pfm

Higher Education Finance

Strategic Enrollment Management: Creating a Full Field View

"Strategic Enrollment Management ("SEM") is a comprehensive process designed to help an institution achieve and maintain the optimum recruitment, retention, and graduation rates of students, where "optimum" is defined within the academic context of the institution. As such, SEM is an institution-wide process that embraces virtually every aspect of an institution's function and culture."

- Michael Dolence, Consultant, Innovation in Education and Academic Management

Any of us in the higher education space would agree with Michael Dolence's definition of SEM. Yet, achieving this vision is a massively complex exercise for colleges and universities. The market is changing – significantly:

- Competition is intense, not only from traditional sources, but also from new high-volume, low-cost learning organizations. These organizations typically leverage eLearning and can package their content to meet demand for nontraditional, online and global delivery.
- Students and their families are keenly attuned to cost versus value.
- Budgets are stretched and formerly reliable funding sources are now uncertain.
- Costs continue to rise.
- Fewer loan options are available.
- Aligning curriculum with the economy and workforce needs is becoming mission critical.

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Tax-Exempt Fixed Rates

Maturity	AAA MMD	1-Month Change
5-year	1.99%	0 bps
10-year	2.46%	+5 bps
20-year	2.82%	+5 bps
30-year	2.94%	+7 bps

Variable Rate Market

SIFMA Index	1-Month Change
1.51%	+45 bps
1-Month LIBOR	**1-Month Change**
2.09%	+11 bps

Indicative Fixed-Rate Credit Spreads

Rating	Spread to MMD
AA-level	+20 bps
A-level	+49 bps
BBB-level	+81 bps

Market rates as of June 29, 2018.

Selected Higher Education Issuances

Borrower	Sale Date	Par Amount	Ratings	Final Coupon	Final Spread	Final Yield	Final Maturity	Senior Manager
Barton College (NC) [1]	6/6/2018	$25,020,000	--/BBB-/--	5.00%	+ 196 bps	4.94%	2048	Raymond James
North Carolina State University (NC)	6/7/2018	$87,165,000	Aa1/AA/--	5.00%	+ 7 bps	2.54%	2028	Barclays
University of Utah (UT)	6/7/2018	$80,040,000	Aa1/AA+/--	5.00%	+ 23 bps	3.17%	2044	Barclays
Northeastern University (MA)	6/20/2018	$61,005,000	A1/--/--	5.00%	+ 29 bps	2.97%	2033	Morgan Stanley
Auburn University (AL) [1]	6/21/2018	$216,865,000	Aa2/AA-/--	5.00%	+ 28 bps	3.23%	2048	Wells Fargo
The Culinary Institute of America (NY) [1]	6/27/2018	$23,120,000	Baa2/--/--	5.00%	+ 65 bps	3.44%	2036	JP Morgan

[1] *PFM served as Financial Advisor*

Although this uncertainty can create fear and anxiety, it also represents an opportunity for those institutions that are able to chart a clear, sustainable path forward.

SEM is a long-range planning exercise. It involves considering new academic programs, renovating facilities, evaluating different pricing strategies, envisioning various retention planning scenarios and analyzing possible investments in technology and marketing. Most importantly, it requires a full field view of all the options and alternatives available to create a plan that meets the mission and goals of the institution and is financially sustainable.

PFM's Whitebirch financial modeling team will be exploring this topic in more detail on Tuesday, July 31.* In this best practices webinar, "Fundamentals of Modeling a Strategic Enrollment Management Program," our financial modeling experts share their knowledge, experiences and lessons learned from working with many two- and four-year public and private institutions on this challenging issue.

