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Committee Meeting: 8/21/2024

Board Meeting: 8/22/2024
Austin, Texas

Janiece Longoria, Chairman
Robert P. Gauntt
Jodie Lee Jiles
Stuart W. Stedman
Kelcy L. Warren
Rad Weaver

	Committee Meeting	Board Meeting	Page
Convene	<i>1:45 p.m.</i> <i>Chairman Longoria</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	Discussion	Action	39
2. U. T. System: Financial Status Presentation and Monthly Financial Report	Report/Discussion <i>Mr. Pruitt</i>	Not on Agenda	40
3. U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2025 and resolution regarding parity debt	Action <i>Mr. Pruitt</i>	Action	67
4. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds and authorization to complete all related transactions	Action <i>Mr. Pruitt</i>	Action	70
5. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions	Action <i>Mr. Pruitt</i>	Action	72
6. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt and ratification of Regents' Rule 70202	Action <i>Mr. Pruitt</i>	Action	74

	Committee Meeting	Board Meeting	Page
7. U. T. System Board of Regents: Approval of the Annual Budget for Fiscal Year 2025, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas/Texas A&M Investment Management Company (UTIMCO)	Action <i>Mr. Pruitt</i> <i>Mr. Hall</i>	Action	82
8. U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update	Report/Discussion <i>Mr. Hall</i>	Not on Agenda	100
9. U. T. Health Science Center - Houston: Discussion and appropriate action regarding the development and construction of an Ambulatory Surgery Center (ASC) within U. T. Health Science Center - Houston's and U. T. Physicians' multi-specialty clinic at Bellaire Station, 6500 W. Loop South, Bellaire, TX 77401; including a) an increase in the allocation and authorization of expenditure of institutional funds for U. T. Health Science Center - Houston's portion of the project from \$35,000,000 to \$54,200,000; b) an increase in the allocation and authorization to finance capital expenditures for U. T. Health Science Center - Houston's portion of the project from \$15,000,000 to \$31,750,000; c) resolution regarding parity debt; and d) reaffirmation of finding of public purpose	Action <i>Mr. Pruitt</i> <i>President Colasurdo</i>	Action	115

Adjourn

2:15 p.m.

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on [Page 188](#).

2. U. T. System: Financial Status Presentation and Monthly Financial Report

Mr. Jonathan Pruitt, Executive Vice Chancellor for Business Affairs, will discuss the Financial Status Presentation, the highlights of which are set forth in the PowerPoint on the following pages and the May Monthly Financial Report, which follows the PowerPoint. The monthly financial report represents the consolidated and individual operating detail of the U. T. institutions.

U. T. System

Fiscal Year-to-Date Actuals and Projected Fiscal Year-End

Jonathan Pruitt

Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents Meeting

Finance and Planning Committee

August 2024



U. T. System Consolidated Summary

Fiscal Year Summary
Period Ending May 31, 2024



Revenues
\$22,729.0 M



Expenses
\$20,243.8 M



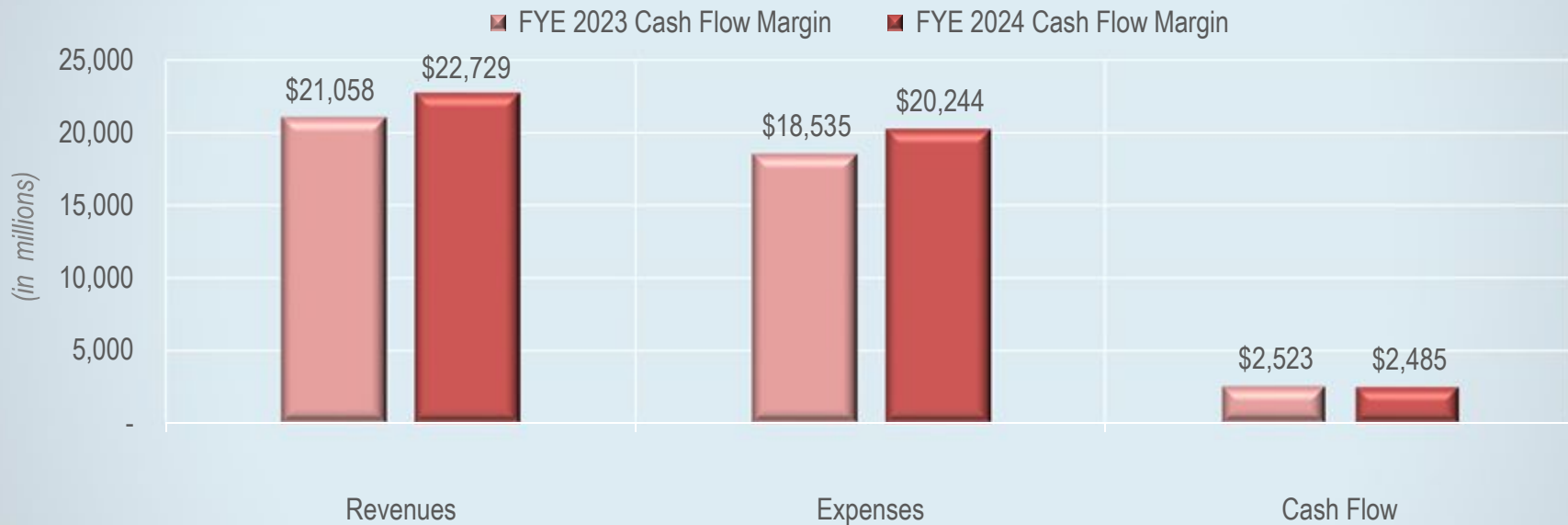
Cash Flow Margin
\$2,485.2 M



FYE Projected Cash Flow
\$3,370.0 M

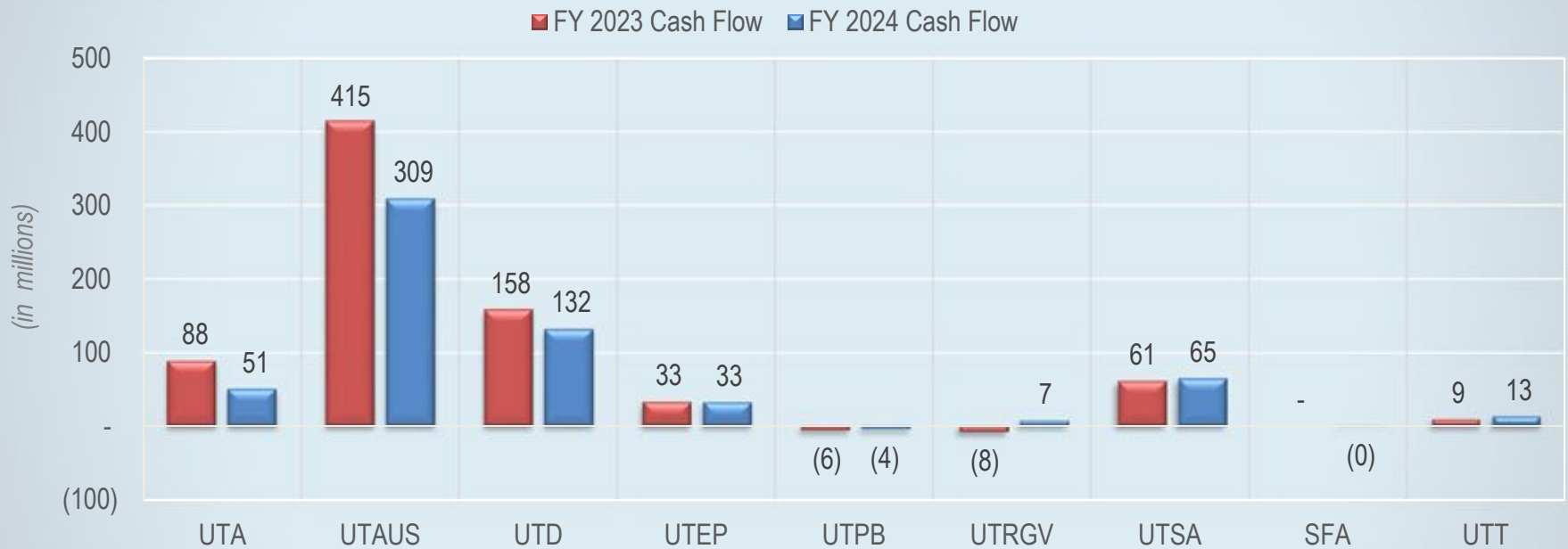
U. T. System Consolidated Revenue & Expenses

Year-Over-Year Comparison (May)



Cash Flow Margin – Academic Institutions

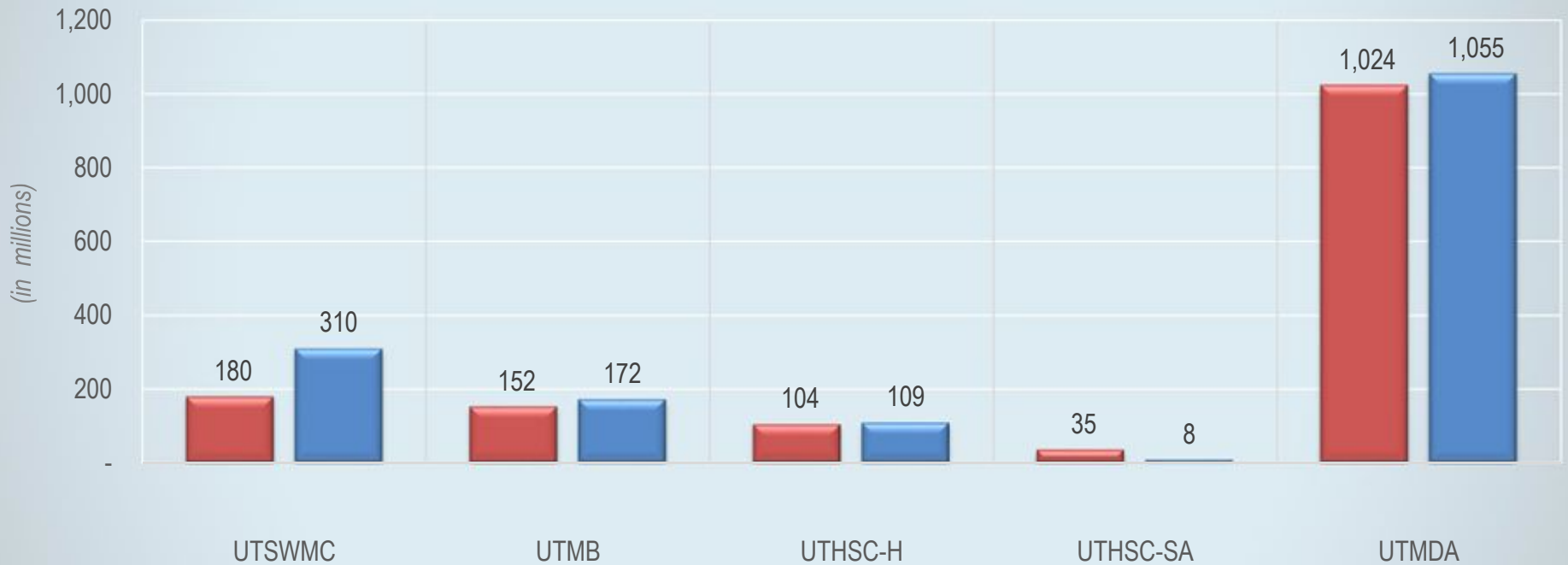
Year-Over-Year Comparison (May)



Cash Flow Margin – Health Institutions

Year-Over-Year Comparison (May)

FY 2023 Cash Flow FY 2024 Cash Flow



Excludes Depreciation Expense

Budget to Projected – Academic Institutions

FY 2024									
	Budget (\$ Millions)				Projected (\$ Millions)				
	Revenues	Expenses	Cash Flow	Cash Flow Ratio	Revenues	Expenses	Cash Flow	Cash Flow Ratio	
U. T. Arlington	\$842.5	\$813.4	\$29.1	3.5%	\$929.7	\$786.0	\$143.7	15.5%	▲
U. T. Austin	\$3,820.5	\$3,574.3	\$246.2	6.4%	\$4,141.1	\$3,728.8	\$412.3	10.0%	▲
U. T. Dallas	\$913.7	\$803.8	\$110.0	12.0%	\$929.7	\$753.5	\$176.2	19.0%	▲
U. T. El Paso	\$564.4	\$527.8	\$36.7	6.5%	\$589.6	\$543.5	\$46.1	7.8%	▲
U. T. Permian Basin	\$100.2	\$104.2	(\$4.0)	-4.0%	\$105.1	\$103.8	\$1.3	1.2%	▲
U. T. Rio Grande Valley	\$669.9	\$639.8	\$30.1	4.5%	\$675.0	\$640.1	\$34.9	5.2%	▲
U. T. San Antonio	\$722.5	\$684.8	\$37.7	5.2%	\$776.5	\$686.6	\$89.9	11.6%	▲
Stephen F. Austin	\$232.9	\$225.5	\$7.4	3.2%	\$213.5	\$213.4	\$0.1	0.0%	▲
U. T. Tyler	\$578.1	\$554.3	\$23.8	4.1%	\$588.4	\$561.8	\$26.7	4.5%	▲
Total	\$8,444.8	\$7,927.9	\$516.9	6.1%	\$8,948.6	\$8,017.5	\$931.1	10.4%	▲

Budget to Projected – Health Institutions

FY 2024

	Budget (\$ Millions)				Projected (\$ Millions)				
	Revenues	Expenses	Cash Flow	Cash Flow Ratio	Revenues	Expenses	Cash Flow	Cash Flow Ratio	
U. T. Southwestern Medical Center	\$4,894.8	\$4,581.5	\$313.3	6.4%	\$5,339.8	\$4,944.5	\$395.2	7.4%	▲
U. T. Medical Branch - Galveston	\$3,132.3	\$2,909.6	\$222.7	7.1%	\$3,215.6	\$2,986.9	\$228.8	7.1%	▲
U. T. Health Science Center - Houston	\$2,443.8	\$2,352.7	\$91.1	3.7%	\$2,577.9	\$2,405.6	\$172.3	6.7%	▲
U. T. Health Science Center - San Antonio	\$1,398.8	\$1,382.4	\$16.4	1.2%	\$1,401.6	\$1,381.1	\$20.5	1.5%	▲
U. T. M. D. Anderson Cancer Center	\$7,856.1	\$6,618.1	\$1,237.9	15.8%	\$8,071.9	\$6,785.5	\$1,286.4	15.9%	▲
Total	\$19,725.7	\$17,844.2	\$1,881.5	9.5%	\$20,606.7	\$18,503.6	\$2,103.1	10.2%	▲

Financial Summary

Systemwide Operations May 2024

	Budget	Actuals	% of Budget
U. T. System Administration (AUF)	\$58,720,988	\$44,098,410	75%
Direct Campus Support (AUF)	\$71,518,344	\$42,654,728	60%
Service Departments & Other Non-AUF*	\$67,253,261	\$43,442,444	65%
Total**	\$197,492,593	\$130,195,582	66%

**The Board of Regents has approved the budget related to University Lands; 2/3 of the overall University Lands budget and May YTD actuals are represented in the above amounts. The Board of Regents has also approved the portion (1/3 of the overall University Lands budget) that supports Texas A&M University.*

***Budget does not include PUF Debt or Capital Construction Assistance Projects (CCAP) Interest (All Institutions) or Depreciation. Also excluded are Lone Star Stroke, TX Child Mental Health Care Consortium (TCMHCC), Laredo Multi-Institution Center (MIC), Trauma Research and Combat Casualty Care Collaborative (TRC4), self-insurance funds, federal Medicare-related reimbursements, U. T. System Building debt service, and certain Systemwide software licenses centrally negotiated and reimbursed by the institutions.*

THE UNIVERSITY OF TEXAS SYSTEM OFFICE OF BUDGET AND PLANNING

MONTHLY FINANCIAL REPORT *(unaudited)*

May 2024
FY 2024



210 West Seventh Street
Austin, Texas 78701
512.499.4792
www.utsystem.edu/offices/budget-and-planning

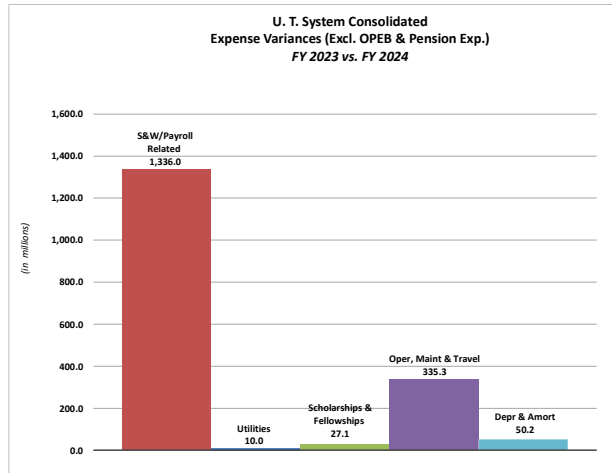
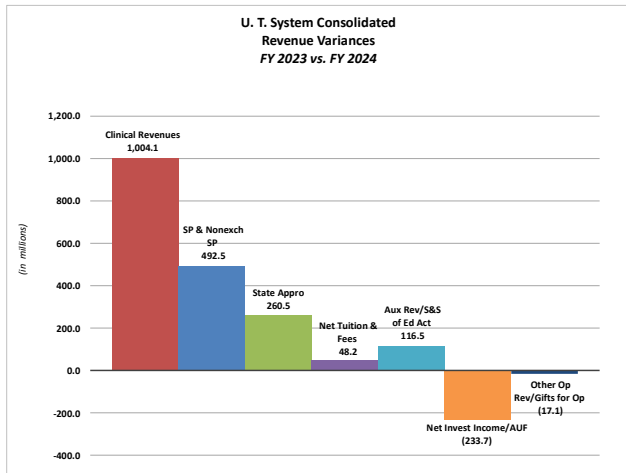
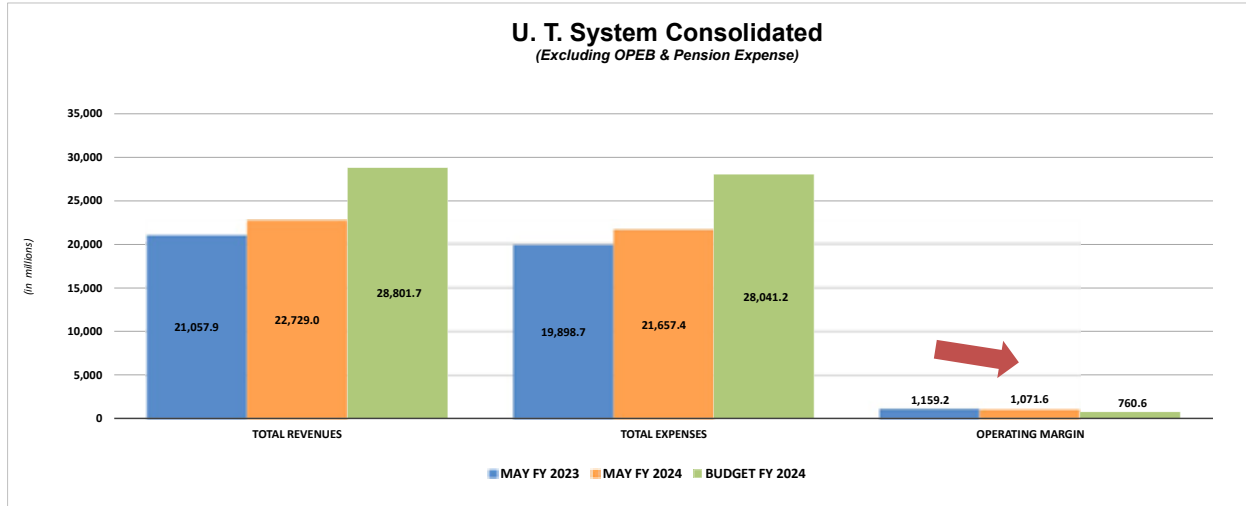
**Monthly Financial Report
Comparison of Cash Flow Margin
For the Period Ending May 31, 2024**

