiscally Healthy?

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

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. On February 03, 2017 Marquette University entered into a purchase agreement to buy the property located on 313 N 13th St. for \$4.4million. The structure will be used to house Facility Services.

Year-to-Date Results

Year-to-date capital expenditures for the university are \$42.0 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 \$8.9 million. Major project expenditures thru May include:

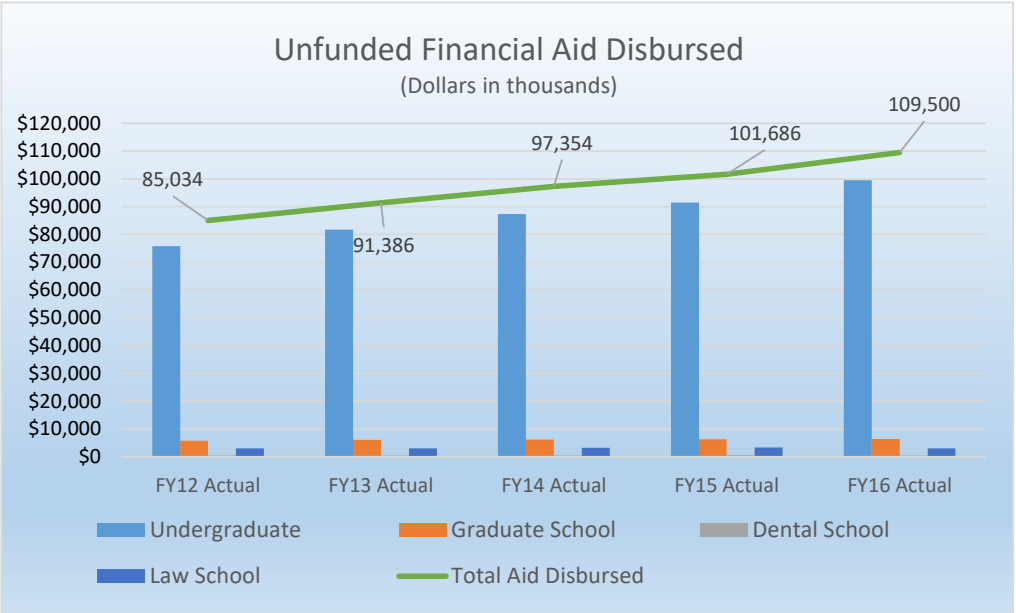
ARPC	- \$0.8 million
Lower division student housing	- \$9.1 million
Valley field dome	- \$3.6 million
Vehicle replacement program	- \$0.4 million
Les Aspin Center for Government	- \$0.2 million
Other non-reoccurring items	- \$1.8 million
Principal payments and library	- \$9.1 million

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](#).



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Ask a Question?

What does this trend indicate?

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

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](#).