To register for this free webinar, click here. To speak directly to a higher education financial modeling expert, contact Kevin Kuhar at kuhark@pfm.com.*

Municipal Bond Market Review Snapshot

Economic Highlights

- Federal tax cuts and expanded federal spending accelerated the pace of growth in the second quarter. This was reflected in predictions for robust growth of gross domestic product (GDP). Some forecasters believe GDP will come in at 4% or more after a disappointing 2% in the first quarter.
- Labor market conditions remained positive as the economy added 213,000 jobs in June. The average for the second quarter was 211,000; above the level that is normally required to absorb new entrants into the job market. The unemployment rate ticked slightly higher, from 3.8% to 4.0%, a result of labor force expansion, as increased optimism brought job seekers into the market and the labor force participation rate increased.
- This strength led the Federal Open Market Committee (FOMC) to tighten monetary policy again at its June meeting by increasing the overnight federal funds target rate by a quarter of a percentage point to a new range of 1.75% to 2.00%, even as most FOMC members warned of potential increased risks posed by trade policy.

Bond Markets

- Despite a rise in the federal funds rate, long-term Treasury yields declined in June, with the 30-year bond ending the month at a yield of 2.99%, down four basis points (bps) (0.04%). Meanwhile, maturities in the one- to five-year range increased by four to 10 bps, furthering the trend toward a flat yield curve.

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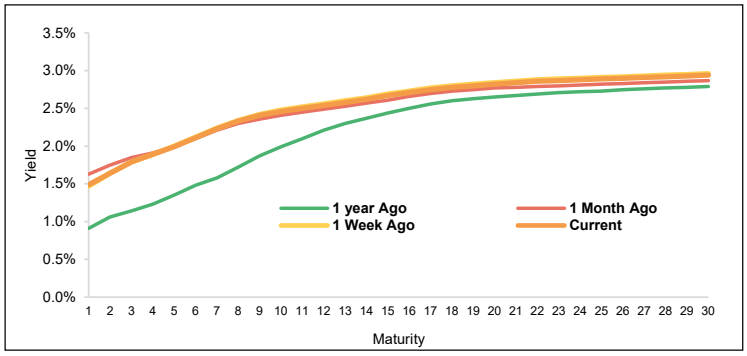
- As a result, both short- and long-term indices outperformed their intermediate maturity counterparts. For example, the six-month Treasury index returned 0.16% for the month and the 30-year Treasury index returned 0.29%, while the one- to five-year Treasury index returned -0.01% for the month.

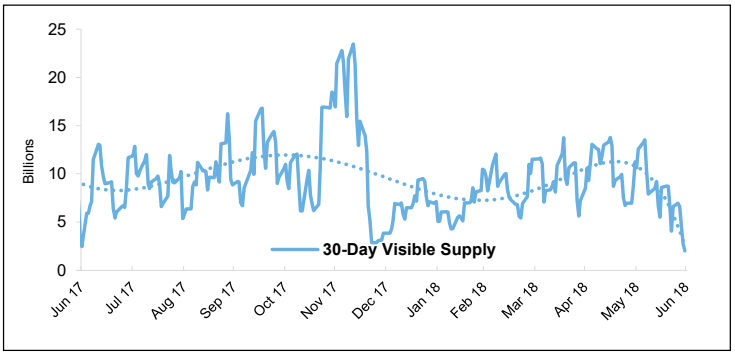
Municipal Bond Market

- Municipal new issuance slowed in June, with municipal bond sales dropping 17.8% to $32.3 billion from $39.3 billion the same month last year. Year-to-date (YTD) municipal issuance is down 19.4% to $162 billion in the first half of 2018 from $201 billion during the same period last year, according to the Municipal Market Monitor (TM3) data.
- June brought positive bond flows throughout the month, with inflows totaling $2.2 billion, following May's net inflows of $1.3 billion, according to Investment Company Institute (ICI) data.
- The Municipal Market Data (MMD) Index curve experienced falling rates across the short end and rising rates along the long end of the curve in June. The one-year rate declined 14 bps to 1.49%, while the three-year rate dropped six bps to 1.79%. The five-year rate was steady at 1.99%. The 10-year rate rose five bps to 2.46%, and on the long end, the 30-year rate climbed seven bps to 2.94%, according to TM3 data.

MMD AAA G.O. Curve



30-Day Visible Municipal Supply



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Sources: Bloomberg, Thomson Reuters, and ICI. Unless otherwise noted, all data is presented as of June 30, 2018.

*Whitebirch services offered by affiliated PFM Solutions Inc., pursuant to separate consult and fees.