Executive Summary of Cash Flow Margin (Loss)*
(Excludes OPEB, Pension, Depreciation and Amortization Expense)

	May FYTD 2023 (millions)	May FYTD 2024 (millions)	Variance %	Comments
U. T. Arlington	88.4	50.6	-43%	Increase in Salaries & Wages/Payroll Related Costs, Oper., Maint. & Travel (Other Contracted Services) Projected cash flow margin of \$143.7 million for the FY
U. T. Austin	414.9	309.1	-26%	Increase in Salaries & Wages/Payroll Related Costs Projected cash flow margin of \$412.3 million for the FY
U. T. Dallas	158.3	132.2	-17%	Increase in Salaries & Wages/Payroll Related Costs Projected cash flow margin of \$176.2 million for the FY
U. T. El Paso	32.9	32.7	-1%	Increase in Salaries & Wages/Payroll Related Costs Projected cash flow margin of \$46.1 million for the FY
U. T. Permian Basin	(5.8)	(4.2)	26%	Increase in State Appropriations Projected cash flow margin of \$1.3 million for the FY
U. T. Rio Grande Valley	(8.3)	7.1	185%	Decrease in Scholarships & Fellowships Increases in Other Operating Revenues/Gift Contributions for Operations Projected cash flow margin of \$34.9 million for the FY
U. T. San Antonio	61.4	64.8	6%	Increase in State Appropriations, Auxiliary Revenues Projected cash flow margin of \$89.9 million for the FY
Stephen F. Austin State University	0.0	(0.4)	N/A	Projected cash flow margin of \$0.1 million for the FY
U. T. Tyler	8.8	13.3	50%	Increase in Other Operating Revenues, Net Tuition and Fees Projected cash flow margin of \$26.7 million for the FY
Southwestern	180.1	310.4	72%	Increase in Clinical Revenues, Other Operating Revenues Projected cash flow margin of \$395.2 million for the FY
UTMB	152.3	172.4	13%	Increase in Clinical Revenues Projected cash flow margin of \$228.8 million for the FY
UTHSC-Houston	104.4	108.6	4%	Increase in Sponsored Programs, Clinical Revenues, Net Investment Income Projected cash flow margin of \$172.3 million for the FY
UTHSC-San Antonio	35.1	7.6	-78%	Increase in Salaries & Wages/Payroll Related Costs Projected cash flow margin of \$20.5 million for the FY
M. D. Anderson	1,024.3	1,055.1	3%	Increase in Clinical Revenues Projected cash flow margin of \$1,286.4 million for the FY
U. T. System Administration (excluding OPEB & Pension Expense)	275.7	226.1	-18%	Decrease in Net Investment Income Projected cash flow margin of \$335.7 million for the FY
Total Cash Flow Margin	\$ 2,522.6	2,485.2	-1%	

* For additional details on the variances, please see pages 3 through 17 of the MFR.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024

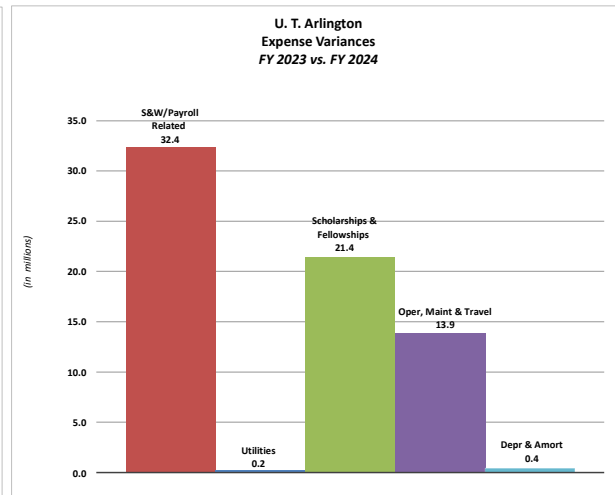
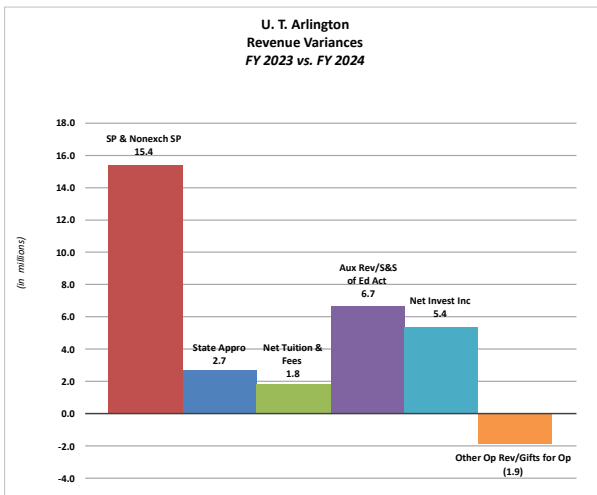
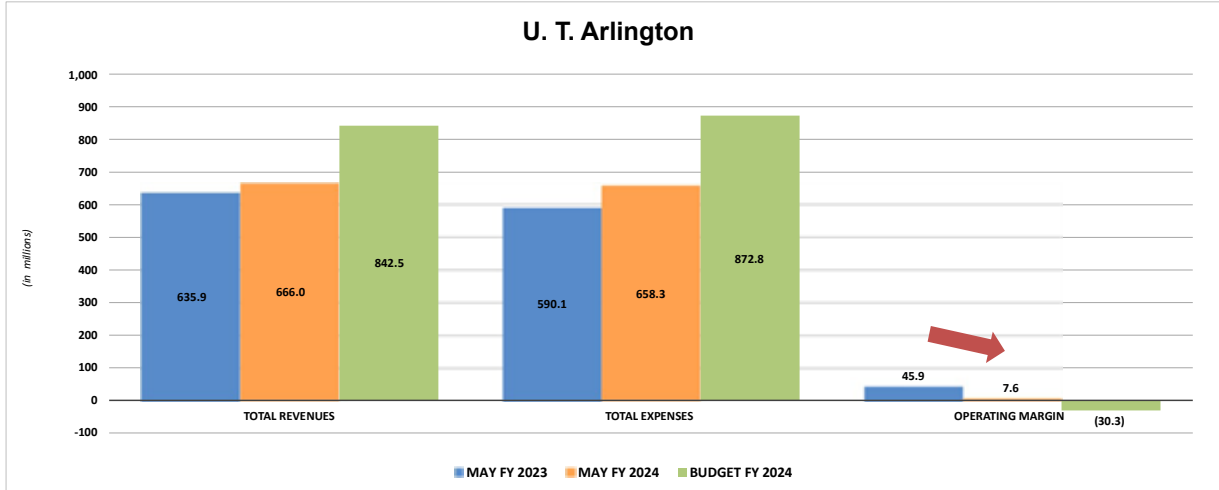


(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 9,035.9	10,040.0	1,004.1	12,980.0	13,470.1	490.1
Sponsored Programs/Nonexchange Sponsored Programs	4,114.1	4,606.6	492.5	5,753.3	6,227.4	474.1
State Appropriations	1,792.5	2,052.9	260.5	2,793.7 *	2,763.8	(29.9)
Net Tuition and Fees	1,655.9	1,704.2	48.2	2,248.4	2,277.9	29.5
Auxiliary Revenues/Sales & Services of Educational Activities	1,098.0	1,214.5	116.5	1,304.5	1,459.8	155.3
Net Investment Income	2,339.2	2,105.5	(233.7)	2,434.1	2,631.2	197.1
Other Operating Revenues/Gift Contributions for Operations	1,022.4	1,005.3	(17.1)	1,287.7	1,388.5	100.8
Total Revenues	21,057.9	22,729.0	1,671.1	28,801.7	30,218.7	1,416.9
Salaries and Wages/Payroll Related Costs	11,806.3	13,142.3	1,336.0	16,530.8	17,295.1	764.3
Utilities	245.6	255.6	10.0	337.8	328.7	(9.1)
Scholarships and Fellowships	417.6	444.7	27.1	633.7	637.6	3.9
Operations, Maintenance and Travel	6,065.9	6,401.2	335.3	8,671.5 *	8,587.3	(84.2)
Depreciation and Amortization	1,363.4	1,413.6	50.2	1,867.4	1,897.6	30.2
Total Expenses (Excluding OPEB & Pension Exp)	\$ 19,898.7	21,657.4	1,758.7	28,041.2	28,746.3	705.1
Operating Margin (Excluding OPEB & Pension Exp)	1,159.2	1,071.6	(87.6)	760.6	1,472.4	711.8
Cash Flow Margin (Excluding OPEB, Pension, Depr & Amort Exp)	2,522.6	2,485.2	(37.4)	2,628.0	3,370.0	742.0

*State appropriations and corresponding expense for TRB/CCAP for all U. T. institutions have been excluded.

Excluding other postemployment benefits (OPEB), pension, and depreciation expense, *U. T. System Consolidated* shows a year-to-date positive cash flow margin of \$2,485.2 million, a decrease of \$37.4 million (1%) from the prior year. The decrease was primarily due to an increase in salaries and wages and payroll related costs across most institutions as a result of increases in faculty and staff positions and merit increases.

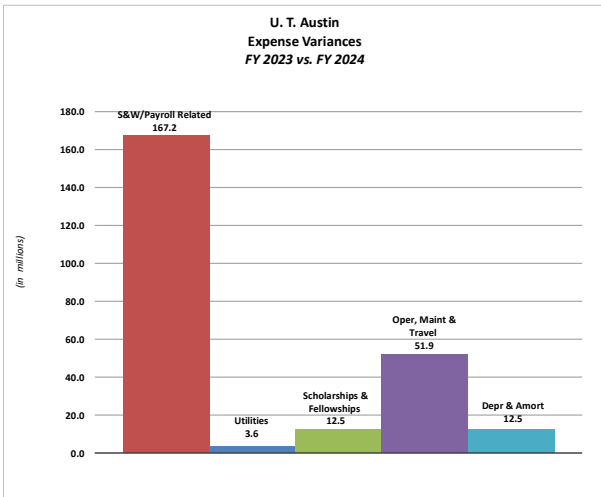
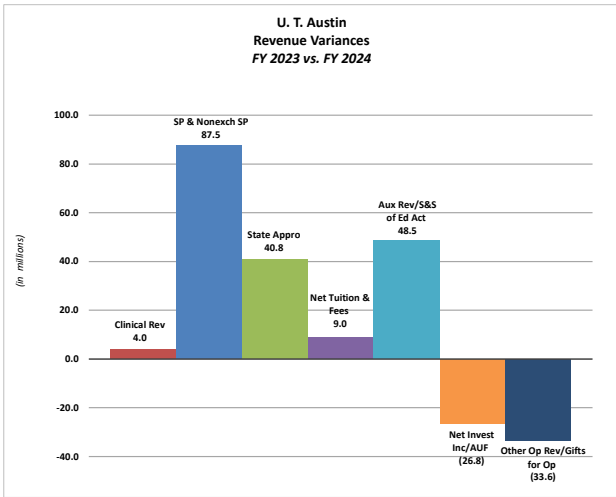
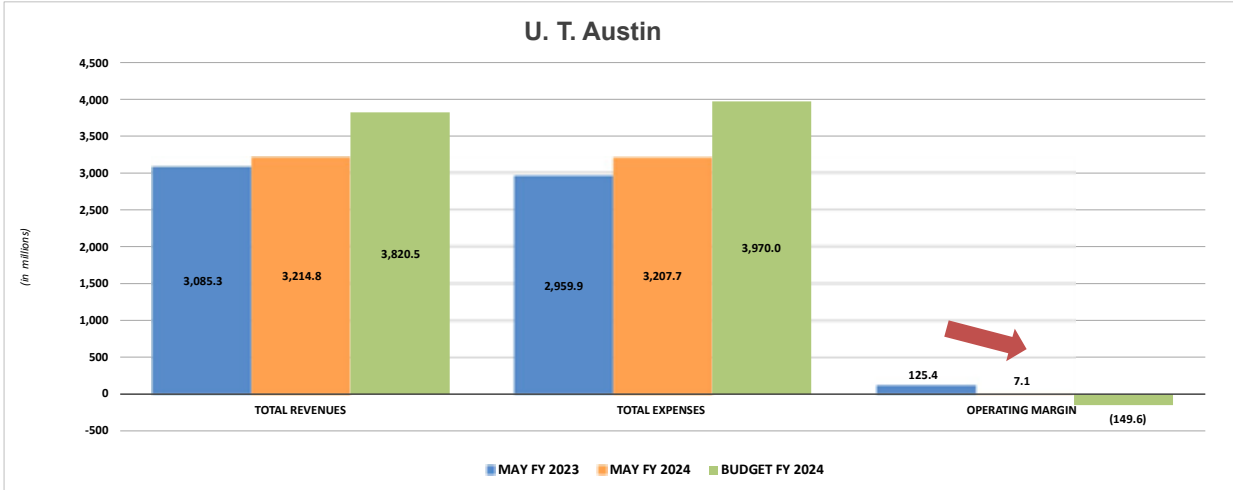
Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 146.5	161.9	15.4	190.4	227.3	36.9
State Appropriations	111.2	113.9	2.7	173.2	169.2	(3.9)
Net Tuition and Fees	282.2	284.0	1.8	358.0	391.2	33.3
Auxiliary Revenues/Sales & Services of Educational Activities	54.2	60.8	6.7	81.0	78.4	(2.7)
Net Investment Income	29.9	35.2	5.4	29.7	46.8	17.1
Other Operating Revenues/Gift Contributions for Operations	12.0	10.1	(1.9)	10.2	16.8	6.6
Total Revenues	635.9	666.0	30.0	842.5	929.7	87.2
Salaries and Wages/Payroll Related Costs	352.3	384.7	32.4	507.3	487.2	(20.1)
Utilities	7.7	7.9	0.2	11.7	11.9	0.1
Scholarships and Fellowships	37.1	58.5	21.4	58.9	78.0	19.1
Operations, Maintenance and Travel	150.5	164.3	13.9	235.4	208.9	(26.5)
Depreciation and Amortization	42.5	42.9	0.4	59.5	57.3	(2.2)
Total Expenses	\$ 590.1	658.3	68.2	872.8	843.2	(29.6)
Operating Margin	45.9	7.6	(38.2)	(30.3)	86.4	116.8
Cash Flow Margin (Excludes Depr & Amort Exp)	88.4	50.6	(37.8)	29.1	143.7	114.6

U. T. Arlington reported a year-to-date positive cash flow margin of \$50.6 million, a decrease of \$37.8 million (43%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to market adjustments, as well as merit increases; and an increase in operations, maintenance and travel as a result of an increase in other contracted services attributable to an increase in temporary services. The most current projection received from U. T. Arlington reflects a cash flow margin of \$143.7 million for the year.

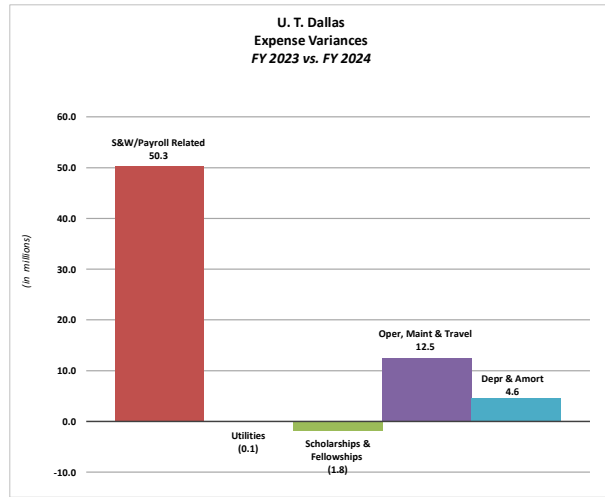
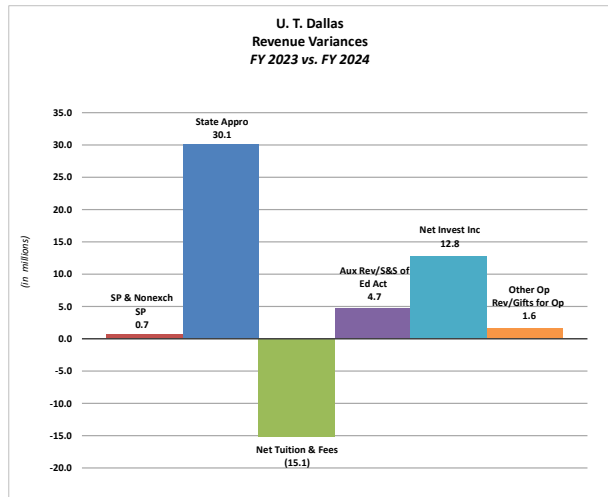
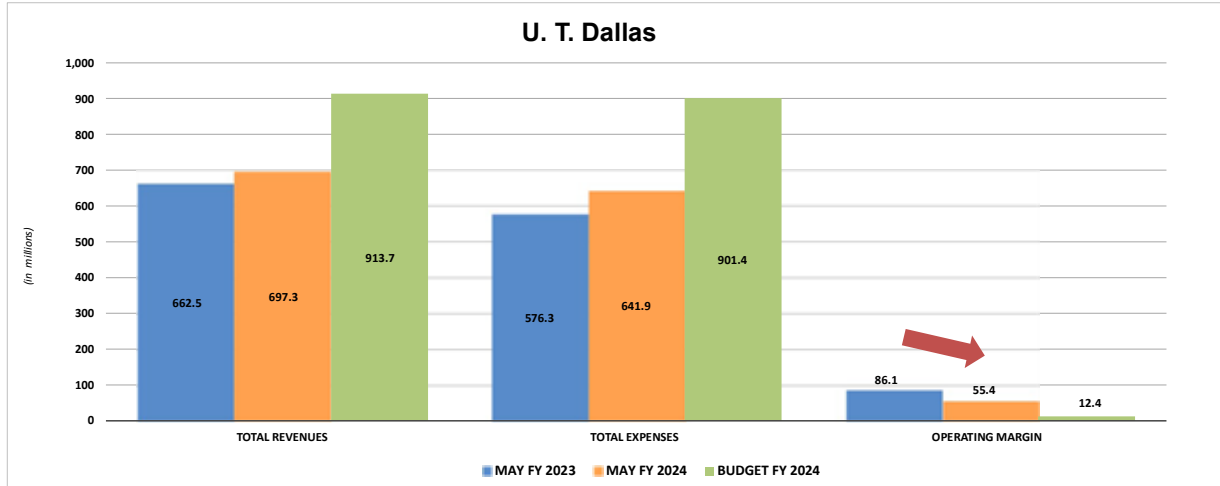
Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 12.3	16.3	4.0	16.8	22.3	5.5
Sponsored Programs/Nonexchange Sponsored Programs	747.2	834.7	87.5	973.4	1,168.6	195.2
State Appropriations	273.1	314.0	40.8	412.3	412.3	(0.0)
Net Tuition and Fees	419.3	428.3	9.0	542.3	571.0	28.7
Auxiliary Revenues/Sales & Services of Educational Activities	652.2	700.6	48.5	703.6	794.2	90.6
Net Investment Income/Available University Fund (AUF)	747.1	720.3	(26.8)	892.3	877.8	(14.5)
Other Operating Revenues/Gift Contributions for Operations	234.2	200.7	(33.6)	279.8	294.9	15.1
Total Revenues	3,085.3	3,214.8	129.5	3,820.5	4,141.1	320.6
Salaries and Wages/Payroll Related Costs	1,696.3	1,863.6	167.2	2,182.3	2,366.2	183.9
Utilities	84.1	87.7	3.6	87.4	94.1	6.7
Scholarships and Fellowships	154.5	167.0	12.5	200.9	222.7	21.8
Operations, Maintenance and Travel	735.5	787.4	51.9	1,103.7	1,045.8	(57.9)
Depreciation and Amortization	289.5	302.0	12.5	395.8	402.6	6.8
Total Expenses	\$ 2,959.9	3,207.7	247.8	3,970.0	4,131.4	161.4
Operating Margin	125.4	7.1	(118.3)	(149.6)	9.7	159.2
Cash Flow Margin (Excludes Depr & Amort Exp)	414.9	309.1	(105.8)	246.2	412.3	166.1

U. T. Austin reported a year-to-date positive cash flow margin of \$309.1 million, a decrease of \$105.8 million (26%) from the prior year. The decrease was primarily due to an increase in salaries and wages and payroll related costs as a result of an increase in faculty and staff positions combined with equity and merit increases. The most current projection received from U. T. Austin reflects a cash flow margin of \$412.3 million for the year.

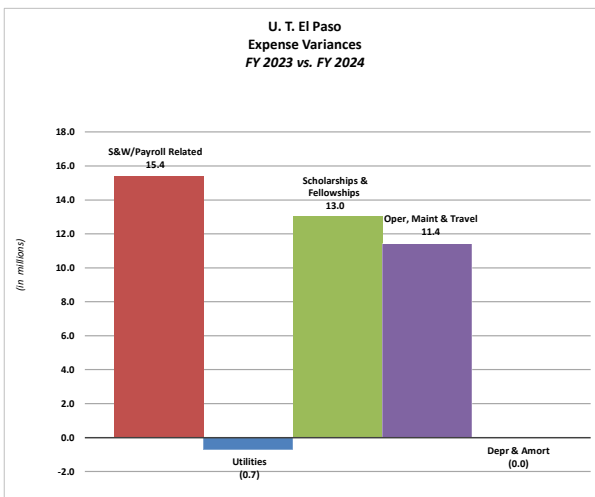
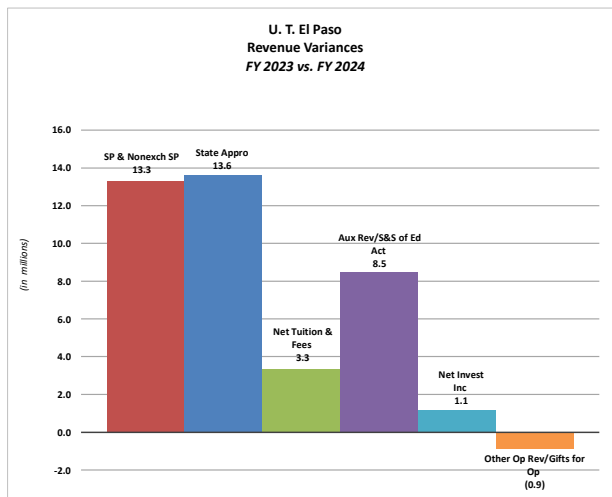
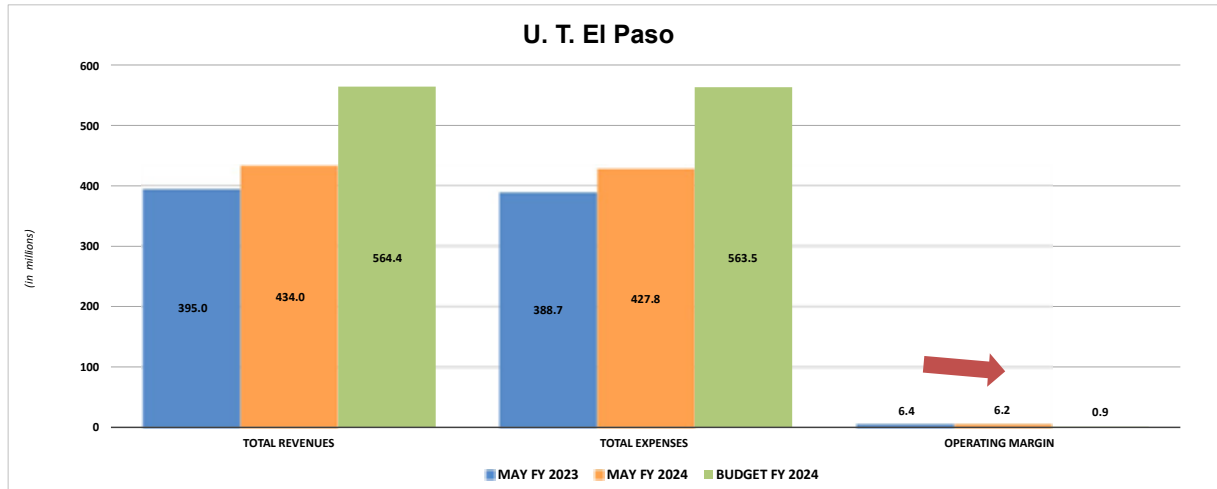
Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 111.3	112.1	0.7	144.8	149.4	4.6
State Appropriations	104.9	135.0	30.1	178.6	180.0	1.3
Net Tuition and Fees	317.8	302.7	(15.1)	410.1	403.6	(6.5)
Auxiliary Revenues/Sales & Services of Educational Activities	71.4	76.2	4.7	97.5	101.6	4.1
Net Investment Income	40.8	53.6	12.8	57.3	71.4	14.1
Other Operating Revenues/Gift Contributions for Operations	16.2	17.8	1.6	25.4	23.7	(1.7)
Total Revenues	662.5	697.3	34.8	913.7	929.7	16.0
Salaries and Wages/Payroll Related Costs	343.2	393.5	50.3	529.6	524.7	(5.0)
Utilities	11.6	11.5	(0.1)	15.8	15.3	(0.6)
Scholarships and Fellowships	36.6	34.8	(1.8)	59.7	46.4	(13.3)
Operations, Maintenance and Travel	112.9	125.3	12.5	198.6	167.1	(31.5)
Depreciation and Amortization	72.1	76.8	4.6	97.6	102.4	4.8
Total Expenses	\$ 576.3	641.9	65.6	901.4	855.9	(45.5)
Operating Margin	86.1	55.4	(30.8)	12.4	73.8	61.5
Cash Flow Margin (Excludes Depr & Amort Exp)	158.3	132.2	(26.1)	110.0	176.2	66.2

U. T. Dallas reported a year-to-date positive cash flow margin of \$132.2 million, a decrease of \$26.1 million (17%) from the prior year. The decrease was primarily attributable to an increase in salaries and wages and payroll related costs due to merit increases, as well as an increase in staff and faculty positions. The most current projection received from U. T. Dallas reflects a cash flow margin of \$176.2 million for the year.

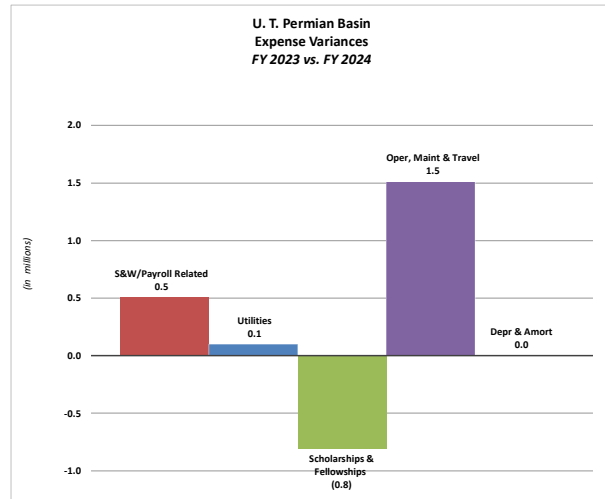
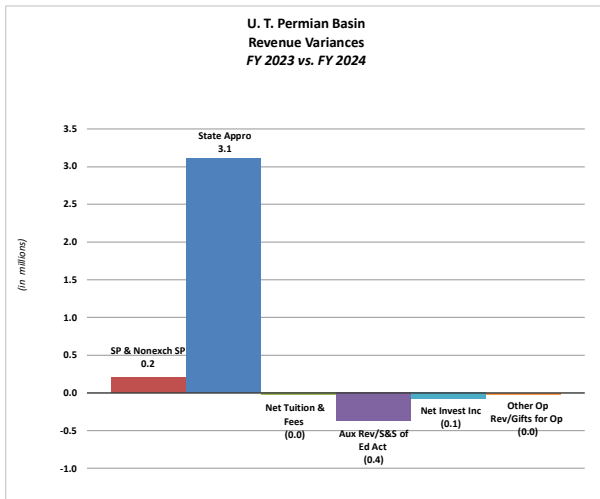
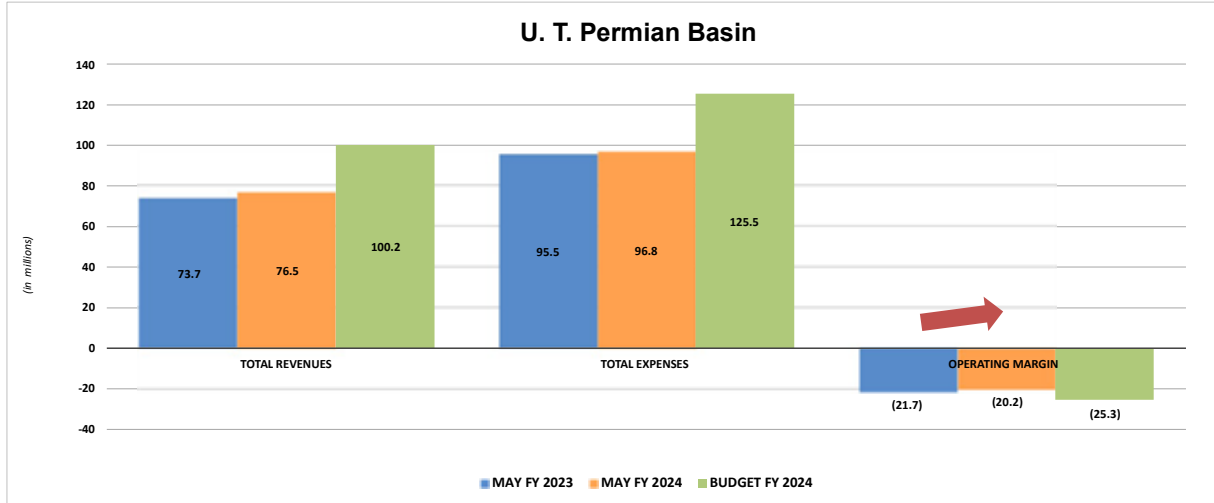
Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 128.7	142.0	13.3	196.4	212.9	16.6
State Appropriations	83.2	96.8	13.6	125.2	125.5	0.3
Net Tuition and Fees	114.5	117.8	3.3	153.6	152.5	(1.1)
Auxiliary Revenues/Sales & Services of Educational Activities	38.3	46.8	8.5	56.5	57.7	1.2
Net Investment Income	20.5	21.6	1.1	22.7	28.8	6.1
Other Operating Revenues/Gift Contributions for Operations	10.0	9.1	(0.9)	10.0	12.1	2.1
Total Revenues	395.0	434.0	39.0	564.4	589.6	25.2
Salaries and Wages/Payroll Related Costs	229.5	244.9	15.4	299.0	308.7	9.7
Utilities	6.9	6.2	(0.7)	10.3	10.3	0.0
Scholarships and Fellowships	40.5	53.6	13.0	89.2	84.9	(4.3)
Operations, Maintenance and Travel	85.3	96.7	11.4	129.4	139.7	10.3
Depreciation and Amortization	26.5	26.4	(0.0)	35.7	35.8	0.0
Total Expenses	\$ 388.7	427.8	39.1	563.5	579.3	15.8
Operating Margin	6.4	6.2	(0.2)	0.9	10.3	9.4
Cash Flow Margin (Excludes Depr & Amort Exp)	32.9	32.7	(0.2)	36.7	46.1	9.4

U. T. El Paso reported a year-to-date positive cash flow margin of \$32.7 million, a decrease of \$0.2 million (1%) from the prior year. The decrease was primarily due to an increase in salaries and wages and payroll related costs as a result of market and retention adjustments, as well as merit increases. The most current projection received from U. T. El Paso reflects a cash flow margin of \$46.1 million for the year.

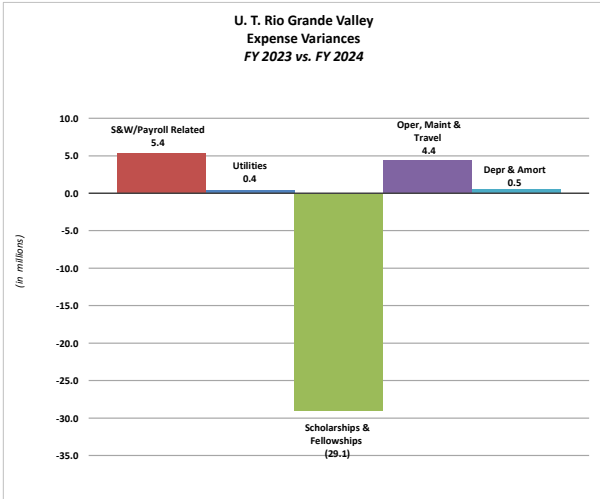
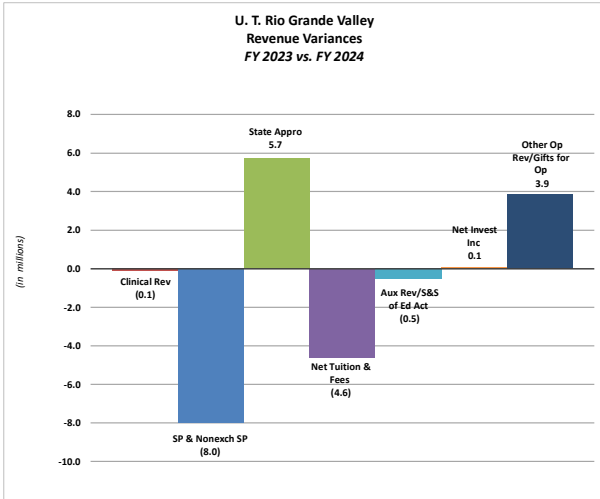
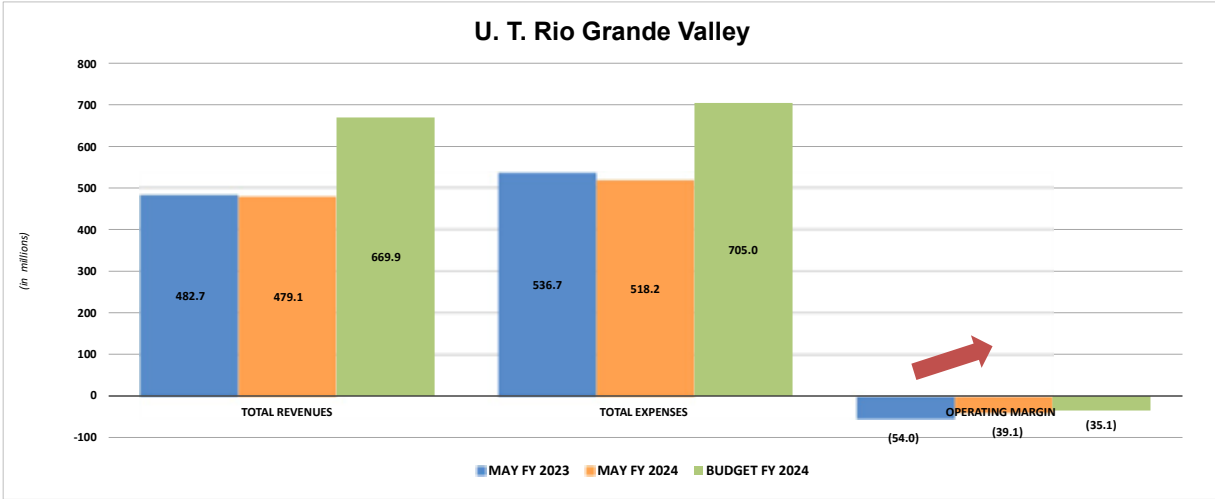
**Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024**



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 14.4	14.6	0.2	18.5	21.4	2.9
State Appropriations	19.0	22.1	3.1	30.9	29.5	(1.4)
Net Tuition and Fees	23.4	23.3	(0.0)	31.8	31.1	(0.7)
Auxiliary Revenues/Sales & Services of Educational Activities	6.7	6.3	(0.4)	9.8	8.4	(1.4)
Net Investment Income	3.8	3.8	(0.1)	4.2	4.5	0.3
Other Operating Revenues/Gift Contributions for Operations	6.5	6.4	(0.0)	5.1	10.1	5.0
Total Revenues	73.7	76.5	2.8	100.2	105.1	4.9
Salaries and Wages/Payroll Related Costs	44.8	45.3	0.5	62.3	57.3	(5.0)
Utilities	1.5	1.6	0.1	3.2	2.6	(0.7)
Scholarships and Fellowships	10.4	9.6	(0.8)	13.0	12.8	(0.2)
Operations, Maintenance and Travel	22.8	24.3	1.5	25.6	31.1	5.5
Depreciation and Amortization	16.0	16.0	0.0	21.3	21.3	0.0
Total Expenses	\$ 95.5	96.8	1.3	125.5	125.1	(0.4)
Operating Margin	(21.7)	(20.2)	1.5	(25.3)	(20.0)	5.3
Cash Flow Margin (Excludes Depr & Amort Exp)	(5.8)	(4.2)	1.5	(4.0)	1.3	5.3

U. T. Permian Basin incurred a year-to-date cash flow margin loss of \$4.2 million, a decrease in loss of \$1.5 million (26%) from the prior year. The decrease in loss was primarily attributable to an increase in state appropriations due to new funding for the Healthcare Workforce Education program. The most current projection received from U. T. Permian Basin reflects a cash flow margin of \$1.3 million for the year.

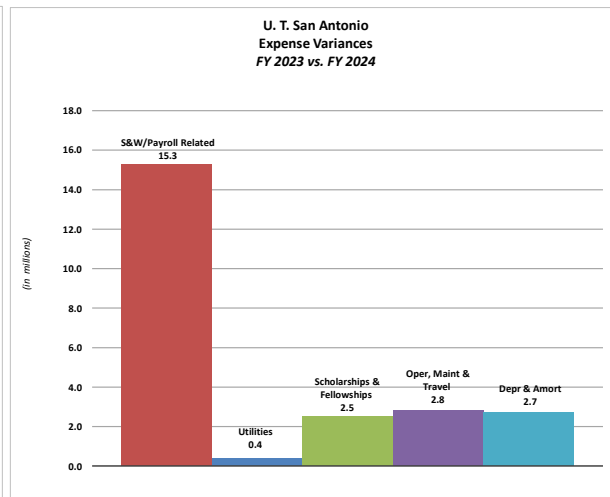
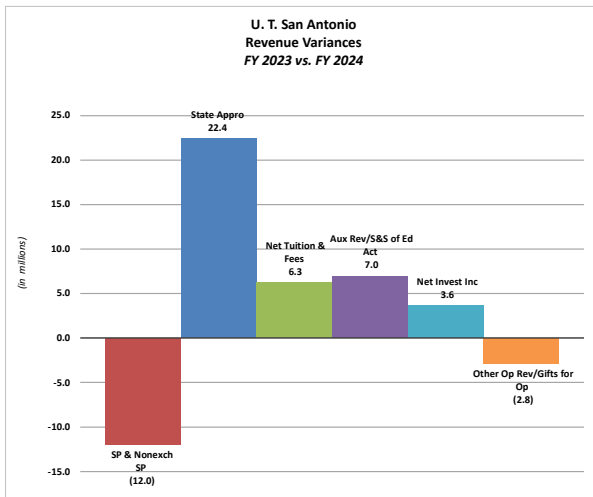
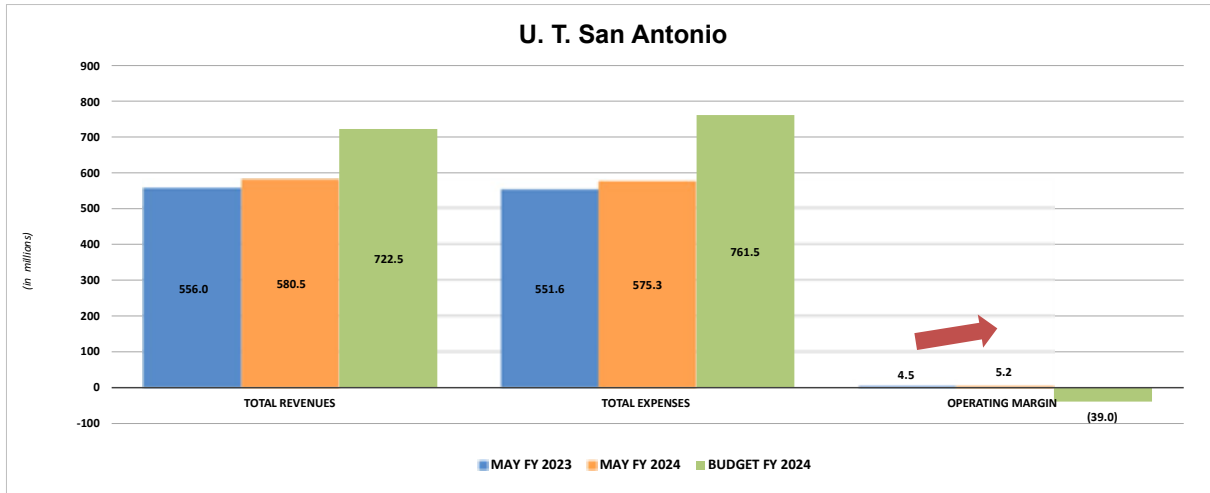
**Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
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(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 12.1	12.0	(0.1)	18.1	16.2	(1.9)
Sponsored Programs/Nonexchange Sponsored Programs	183.9	175.9	(8.0)	254.6	270.6	16.1
State Appropriations	134.2	139.9	5.7	189.8	186.5	(3.2)
Net Tuition and Fees	102.5	97.9	(4.6)	149.4	130.6	(18.9)
Auxiliary Revenues/Sales & Services of Educational Activities	16.7	16.2	(0.5)	20.2	22.9	2.7
Net Investment Income	16.6	16.6	0.1	20.4	22.4	2.0
Other Operating Revenues/Gift Contributions for Operations	16.7	20.6	3.9	17.4	25.7	8.3
Total Revenues	482.7	479.1	(3.6)	669.9	675.0	5.1
Salaries and Wages/Payroll Related Costs	348.8	354.1	5.4	470.7	464.0	(6.7)
Utilities	6.5	6.9	0.4	12.4	12.1	(0.3)
Scholarships and Fellowships	57.0	28.0	(29.1)	65.1	59.3	(5.9)
Operations, Maintenance and Travel	78.6	83.0	4.4	91.5	104.7	13.2
Depreciation and Amortization	45.7	46.2	0.5	65.2	65.5	0.3
Total Expenses	\$ 536.7	518.2	(18.5)	705.0	705.6	0.6
Operating Margin	(54.0)	(39.1)	14.9	(35.1)	(30.6)	4.5
Cash Flow Margin (Excludes Depr & Amort Exp)	(8.3)	7.1	15.4	30.1	34.9	4.8

U. T. Rio Grande Valley reported a year-to-date positive cash flow margin of \$7.1 million, an increase of \$15.4 million (185%) from the prior year. The increase was primarily due to the following: a decrease in scholarships and fellowships as a result of a decrease in institutionally funded scholarships; and an increase in other operating revenues/gift contributions for operations attributable to an increase in clinical revenues for the School of Medicine, an increase in Texas Incentives for Physicians and Professional Services (TIPPS) revenue, and an increase in gift contributions as compared to the prior year. The most current projection received from U. T. Rio Grande Valley reflects a cash flow margin of \$34.9 million for the year.

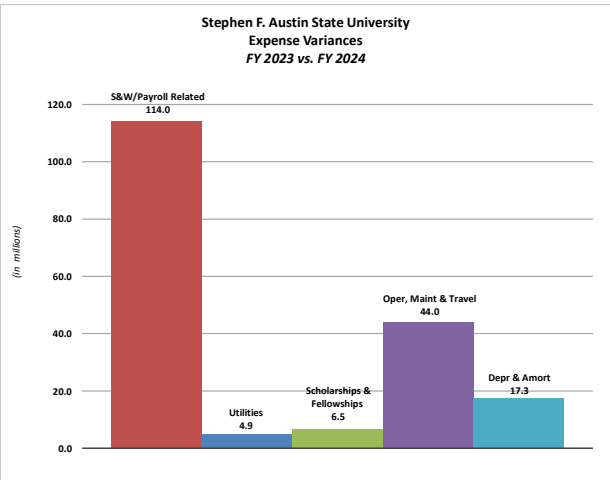
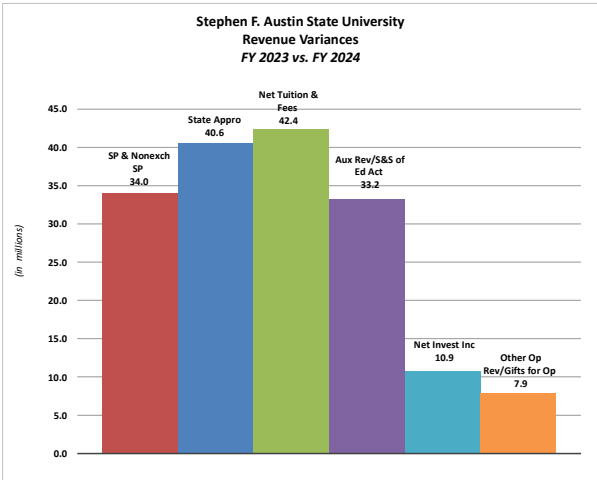
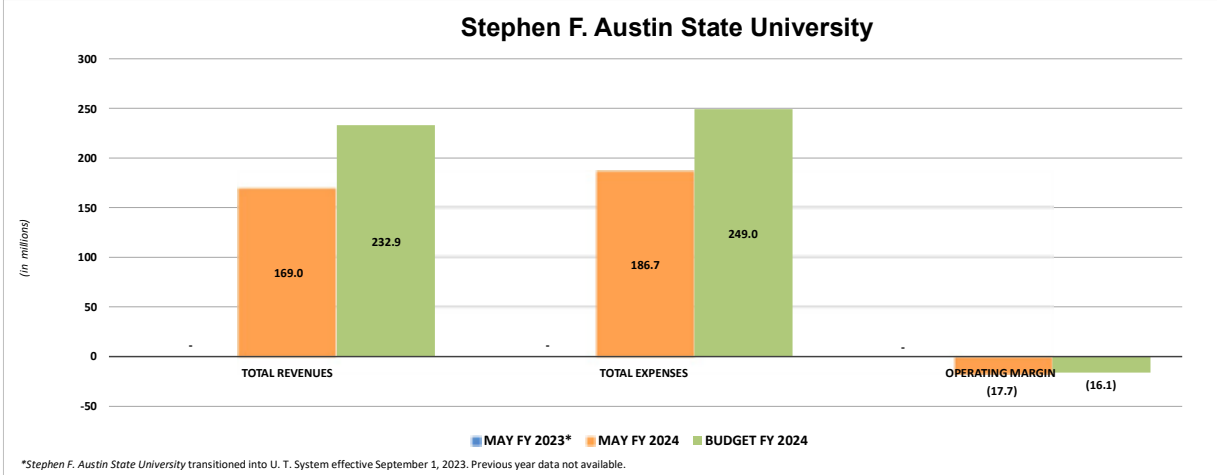
**Monthly Financial Report
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(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 160.7	148.6	(12.0)	192.2	198.2	6.0
State Appropriations	114.4	136.8	22.4	178.2	182.4	4.2
Net Tuition and Fees	191.4	197.6	6.3	242.8	263.5	20.7
Auxiliary Revenues/Sales & Services of Educational Activities	55.2	62.2	7.0	75.4	82.9	7.5
Net Investment Income	20.3	23.9	3.6	24.4	34.4	10.0
Other Operating Revenues/Gift Contributions for Operations	14.1	11.3	(2.8)	9.5	15.1	5.5
Total Revenues	556.0	580.5	24.5	722.5	776.5	54.0
Salaries and Wages/Payroll Related Costs	310.3	325.6	15.3	425.3	434.1	8.7
Utilities	12.9	13.3	0.4	17.5	17.7	0.2
Scholarships and Fellowships	45.4	47.9	2.5	49.2	63.9	14.7
Operations, Maintenance and Travel	126.1	128.9	2.8	192.8	170.9	(21.9)
Depreciation and Amortization	56.9	59.6	2.7	76.6	79.5	2.9
Total Expenses	\$ 551.6	575.3	23.8	761.5	766.1	4.7
Operating Margin	4.5	5.2	0.7	(39.0)	10.4	49.4
Cash Flow Margin (Excludes Depr & Amort Exp)	61.4	64.8	3.5	37.7	89.9	52.3

U. T. San Antonio reported a year-to-date positive cash flow margin of \$64.8 million, an increase of \$3.5 million (6%) from the prior year. The increase was primarily attributable to the following: an increase in state appropriations due to the National Research Support Fund; and an increase in auxiliary enterprises revenues as a result of an increase in on-campus activities. The most current projection received from U. T. San Antonio reflects a cash flow margin of \$89.9 million for the year.

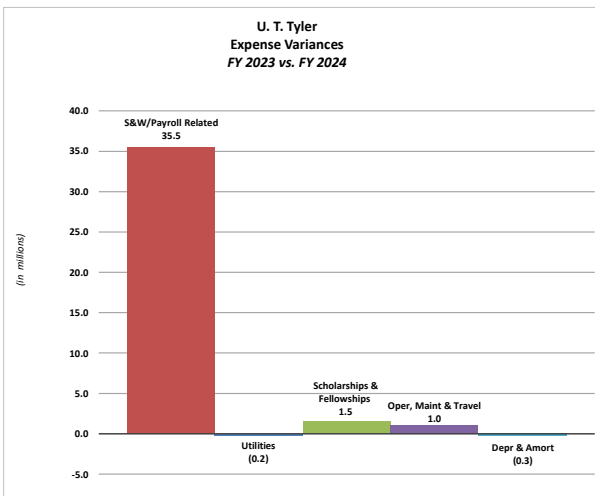
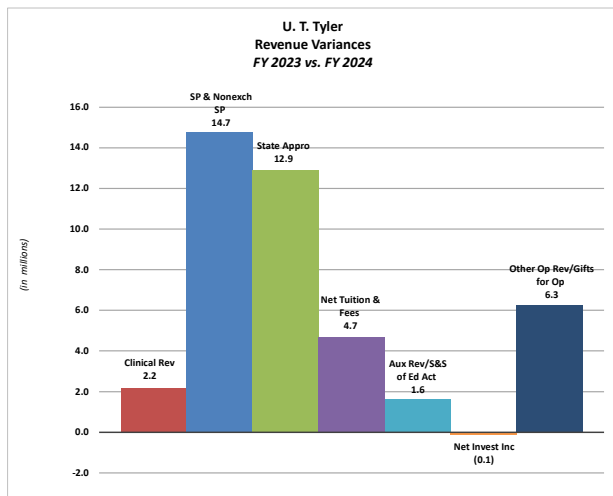
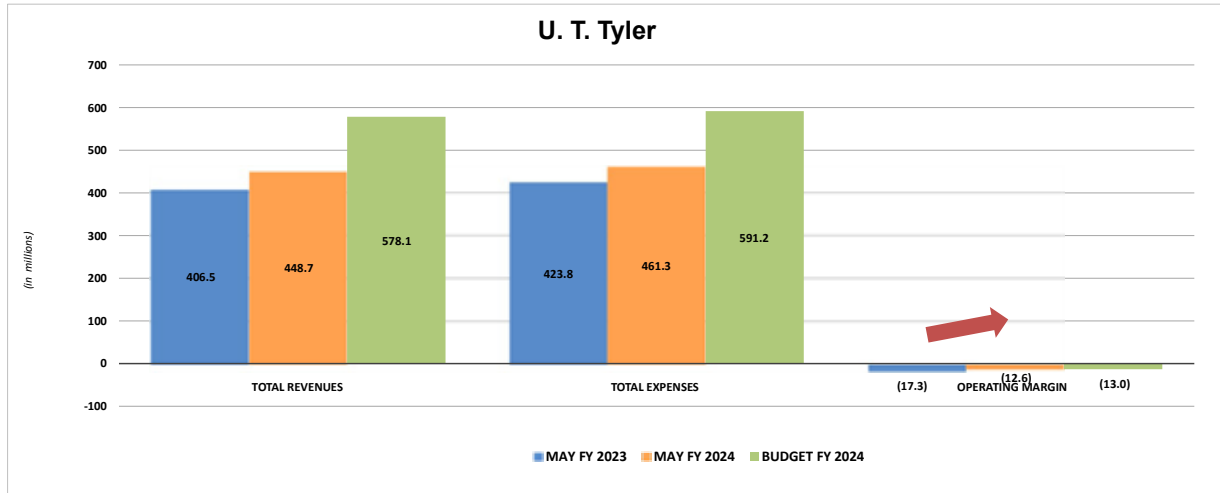
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(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ -	34.0	34.0	41.3	41.3	0.0
State Appropriations	-	40.6	40.6	52.7	53.2	0.5
Net Tuition and Fees	-	42.4	42.4	85.0	57.1	(27.9)
Auxiliary Revenues/Sales & Services of Educational Activities	-	33.2	33.2	33.0	39.8	6.8
Net Investment Income	-	10.9	10.9	8.7	10.9	2.3
Other Operating Revenues/Gift Contributions for Operations	-	7.9	7.9	12.3	11.2	(1.1)
Total Revenues	-	169.0	169.0	232.9	213.5	(19.5)
Salaries and Wages/Payroll Related Costs	-	114.0	114.0	134.3	142.6	8.4
Utilities	-	4.9	4.9	5.1	6.4	1.3
Scholarships and Fellowships	-	6.5	6.5	30.4	8.9	(21.5)
Operations, Maintenance and Travel	-	44.0	44.0	55.7	55.5	(0.3)
Depreciation and Amortization	-	17.3	17.3	23.5	22.0	(1.5)
Total Expenses	\$ -	186.7	186.7	249.0	235.4	(13.7)
Operating Margin	-	(17.7)	(17.7)	(16.1)	(21.9)	(5.8)
Cash Flow Margin (Excludes Depr & Amort Exp)	-	(0.4)	(0.4)	7.4	0.1	(7.3)

On August 24, 2023, the U. T. System Board of Regents formalized the action of transitioning Stephen F. Austin State University into the U. T. System effective September 1, 2023, in order to enhance Stephen F. Austin's financial position, foster enrollment growth, and increase opportunities for faculty, staff, and students to participate in new collaborations with other U. T. institutions to better serve Texas. Therefore, prior year data is not available.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024

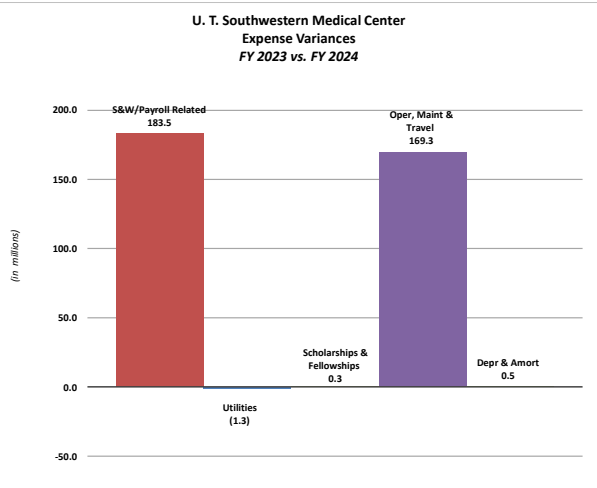
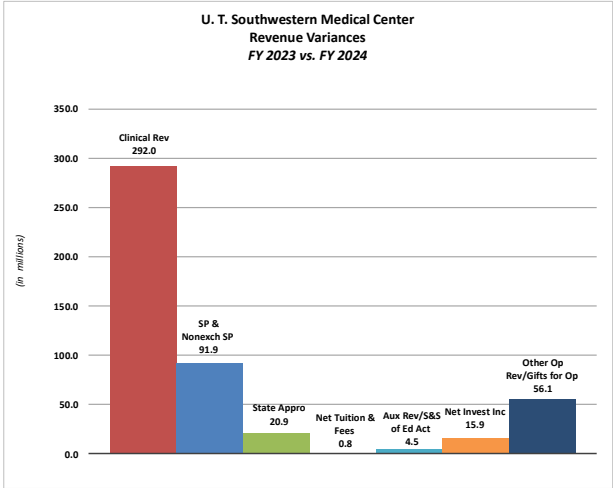
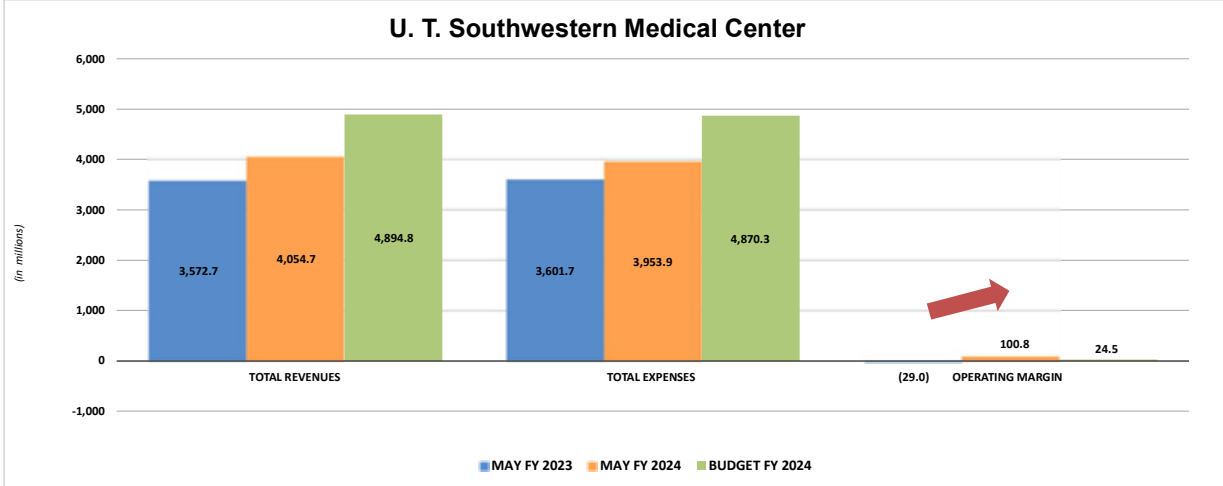


(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 146.7	148.8	2.2	193.4	194.1	0.7
Sponsored Programs/Nonexchange Sponsored Programs	110.3	125.1	14.7	150.9	152.5	1.6
State Appropriations	66.6	79.5	12.9	105.3	105.7	0.4
Net Tuition and Fees	44.1	48.8	4.7	59.9	62.0	2.1
Auxiliary Revenues/Sales & Services of Educational Activities	23.2	24.8	1.6	27.7	30.4	2.7
Net Investment Income	9.7	9.6	(0.1)	12.7	20.2	7.4
Other Operating Revenues/Gift Contributions for Operations	6.0	12.2 *	6.3	28.3	23.6 *	(4.7)
Total Revenues	406.5	448.7	42.2	578.1	588.4	10.3
Salaries and Wages/Payroll Related Costs	264.2	299.7	35.5	368.8	380.6	11.8
Utilities	4.1	3.8	(0.2)	6.1	6.0	(0.1)
Scholarships and Fellowships	11.5	13.0	1.5	15.4	15.4	0.0
Operations, Maintenance and Travel	117.9	118.9	1.0	164.0	159.8	(4.2)
Depreciation and Amortization	26.2	25.9	(0.3)	36.9	36.9	0.0
Total Expenses	\$ 423.8	461.3	37.5	591.2	598.7	7.5
Operating Margin	(17.3)	(12.6)	4.7	(13.0)	(10.2)	2.8
Cash Flow Margin (Excludes Depr & Amort Exp)	8.8	13.3	4.4	23.8	26.7	2.8

*Other Operating Income includes 30% of UTHET's net adjusted loss which was \$2.6 million through May. U. T. Tyler's year-end projection includes \$0.5 million of UTHET's net adjusted income for the year.

U. T. Tyler reported a year-to-date positive cash flow margin of \$13.3 million, an increase of \$4.4 million (50%) from the prior year. The increase was primarily due to the following: an increase in other operating revenues attributable to a new agreement with Smith County Jail; and an increase in net student tuition and fees due to increased enrollment. The most current projection received from U. T. Tyler reflects a cash flow margin of \$26.7 million for the year.

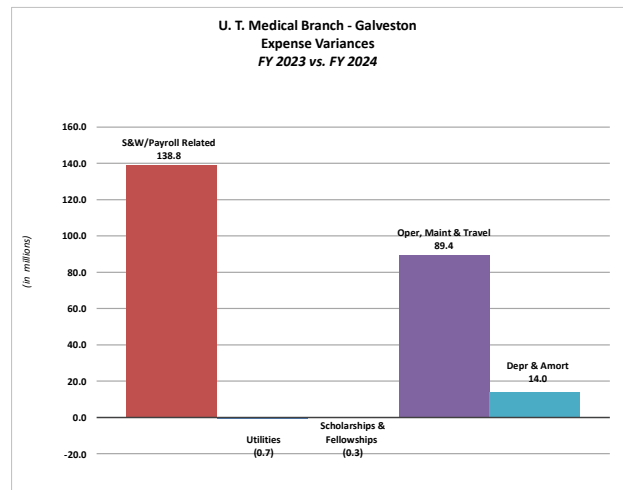
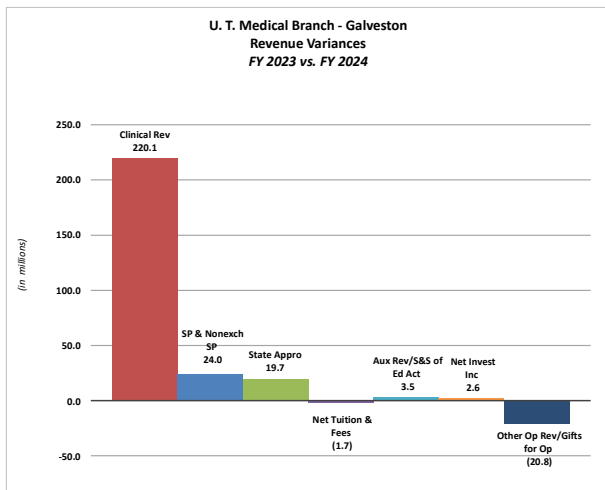
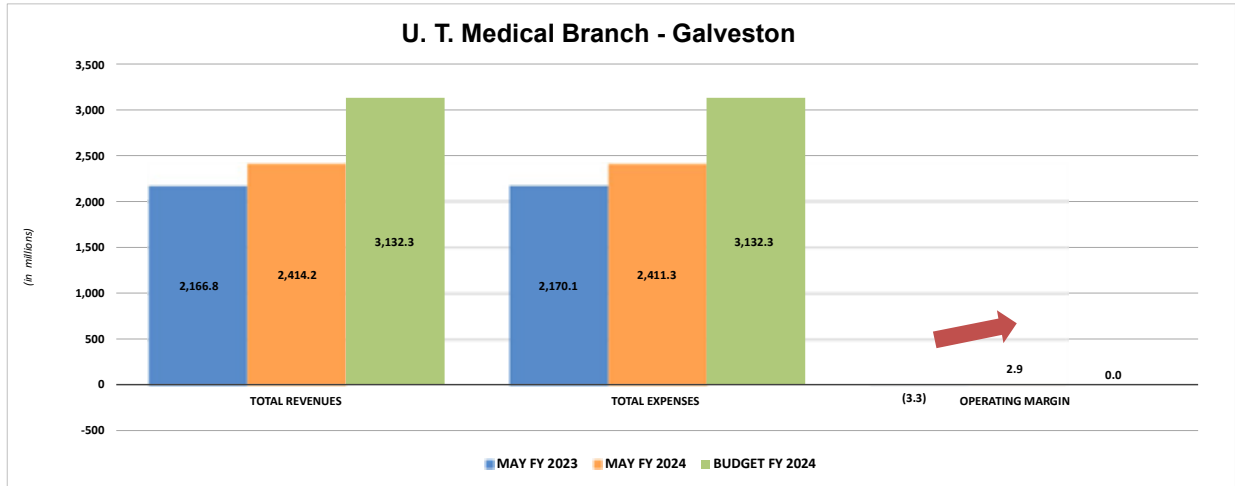
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(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 2,336.8	2,628.8	292.0	3,233.0	3,477.6	244.6
Sponsored Programs/Nonexchange Sponsored Programs	641.7	733.6	91.9	877.2	974.9	97.6
State Appropriations	145.0	165.9	20.9	225.7	217.4	(8.3)
Net Tuition and Fees	21.2	22.0	0.8	28.7	28.5	(0.2)
Auxiliary Revenues/Sales & Services of Educational Activities	33.7	38.2	4.5	42.8	51.2	8.4
Net Investment Income	139.5	155.3	15.9	186.4	188.2	1.7
Other Operating Revenues/Gift Contributions for Operations	254.8	310.9	56.1	301.0	402.0	101.1
Total Revenues	3,572.7	4,054.7	482.0	4,894.8	5,339.8	445.0
Salaries and Wages/Payroll Related Costs	2,259.8	2,443.3	183.5	3,099.7	3,298.1	198.4
Utilities	24.0	22.7	(1.3)	31.6	30.3	(1.3)
Scholarships and Fellowships	2.4	2.7	0.3	7.1	3.6	(3.5)
Operations, Maintenance and Travel	1,106.3	1,275.6	169.3	1,443.1	1,612.5	169.4
Depreciation and Amortization	209.1	209.6	0.5	288.9	278.2	(10.6)
Total Expenses	\$ 3,601.7	3,953.9	352.2	4,870.3	5,222.8	352.4
Operating Margin	(29.0)	100.8	129.8	24.5	117.0	92.5
Cash Flow Margin (Excludes Depr & Amort Exp)	180.1	310.4	130.3	313.3	395.2	81.9

U. T. Southwestern Medical Center reported a year-to-date positive cash flow margin of \$310.4 million, an increase of \$130.3 million (72%) from the prior year. The increase was primarily due to the following: an increase in clinical revenues as a result of increased inpatient and outpatient visits, and increased admissions and surgical volumes; and an increase in other operating revenues attributable to increased TIPPS and pharmacy revenues. The most current projection received from U. T. Southwestern Medical Center reflects a cash flow margin of \$395.2 million for the year.

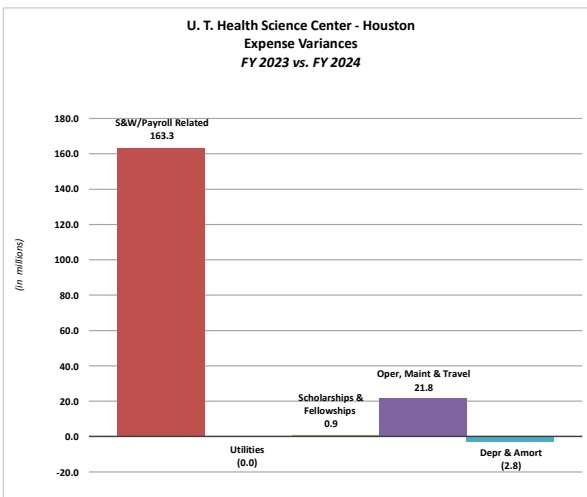
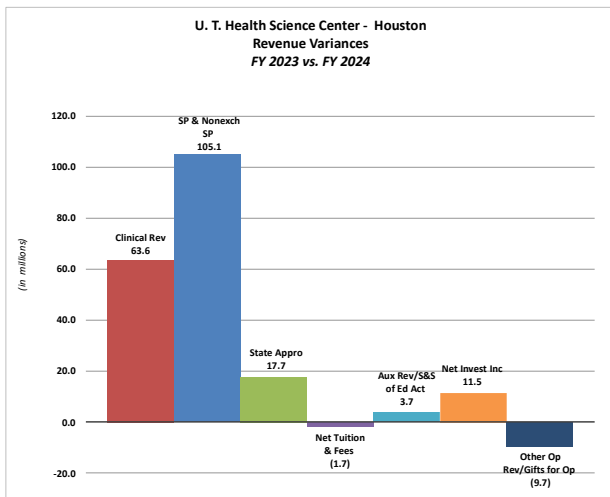
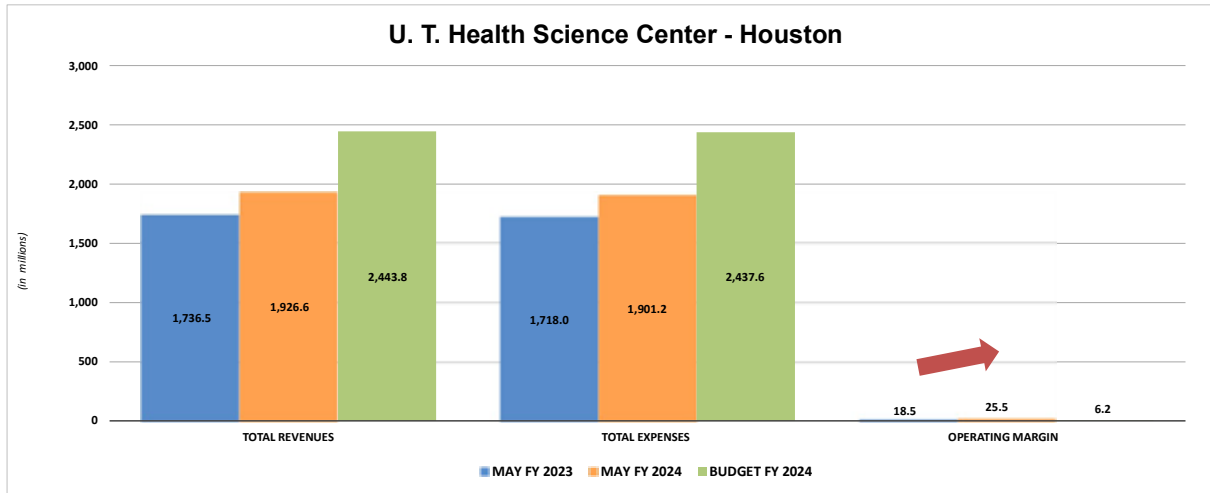
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(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 1,450.3	1,670.4	220.1	2,128.7	2,202.8	74.1
Sponsored Programs/Nonexchange Sponsored Programs	193.6	217.6	24.0	293.5	289.7	(3.8)
State Appropriations	273.2	293.0	19.7	388.9	388.2	0.4
Net Tuition and Fees	39.9	38.2	(1.7)	50.6	51.1	0.5
Auxiliary Revenues/Sales & Services of Educational Activities	20.2	23.7	3.5	25.0	32.4	7.3
Net Investment Income	61.5	64.1	2.6	78.8	83.8	5.0
Other Operating Revenues/Gift Contributions for Operations	128.0	107.3	(20.8)	166.7	166.5	(0.2)
Total Revenues	2,166.8	2,414.2	247.4	3,132.3	3,215.6	83.4
Salaries and Wages/Payroll Related Costs	1,326.5	1,465.3	138.8	1,902.7	1,951.2	48.4
Utilities	25.9	25.2	(0.7)	46.4	36.3	(10.1)
Scholarships and Fellowships	7.3	7.0	(0.3)	13.3	15.9	2.6
Operations, Maintenance and Travel	654.8	744.2	89.4	947.2	983.5	36.3
Depreciation and Amortization	155.6	169.6	14.0	222.7	228.8	6.1
Total Expenses	\$ 2,170.1	2,411.3	241.2	3,132.3	3,215.6	83.4
Operating Margin	(3.3)	2.9	6.1	0.0	0.0	0.0
Cash Flow Margin (Excludes Depr & Amort Exp)	152.3	172.4	20.1	222.7	228.8	6.1

U. T. Medical Branch - Galveston reported a year-to-date positive cash flow margin of \$172.4 million, an increase of \$20.1 million (13%) from the prior year. The increase was primarily attributable to an increase in clinical revenues due to an increase in clinical volume, as well as a favorable rate and case mix index. The most current projection received from U. T. Medical Branch - Galveston reflects a cash flow margin of \$228.8 million for the year.

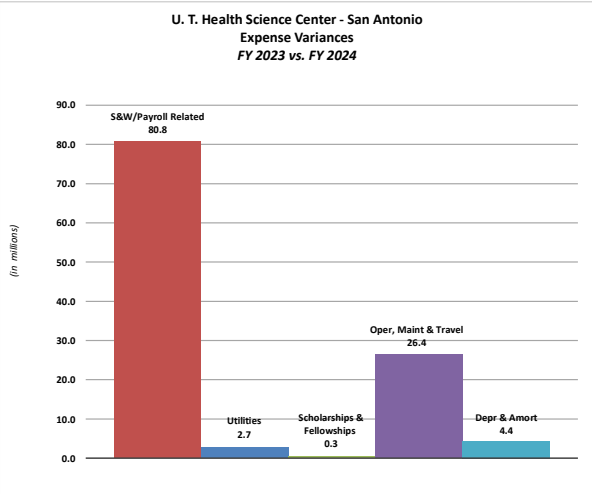
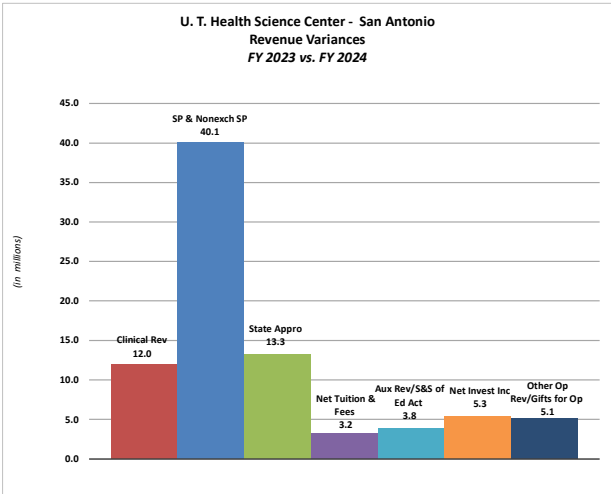
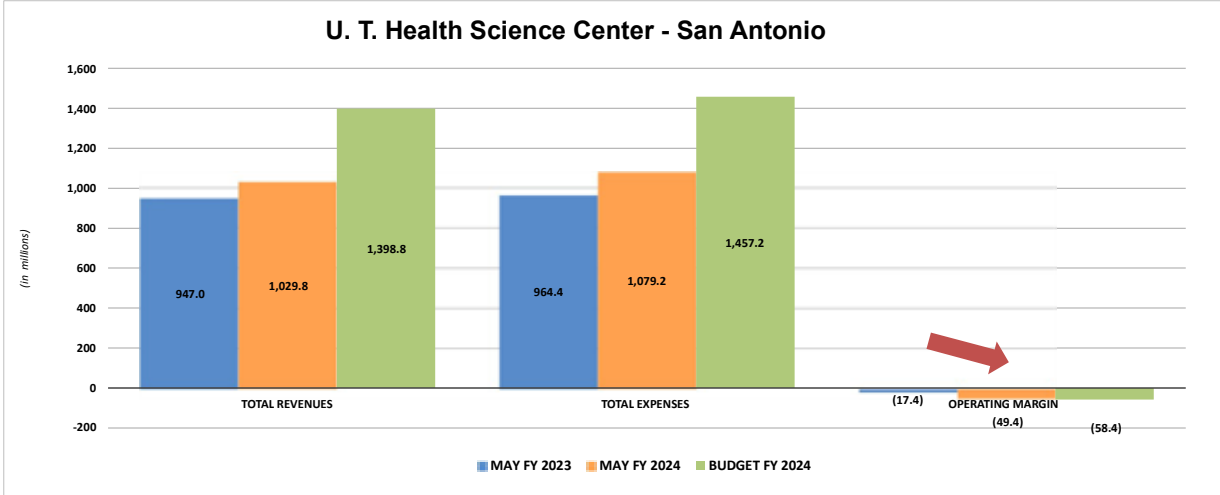
**Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024**



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 481.2	544.8	63.6	685.8	739.8	54.0
Sponsored Programs/Nonexchange Sponsored Programs	816.6	921.6	105.1	1,178.4	1,237.4	59.0
State Appropriations	170.4	188.1	17.7	256.1	250.9	(5.2)
Net Tuition and Fees	56.5	54.8	(1.7)	72.9	72.7	(0.2)
Auxiliary Revenues/Sales & Services of Educational Activities	62.5	66.2	3.7	56.7	82.3	25.6
Net Investment Income	78.9	90.4	11.5	92.4	116.5	24.1
Other Operating Revenues/Gift Contributions for Operations	70.3	60.6	(9.7)	101.5	78.3	(23.2)
Total Revenues	1,736.5	1,926.6	190.2	2,443.8	2,577.9	134.1
Salaries and Wages/Payroll Related Costs	1,336.0	1,499.3	163.3	1,895.5	1,980.6	85.0
Utilities	10.6	10.6	(0.0)	16.7	14.1	(2.6)
Scholarships and Fellowships	5.9	6.7	0.9	11.4	8.9	(2.4)
Operations, Maintenance and Travel	279.6	301.5	21.8	429.1	402.0	(27.1)
Depreciation and Amortization	85.9	83.1	(2.8)	85.0	110.8	25.9
Total Expenses	\$ 1,718.0	1,901.2	183.2	2,437.6	2,516.4	78.8
Operating Margin	18.5	25.5	7.0	6.2	61.5	55.3
Cash Flow Margin (Excludes Depr & Amort Exp)	104.4	108.6	4.2	91.1	172.3	81.2

U. T. Health Science Center - Houston reported a year-to-date positive cash flow margin of \$108.6 million, an increase of \$4.2 million (4%) from the prior year. The increase was primarily due to the following: an increase in sponsored programs largely attributable to an increase in contractual revenues from Memorial Hermann Healthcare System; an increase in clinical revenues due to increased activities at the new Dunn Center building, as well as an improved payor mix; and an increase in net investment income. The most current projection received from U. T. Health Science Center - Houston reflects a cash flow margin of \$172.3 million for the year.

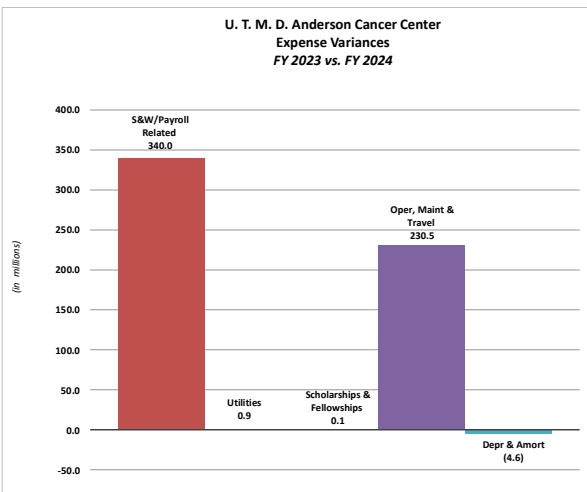
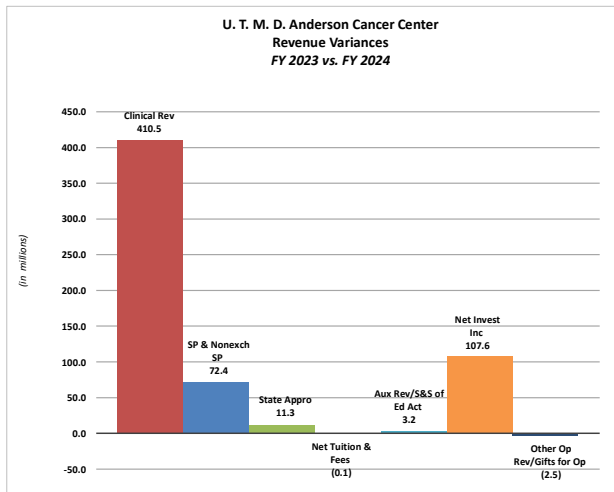
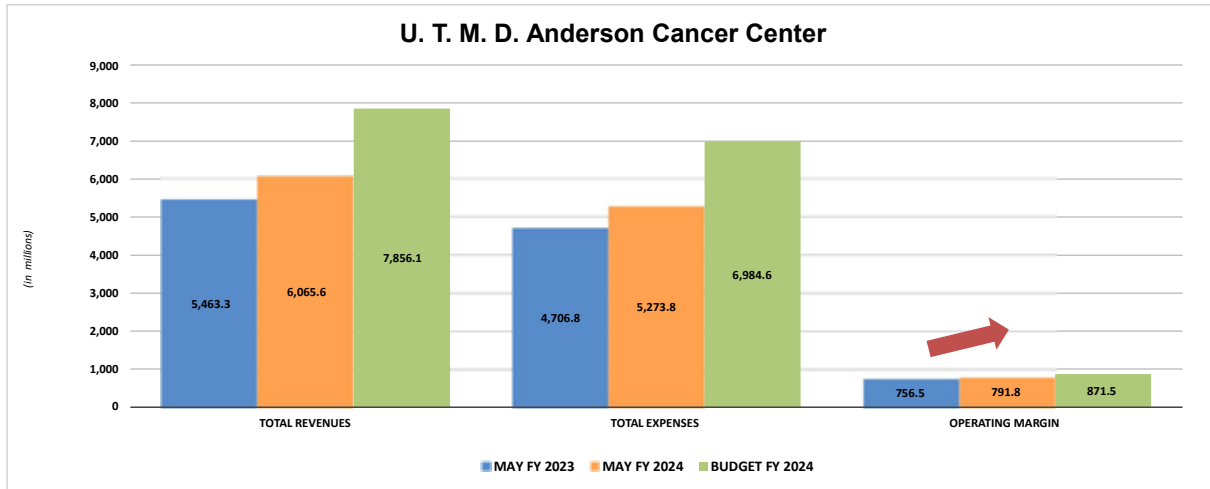
Monthly Financial Report
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For the Period Ending May 31, 2024



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 275.6	287.6	12.0	380.1	381.8	1.7
Sponsored Programs/Nonexchange Sponsored Programs	395.5	435.6	40.1	586.6	586.9	0.3
State Appropriations	134.8	148.1	13.3	224.4	224.0	(0.5)
Net Tuition and Fees	41.3	44.5	3.2	61.3	61.1	(0.2)
Auxiliary Revenues/Sales & Services of Educational Activities	19.2	23.0	3.8	31.2	29.9	(1.3)
Net Investment Income	44.9	50.2	5.3	58.7	61.8	3.0
Other Operating Revenues/Gift Contributions for Operations	35.7	40.9	5.1	56.4	56.2	(0.3)
Total Revenues	947.0	1,029.8	82.8	1,398.8	1,401.6	2.8
Salaries and Wages/Payroll Related Costs	627.8	708.6	80.8	956.1	963.5	7.4
Utilities	13.5	16.2	2.7	20.9	21.7	0.8
Scholarships and Fellowships	7.2	7.5	0.3	14.1	14.1	0.0
Operations, Maintenance and Travel	263.4	289.9	26.4	391.2	381.8	(9.5)
Depreciation and Amortization	52.6	57.0	4.4	74.8	78.8	4.0
Total Expenses	\$ 964.4	1,079.2	114.7	1,457.2	1,460.0	2.8
Operating Margin	(17.4)	(49.4)	(32.0)	(58.4)	(58.4)	0.0
Cash Flow Margin (Excludes Depr & Amort Exp)	35.1	7.6	(27.6)	16.4	20.5	4.0

U. T. Health Science Center - San Antonio reported a year-to-date positive cash flow margin of \$7.6 million, a decrease of \$27.6 million (78%) from the prior year. The decrease was primarily attributable to an increase in salaries and wages and payroll related costs as a result of an increase in clinical faculty and staff positions associated with clinical volume and research growth, as well as accelerated personnel costs related to the preparation of the new UT Health San Antonio Multi-Specialty Research Hospital opening in December 2024. The most current projection received from U. T. Health Science Center - San Antonio reflects a cash flow margin of \$20.5 million for the year.

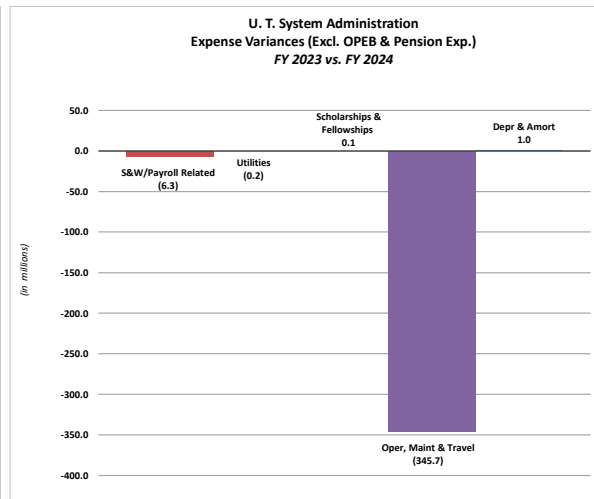
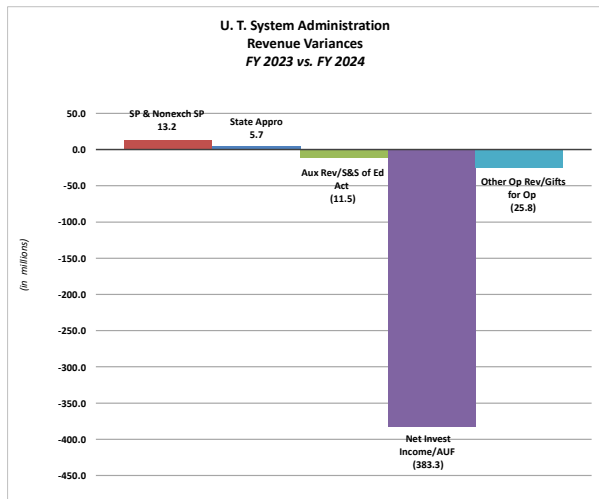
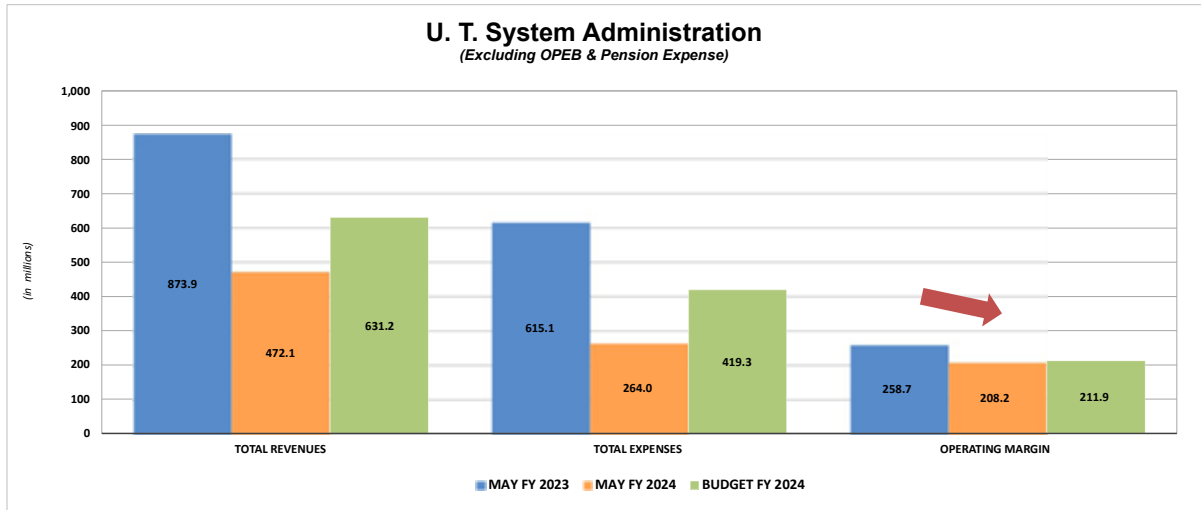
**Monthly Financial Report
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For the Period Ending May 31, 2024**



(in millions)	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Clinical Revenues	\$ 4,320.8	4,731.3	410.5	6,324.2	6,435.4	111.3
Sponsored Programs/Nonexchange Sponsored Programs	432.9	505.3	72.4	606.6	649.7	43.1
State Appropriations	157.0	168.2	11.3	223.0	223.0	0.0
Net Tuition and Fees	1.9	1.9	(0.1)	2.1	1.9	(0.2)
Auxiliary Revenues/Sales & Services of Educational Activities	31.1	34.3	3.2	41.1	45.1	4.0
Net Investment Income	331.0	438.5	107.6	400.8	468.9	68.1
Other Operating Revenues/Gift Contributions for Operations	188.7	186.2	(2.5)	258.2	247.8	(10.4)
Total Revenues	5,463.3	6,065.6	602.3	7,856.1	8,071.9	215.8
Salaries and Wages/Payroll Related Costs	2,620.7	2,960.7	340.0	3,642.0	3,883.3	241.3
Utilities	36.0	36.9	0.9	52.1	49.8	(2.3)
Scholarships and Fellowships	1.5	1.6	0.1	3.6	2.5	(1.2)
Operations, Maintenance and Travel	1,780.7	2,011.3	230.5	2,920.3	2,849.9	(70.4)
Depreciation and Amortization	267.9	263.3	(4.6)	366.4	354.1	(12.3)
Total Expenses	\$ 4,706.8	5,273.8	567.0	6,984.6	7,139.6	155.1
Operating Margin	756.5	791.8	35.4	871.5	932.2	60.7
Cash Flow Margin (Excludes Depr & Amort Exp)	1,024.3	1,055.1	30.8	1,237.9	1,286.4	48.4

U. T. M. D. Anderson Cancer Center reported a year-to-date positive cash flow margin of \$1,055.1 million, an increase of \$30.8 million (3%) from the prior year. The increase was primarily due to an increase in clinical revenues attributable to an increase in admissions, patient days, outpatient visits, and surgeries. The most current projection received from U. T. M. D. Anderson Cancer Center reflects a cash flow margin of \$1,286.4 million for the year.

Monthly Financial Report
Comparison of Operating Results, Margin, Budget and Projected Year-End
For the Period Ending May 31, 2024



<i>(in millions)</i>	May YTD FY 2023	May YTD FY 2024	Variance	FY 2024 Budget	Annual Projected FY 2024	Variance
Sponsored Programs/Nonexchange Sponsored Programs	\$ 30.8	44.0	13.2	48.6	46.6	(2.0)
State Appropriations	5.5	11.1	5.7	29.4 *	14.9	(14.5)
Auxiliary Revenues/Sales & Services of Educational Activities	13.5	2.1	(11.5)	3.1	2.7	(0.3)
Net Investment Income/Available University Fund (AUF)	794.8	411.5	(383.3)	544.5	594.7	50.2
Other Operating Revenues/Gift Contributions for Operations	29.2	3.4	(25.8)	5.7	4.4	(1.3)
Total Revenues	873.9	472.1	(401.7)	631.2	663.3	32.1
Salaries and Wages/Payroll Related Costs	46.1	39.8	(6.3)	55.1	53.0	(2.0)
Utilities	0.3	0.1	(0.2)	0.5	0.2	(0.4)
Scholarships and Fellowships	0.1	0.1	0.1	2.3	0.2	(2.1)
Operations, Maintenance and Travel	551.6	206.0	(345.7)	343.9 *	274.2	(69.7)
Depreciation and Amortization	17.0	18.0	1.0	17.6	23.7	6.1
Total Expenses (Excluding OPEB & Pension Exp)	\$ 615.1	264.0	(351.2)	419.3	351.3	(68.1)
Operating Margin (Excluding OPEB & Pension Exp)	258.7	208.2	(50.6)	211.9	312.1	100.2
Cash Flow Margin (Excluding OPEB, Pension, Depr & Amort Exp)	275.7	226.1	(49.6)	229.5	335.7	106.3

*State appropriations and corresponding expense for TRB/CCAP for all U. T. institutions have been excluded.

Excluding OPEB, pension, and depreciation expense, *U. T. System Administration* reported a positive cash flow margin of \$226.1 million, a decrease of \$49.6 million (18%) from the prior year. The decrease was primarily attributable to a decrease in net investment income due to a change in methodology that now excludes net investment income related to longer-term investment funds that would fall outside of those budgeted as part of the annual operating budget. The most current projection, excluding OPEB, pension, and depreciation expense, reflects a cash flow margin of \$335.7 million for the year.

3. U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2025 and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. approve an aggregate amount of \$326,200,000 of Revenue Financing System Equipment Financing for FY 2025 as allocated to those U. T. System institutions listed in the table at the end of this item; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
 - the U. T. System institutions, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$326,200,000 for the purchase of equipment; and
 - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of Title 26 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. Equipment financing is used for the purchase of equipment in lieu of more costly vendor financing. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized four times a year with full amortization period not to exceed 10 years.

This agenda item requests approval of an aggregate amount of \$326,200,000 for equipment financing for Fiscal Year 2025. On August 24, 2023, the U. T. System Board of Regents approved a total of \$319,781,000 of equipment financing for Fiscal Year 2024. On February 22, 2024, the U. T. System Board of Regents approved an additional \$10,000,000 of equipment financing for Fiscal Year 2024. Through July 31, 2024, \$85,207,000 of equipment financing has been utilized for Fiscal Year 2024.

Further details on the equipment to be financed and leverage ratios for individual institutions may be found on the following page.

**U. T. SYSTEM EQUIPMENT FINANCING - INSTITUTION REQUESTS
FY 2025**

Institution	\$ Amount of Request	Description of Expected Capital Equipment	Spendable Cash & Inv. to Total Debt (x) *	Unrestricted Cash & Inv. to Total Debt (x) *
U. T. Austin	19,000,000	TV Production and video display equipment for Athletics; MRI & Monitoring System and C-Arm Machine	3.1	
U. T. Dallas	5,000,000	General purpose equipment supporting University's instruction, research, and business operations	2.2	
U. T. Rio Grande Valley	8,000,000	Equipment for security, instruction and research activities; campus PC/IT equipment replacement	4.3	
U. T. San Antonio	19,200,000	Athletic, technology, research, and start-up lab equipment; Buena Vista Theater equipment	2.3	
U. T. Southwestern Medical Center	30,000,000	Information resource projects; clinical and hospital equipment		0.7
U. T. Medical Branch - Galveston	60,000,000	Clinical, IT infrastructure, research-related, and facility-related equipment		0.8
U. T. Health Science Center - Houston	35,000,000	Clinical equipment		4.3
U. T. Health Science Center - San Antonio	90,000,000	Implementation of tech systems; Outpatient surgical center equipment and lab equipment		1.3
U. T. M. D. Anderson Cancer Center	60,000,000	Medical, diagnostic, research, vehicles, information systems, and technology equipment		11.1
Total	\$326,200,000			

* Spendable Cash & Inv. to Total Debt ratios and Unrestricted Cash & Inv. to Total Debt ratios are based on FY2023 Analysis of Financial Condition (February 2024). The calculation excludes TRB debt service.

U. T. System Office of Finance, July 10, 2024

4. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds and authorization to complete all related transactions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed \$975 million to be used to refund certain outstanding PUF Bonds, to refund PUF Commercial Paper Notes, to provide new money to fund construction and acquisition costs, and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

On August 24, 2023, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed \$975 million for Fiscal Year 2024. Adoption of this Resolution would provide \$975 million of authorization for similar purposes for Fiscal Year 2025. Approval of this item does not allocate additional PUF debt for capital projects.

Adoption of this Resolution would authorize the advance or current refunding of a portion of certain outstanding PUF Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date, whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution would provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing. The Resolution provides that additional PUF Bonds may be refunded if such refunding is determined to be in the best interest of the U. T. System.

The Resolution would also authorize the current refunding of all or a portion of the PUF Commercial Paper Notes. The PUF Commercial Paper Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution would permit the interim financing provided through the Notes to be replaced with long-term financing. The Resolution would also authorize the issuance of bonds to provide new money to fund the capital costs of eligible projects.

The Resolution would also authorize the appropriate officers and employees of the U. T. System to refund outstanding PUF Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding PUF Bonds when economically advantageous.

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed Resolution is available online at <https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2024-08-21>.

5. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a Supplemental Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed \$975 million to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program, and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

BACKGROUND INFORMATION

On May 9, 2024, the Board of Regents adopted the 40th Supplemental Resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed \$975 million. Adoption of this 41st Supplemental Resolution would provide \$975 million of authority to finance additional projects approved by the Board of Regents under the same provisions as the prior resolution.

Adoption of the Supplemental Resolution would authorize the advance or current refunding of a portion of certain outstanding RFS Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Supplemental Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

The Supplemental Resolution would also authorize the current refunding of all or a portion of the RFS Commercial Paper Notes. The RFS Commercial Paper Note program is used to provide interim financing for RFS projects approved by the Board. Adoption of the Supplemental Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing. The Supplemental Resolution would also authorize the issuance of bonds to provide new money to fund the capital costs of eligible projects.

The Supplemental Resolution would also authorize the appropriate officers and employees of the U. T. System to refund outstanding RFS Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding RFS Bonds when economically advantageous.

The proposed Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed Resolution is available online at <https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2024-08-21>.

6. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt and ratification of Regents' Rule 70202

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt resolutions substantially in the form previously approved by the U. T. System Board of Regents (the Resolutions) authorizing appropriate officers of the U. T. System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents; and
- b. ratify the U. T. System Interest Rate Swap Policy as set forth in Regents' Rule 70202 on the following pages.

BACKGROUND INFORMATION

Texas Education Code Section 65.461 provides specific authority to the U. T. System Board of Regents to enter into "bond enhancement agreements," which include interest rate swaps and related agreements in connection with administration of the U. T. System's RFS and PUF debt programs.

On August 24, 2023, the Board approved bond enhancement agreement resolutions for FY2024. Approval of this item would authorize the execution of bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy for FY2025. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chancellor and the Chairman of the Board's Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

The U. T. System Interest Rate Swap Policy was approved by the Board of Regents as a Regental Policy on February 13, 2003, and was incorporated into the Regents' *Rules and Regulations*, Rule 70202, on December 10, 2004. The Rule was most recently amended on August 23, 2023. Section 1371.056(l) of the *Texas Government Code* requires that while an interest rate management agreement transaction is outstanding, the governing body of the issuer shall review and ratify or modify its related risk management policy at least biennially.

Note: The proposed Resolutions are available online at <https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2024-08-21>.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 70202

1. Title

Interest Rate Swap Policy

2. Rule and Regulation

- Sec. 1 Authority. *Texas Education Code*, [Chapter 55](#), including Section [55.13](#), *Texas Education Code*, [Chapter 65](#), including Section [65.461](#), and *Texas Government Code*, [Chapter 1371](#), including Section [1371.056](#), authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements and bond enhancement agreements (collectively “swaps”).
- Sec. 2 Purpose. This policy will govern the use of swaps in connection with the U. T. System’s management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs. By using swaps in a prudent manner, the U. T. System can increase the U. T. System’s financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into swaps for speculative purposes.
- Sec. 3 Legality/Approval. Prior to entering into a swap, the U. T. System must receive approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board. The U. T. System will also secure an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the U. T. System and that entering into the swap complies with applicable State and federal laws.
- Sec. 4 Form of Agreements. Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 70202

- Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of 'A' or 'A2' or better from Standard & Poor's or Moody's, respectively.
- 5.1 Competitive. The competitive bid should include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.
- 5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:
- (a) A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;
 - (b) A determination is made by an Authorized Representative that, in light of the facts and circumstances, a negotiated bid will promote the U. T. System's interests by encouraging and rewarding innovation; or
 - (c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.
- Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System's swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.
- 6.1 Value Owed by Counterparty. To limit and diversify the U. T. System's counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap with an otherwise qualified counterparty

**The University of Texas System
Rules and Regulations of the Board of Regents**

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unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the U. T. System shall be less than or equal to the applicable threshold amount set forth in Section 6.3 below.

6.2 Calculation of Value Owed. The value owed shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.

6.3 Threshold Amounts Based on Credit Rating. Specific threshold amounts by counterparty are based on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty or its credit support provider. The threshold amounts are as follows:

(a) AAA / Aaa	\$30 million
(b) AA+ / Aa1	\$25 million
(c) AA / Aa2	\$20 million
(d) AA- / Aa3	\$15 million
(e) A+ / A1	\$10 million
(f) A / A2	\$ 5 million

6.4 Downgraded Rating. If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits optional termination at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the U. T. System, either through

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receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. It is possible that a termination payment by the U. T. System may be required in the event of termination of a swap due to a counterparty default or following a decrease in credit rating.

- Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.
- Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, the Effective Federal Funds Rate (EFFR), or the Secured Overnight Financing Rate (SOFR).
- Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is present in all tax-exempt debt issuances. The U. T. System Office of Finance will continually monitor and evaluate tax risk.
- Sec. 11 Interest Rate Risk. Interest rate risk is the risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. Additional interest rate risk can be created by entering into certain types of swaps. The U. T. System Office of Finance will incorporate the impact of each swap on the overall debt portfolio.
- Sec. 12 Reporting.

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12.1 The U. T. System Office of Finance staff will report to the Board within 30 days of completion of any swap transaction.

12.2 The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit support providers, if applicable) and their respective credit ratings, and other key terms.

Sec. 13 Qualified Independent Representative. In connection with Commodities Futures Trading Commission Rule 23.450(b)(1), an Authorized Representative will select a qualified independent representative (QIR) to advise the U. T. System Office of Finance on derivative transactions, and U. T. System Office of Finance staff will monitor the performance of such QIR on an ongoing basis. The U. T. System Office of Finance will consult with the QIR prior to entering into or modifying any derivative transactions.

3. Definitions

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Associate Vice Chancellor for Finance, and the Assistant Vice Chancellor for Finance.

Counterparty – a participant in a swap who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's.

Effective Federal Funds Rate (EFFR) – The effective federal funds rate is calculated and published by the New York Federal Reserve Bank based on domestic unsecured borrowings in U.S. dollars by depository institutions. It is a commonly used benchmark for swaps.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices

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calculated on an agreed notional amount. An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the swap and the dollar amount used to calculate interest payments.

SIFMA Index – the principal benchmark for floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

Secured Overnight Financing Rate (SOFR) - the Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. It is a commonly used benchmark for swaps to replace LIBOR.

4. Relevant Federal and State Statutes

Texas Education Code, [Chapter 55](#) – Financing Permanent Improvements

Texas Education Code, [Chapter 65](#) – Administration of The University of Texas System

Texas Government Code, [Chapter 1371](#) – Obligations for Certain Public Improvements

5. Relevant System Policies, Procedures, and Forms

None

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6. Who Should Know

Administrators

7. System Administration Office(s) Responsible for Rule

Office of Business Affairs

8. Dates Approved or Amended

[Regents' Rules Revision History](#)

9. Contact Information

Questions or comments regarding this Rule should be directed to:

- bor@utsystem.edu

7. **U. T. System Board of Regents: Approval of the Annual Budget for Fiscal Year 2025, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas/Texas A&M Investment Management Company (UTIMCO)**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas/Texas A&M Investment Management Company (UTIMCO) Board of Directors that the U. T. System Board of Regents approve the proposed Annual Budget for the year ending August 31, 2025, as set forth below, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth following the proposed budget.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of \$80.3 million (12.0% increase over FY 2024 budget) for UTIMCO Services and \$9.0 million (8.6% increase from FY 2024 budget) for Fund Direct Costs (external non-investment manager services such as custodial, legal, audit, and consulting services). These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. The proposed Total Budgeted Costs were approved by the UTIMCO Board on June 20, 2024.

The increase in UTIMCO Services is due primarily to increased personnel expenses (fixed costs such as salaries and benefits as well as variable performance compensation), as well as higher costs for information technology systems, services, data, and security.

The proposed capital expenditures budget is \$645,000.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds. The fees are to be paid quarterly.

UTIMCO recommends that \$12.0 million of cash reserves be distributed back to U. T. System per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO.

UTIMCO developed a new, five-year Strategic Plan for the years 2025 - 2029, which was presented to the UTIMCO Board in June 2024. The Strategic Plan lays out priority focus areas for UTIMCO as it manages projected growth of the Endowments, the Intermediate Term Fund, and the Short Term Fund, which are expected to total \$100 billion by the end of 2029. The plan projects resources required to meet these objectives and benchmarks UTIMCO's projected annual budget (11-12 basis points of assets under management) against peer institutions, which generally spend 15-25 basis points annually.

The U. T. System Office of Business Affairs has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as a part of this Agenda Item following the proposed Budget and the Fee and Allocation Schedule.



UTIMCO FY 2025 Budget

Mr. Richard Hall, President, Chief Executive Officer and Chief Investment Officer
U. T. System Board of Regents Meeting
Finance and Planning Committee
August 2024



FY 2025 Budget vs. FY 2024 Budget

	FY 2024 Budget	FY 2025		FY 2025 Budget Proposed v FY 2024 Budget		
		Proposed Budget	% of Total Budget	Projected in 2025 Strategic Plan	\$	%
UTIMCO Personnel Costs:						
Salaries	24,680,045	27,248,025	31%	27,248,025	2,567,980	10.4%
Performance Compensation	21,055,462	25,942,695	29%	25,942,695	4,887,233	23.2%
Benefits & Taxes	8,710,966	8,387,046	9%	8,387,046	(323,920)	-3.7%
Total UTIMCO Personnel Costs (1)	\$ 54,446,473	\$ 61,577,766	69%	\$ 61,577,766	\$ 7,131,293	13.1%
Other UTIMCO Costs:						
Data & Subscriptions	6,996,348	7,493,040	8%	7,493,040	496,692	7.1%
Travel	1,330,000	1,500,000	2%	1,500,000	170,000	12.8%
Lease Expense & Lease Asset Amortization	3,198,407	3,403,990	4%	3,403,990	205,583	6.4%
Depreciation	1,850,000	1,825,000	2%	1,825,000	(25,000)	-1.4%
Other Costs (2)	3,857,440	4,489,604	5%	4,489,604	632,164	16.4%
Total Other UTIMCO Costs:	\$ 17,232,195	\$ 18,711,634	21%	\$ 18,711,634	\$ 1,479,439	8.6%
Total UTIMCO Services Costs:	\$ 71,678,668	\$ 80,289,400	90%	\$ 80,289,400	\$ 8,610,732	12.0%
Bps of AUM	9.59	10.12		10.12		
Direct Fund Costs:						
Custodian Fees	4,984,000	5,409,000	6%	5,409,000	425,000	8.5%
Other (3)	3,333,799	3,623,234	4%	3,623,234	289,435	8.7%
Total Direct Fund Costs	\$ 8,317,799	\$ 9,032,234	10%	\$ 9,032,234	\$ 714,435	8.6%
Grand Total UTIMCO Budget:	\$ 79,996,467	\$ 89,321,634		\$ 89,321,634	\$ 9,325,167	11.7%
Bps of AUM	10.70	11.26		11.26		
AUM projected (\$ billion)	\$75	\$79		\$79		
UTIMCO Headcount	133	133		133		

NOTES:

- (1) FY25 Budgeted Total Personnel Costs increased by \$7.1M or 13.1% from the FY24 Budget primarily as the result of an increase in salaries related to normal merit raises, market catch-up raises, and promotions. Additionally, performance compensation increased primarily as a result of the proposed compensation plan changes.
- (2) Budgeted Other UTIMCO Costs increased by 8.6% from FY24 to FY25 primarily as a result of an increase in Data & Subscriptions, IT Consulting and Contract Services, Travel, and Lease costs.
- (3) Other Direct Fund Costs include: Fund Auditors/Accounting fees (\$928k), Legal Fees (\$1.62M), Tax Consultants (\$399k), Background Searches (\$358k), and Consultants (\$287k).



Annual Fee and Allocation Schedule

UTIMCO Management Fee and Direct Budgeted Investment Expenses Annual Fee and Allocation Schedule For the fiscal year ending August 31, 2025

<u>Proposed Budget</u>	<u>Fund Name</u>						Separate Funds	Debt Proceeds	Total
	PUF	PHF	LTF	GEF	ITF	STF			
<u>Market Value 4/30/24 (\$ millions)</u>	35,011			23,857	8,935	4,981	194	620	73,598
<u>UTIMCO Management Fee</u>									
Dollars	41,458,522			28,250,434	10,580,443				80,289,400
Basis Points	11.8			11.8	11.8				10.9
<u>Direct Expenses to the Fund, Excluding UT System Direct Expenses to the Fund</u>									
Dollars	4,525,045	27,128	30,128	3,105,955	1,343,978				9,032,234
Basis Points	1.3	0.2	0.0	1.3	1.5				1.2



UTIMCO Strategic Plan 2025-2029

Goal: Alignment on priorities and resources requirements between UTIMCO, UTIMCO Board, and Board of Regents

	Budget Request FY 2025	5-Year Strategic Plan				CAGR 2025-29
		Projected Budget (to be approved annually by Board)				
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
UTIMCO Personnel Costs:						
Base Salary	27,248,025	29,951,987	32,399,406	34,184,439	34,753,216	6%
Performance Comp	25,942,695	31,210,892	33,820,582	35,284,583	36,294,946	9%
Benefits and Taxes	8,387,046	9,238,906	9,843,341	10,241,394	10,573,443	6%
Total UTIMCO Personnel Costs	\$ 61,577,766	\$ 70,401,786	\$ 76,063,329	\$ 79,710,416	\$ 81,621,606	7%
Other UTIMCO Costs:						
Data & Subscriptions	7,493,040	8,331,529	9,061,695	9,867,531	10,764,006	9%
Travel & Meetings	1,661,940	1,819,622	1,992,707	2,182,720	2,391,336	10%
Lease & Lease Asset Amortization	3,403,990	3,451,239	3,476,637	3,412,327	3,532,467	1%
Depreciation	1,825,000	1,825,000	1,825,000	1,825,000	1,825,000	0%
Other Costs	4,327,664	3,744,094	3,672,422	4,266,153	4,148,935	-1%
- Contract Svcs & Maint	2,626,128	2,086,874	2,026,162	2,066,178	1,950,196	-7%
- Hiring, Relo, Mercer Comp	634,524	592,088	530,372	1,029,387	969,162	11%
- Legal	405,000	370,000	385,000	401,000	418,000	1%
- Other / Miscellaneous	662,012	695,131	730,889	769,588	811,577	5%
Total Other UTIMCO Costs	18,711,634	19,171,483	20,028,462	21,553,732	22,661,745	5%
Y-O-Y Increase (%)	9%	2%	4%	8%	5%	
Total UTIMCO Costs	\$ 80,289,400	\$ 89,573,269	\$ 96,091,791	\$ 101,264,148	\$ 104,283,350	7%
Y-O-Y Increase (%)	12%	12%	7%	5%	3%	
Bps of AUM	10.12	10.67	10.82	10.77	10.48	
Direct Fund Costs						
Custodian Fees	5,409,000	5,679,450	5,963,423	6,261,594	6,574,673	5%
Other	3,623,234	3,833,363	4,056,698	4,294,366	4,547,500	6%
Total Fund Costs	\$ 9,032,234	\$ 9,512,813	\$ 10,020,120	\$ 10,555,959	\$ 11,122,174	5%
Y-O-Y Increase (%)	9%	5%	5%	5%	5%	
Bps of AUM	1.14	1.13	1.13	1.12	1.12	
Grand Total UTIMCO Budget	\$ 89,321,634	\$ 99,086,082	\$ 106,111,911	\$ 111,820,107	\$ 115,405,524	7%
Y-O-Y Increase (%)	12%	11%	7%	5%	3%	
Bps of AUM	11.26	11.81	11.95	11.90	11.60	
Projected AUM (\$B)	\$79	\$84	\$89	\$94	\$100	

Projected 2029 AUM: \$100B

Five priority focus areas:

- Talent
- Technology platforms
- Data
- Investment design and performance
- Liquidity and leverage optimization

Five-year budget forecast

11-12 bps cost vs. Peers at 15-25

Reviewed annually with UTIMCO Board

Appendix





Cost Benchmarking

UTIMCO cost ratios compare favorably to large Endowment & Foundation peers and Outsourced Chief Investment Officers (CIOs)

- Historical operating cost ratio (total budget in bps of AUM) ranges from **30% to 70% of peers**
- Budget per FTE ranges from **50%-70% of most comparable⁺ peers**

	UTIMCO	Cambridge > \$5 B Peers	Endowments					Foundations					Outsourced CIOs and FoFs			
			A	B	C	D	E	AA	BB	CC	DD	EE	1	2	3	4
Budget Year	2023		2023	2023	2023	2023	2023	2022	2022	2022	2022	2022	2023	2023	2023	2023
Budget Year AUM (\$ billion)	~\$72		> \$35	> \$35	> \$35	> \$35	~\$14	~\$18	~\$14	~\$14	~\$9	~\$9	~\$40	~\$27	~\$20	~\$17
Est. Budget (\$ million)	\$76		\$100		\$68		\$34	\$30	\$19	\$19	\$16	\$16	\$100	\$63	\$70	\$60
Est. Budget (bps of AUM)	10.6	15.1	18.0		17.0		24.6	16.8	13.4	13.7	17.7	18.4	25.0	23.5	35.0	35.0
Efficiency as % of UTIMCO		70%	59%		62%		43%	63%	79%	77%	60%	58%	42%	45%	30%	30%
Team Composition																
Investments	56		29	19	23	24	18						20	50	40	19
Support & Control (ex-ISS)*	50		50	18	30	22	22						200	40	36	24
Information Services & Security	28		27	3	5	4	3						30	40	6	4
Total FTE	134		106	40	58	50	43						250	130	80	45
AUM / FTE (\$ million)	\$537		\$525	\$1,100	\$691	\$706	\$322						\$160	\$208	\$250	\$378
AUM / Investor (\$ billion)	\$1,286		\$1,921	\$2,316	\$1,743	\$1,471	\$770						\$2,000	\$540	\$500	\$895
Budget / FTE (\$ million)	\$0.57		\$0.95		\$1.18		\$0.79						\$0.40	\$0.49	\$0.88	\$1.32
UTIMCO Budget / FTE vs. Peer			60%		48%		72%						142%	117%	65%	43%
Operating Metrics																
% of Total FTEs																
Investments	42%		27%	48%	40%	48%	42%						8%	38%	50%	42%
Support & Control (ex-ISS)*	37%		47%	45%	52%	44%	51%						80%	31%	45%	53%
Info Services & Security**	21%		25%	8%	9%	8%	7%						12%	31%	8%	9%

Sources: UTIMCO research; Cambridge Associates Investment Office Oversight Costs Survey (April 2023); Charles Skorina and FoundationMark (2022).
 Total budget includes UTIMCO costs as well as direct Fund costs. AUM includes assets across PUF, GEF, ITF, and STF.
 + OCIOs 1 and 2 have significant non-investment client support functions.
 * Support & Control (ex-ISS) includes operations, accounting and reporting; legal and compliance; corporate accounting; HR; and administration.
 ** Info Services & Security for several endowment peers is provided by university client.

Fiscal Year 2025

Review of UTIMCO Services Budget and Other Direct Costs to Funds Budget

(Excluding External Investment Manager Fees)

The University of Texas System Office of Finance

Presented by:

Terry Hull – Associate Vice Chancellor for Finance

Allen Hah – Assistant Vice Chancellor for Finance

July 16, 2024

Based on UTIMCO Board approval on June 20, 2024

Fiscal Year 2025
Review of UTIMCO Services Budget and
Other Direct Costs to Funds Budget
(Excluding External Investment Manager Fees)

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Executive Summary

This report reviews the UTIMCO Services Budget and other budgeted investment management expenses (“Direct Costs to Funds”) for fiscal year 2025 that the UTIMCO Board approved on June 20, 2024, and the U. T. System Board of Regents will consider at its August 21-22, 2024, meeting. The “UTIMCO Services Budget” includes corporate expenses paid directly by UTIMCO, and the “Direct Costs to Funds” budget includes costs related to custody, consulting, and legal and audit costs related to funds. The proposed budget for FY25 is:

	FY25 (\$ millions)
UTIMCO Services Budget	80.3
<u>Direct Costs to Funds Budget</u>	<u>9.0</u>
Total Budgeted Costs	<u>\$ 89.3</u>

The Total Budgeted Costs exclude external manager fees that are paid by the funds and netted from asset values as well as external investment manager fees paid directly by UTIMCO. The total investment costs for UTIMCO managed funds, comprising Investment Manager Fees paid directly and fees netted against asset values, are reviewed in a separate report.

Highlights:

- **Strategic Plan:** Growth in the UTIMCO budget for FY25 reflects the proposed implementation of a new 5-year strategic growth plan (the “2024 Strategic Plan” or the “Plan”) that prioritizes long-term success by investing in talent, technology, data, investment design, and liquidity/leverage. The 2024 Strategic Plan aims to keep UTIMCO’s costs at around 11.6bps of the Assets Under Management (“AUM”), which although higher than the FY24 Budget of 10.7bps of AUM, remains below peer expense ratios.
- **Total Forecast Costs for FY24:** Total costs for FY24 are forecast at \$75.8 million, which is \$4.2 million or 5.3% lower than what was budgeted. The decrease is due primarily to lower costs associated with unfilled vacancies.
- **Total Budgeted Costs for FY25:** The FY25 budget is \$89.3 million, an 11.7% increase from FY24:
 - **The UTIMCO Services Budget:** The FY25 budget includes \$80.3 million for the “operating” budget of UTIMCO, a 12.0% increase from the FY24 budget. The increase is due primarily to increases in baseline salaries, changes to the performance compensation formula, promotions, and increased technology and other costs.
 - **The Total Direct Costs to Funds Budget:** The FY25 budget of \$9.0 million for direct fund costs is 8.6% higher than the FY24 budget due primarily to increased custodian fees, legal expenses, costs related to background searches, and tax consulting.
- **UTIMCO Reserves:** A \$12 million rebate is recommended from reserves back to the funds.
- **UTIMCO Costs Compared to Peers:** UTIMCO’s total costs as a percentage of AUM are forecast to be 10.5 bps in FY24 and budgeted at 11.3bps for FY25. While total costs have increased over the years, independent industry benchmarking studies for Endowment and Foundations oversight costs from Cambridge Associates, Charles Skorina and FoundationMark, as well as peer data obtained by UTIMCO show that UTIMCO’s total costs as a percentage of AUM remain roughly 30% below industry averages and are favorable compared to peers.

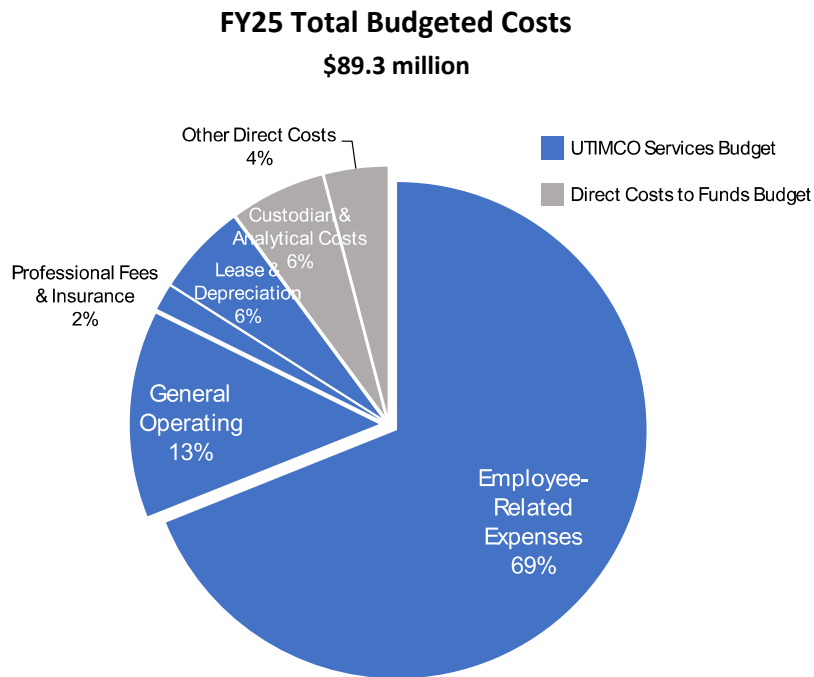
Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY25 of \$89.3 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget) as a percent of average AUM for FY25 and the Total Actual and Forecast Costs as a percent of average AUM from FY20 to FY24.

Table 1: Total Actual Costs Trend FY20-FY24 and Total Budgeted Costs FY25
(\$ millions)

	FY20	FY21	FY22	FY23	Forecast FY24	Budget FY25
Average Total AUM¹	49,906	59,803	66,392	67,693	72,444	77,030
% Change in AUM	8%	20%	11%	13%	9%	16%
Direct Costs to Funds	6.7	7.6	8.4	8.5	8.2	9.0
% Change in Direct Costs to Funds	-11.7%	14.4%	9.6%	10.8%	-2.1%	8.0%
Direct Costs to Funds % of AUM	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
UTIMCO Services	47.3	55.8	52.7	69.0	67.6	80.3
% Change in UTIMCO Services	13.2%	17.9%	-5.4%	23.7%	28.2%	52.3%
UTIMCO Services % of AUM	0.09%	0.09%	0.08%	0.10%	0.09%	0.10%
Total Costs	54.0	63.4	61.1	77.4	75.8	89.3
% Change in Total Costs	9.4%	17.5%	-3.6%	22.2%	24.1%	46.2%
Total Costs % of AUM	0.11%	0.11%	0.09%	0.11%	0.10%	0.12%

¹ FY24 and FY25 Average Total AUM assumes projected balances based on moderate returns, projected West Texas Land and gift income, and projected distributions.



The UTIMCO Services Budget (blue shade in the pie chart above) represents 90% of the total budget, with employee-related expenses being the largest component at 77% of the Services Budget. Direct Costs to Funds include Custodian & Analytical Costs (6%) and Other Direct Costs (4%).

Management fees and performance fees paid to external investment managers, which are either paid directly by UTIMCO or netted against asset values by the external managers, are not included in these amounts. UTIMCO retains external managers for approximately 94% of the AUM, with UTIMCO staff directly managing approximately 6% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY24 and FY25. Refer to Exhibits A and B at the end of this memo for a detailed budget comparison for FY24-FY25 and actual trend history for FY20-FY24.

Table 2: FY24 Forecast and FY25 Budget Overview

(\$ millions)

	FY24 Forecast				FY25 Budget			
	\$ Budget	\$ Projected	\$ Change vs FY24 Budget	% Change vs FY24 Budget	\$ Budget	\$ Change vs FY24 Projected	% Change vs FY24 Projected	% Change vs FY24 Budget
UTIMCO Services	71.7	67.6	-4.1	-5.7%	80.3	12.7	18.8%	12.0%
Direct Costs to Funds	8.3	8.2	-0.1	-1.6%	9.0	0.8	10.3%	8.6%
Total Budgeted Costs	80.0	75.8	-4.2	-5.3%	89.3	13.5	17.9%	11.7%

UTIMCO Services Budget

Strategic Plan: Growth in the UTIMCO budget for FY25 reflects the proposed implementation of the 2024 Strategic Plan that aims to establish a framework and direction for budgeting from 2025 to 2029. The Plan prioritizes long-term success by investing in talent, technology, data, investment design, and liquidity/leverage. The Plan aims to keep UTIMCO’s costs at around 11.6bps of the AUM, which although higher than the FY24 Budget of 10.7bps, remains well below peer expense ratios. The 2024 Strategic Plan calls for the addition of ~10 new FTEs and takes into account key operations retirements likely in the next 5 years. This growth reflects the tapering of personnel growth needs compared to the prior 2019 Strategic Plan that added ~33 FTEs over the 2019-2024 time period.

Compensation: FY25 Budgeted Total Personnel Costs, including payroll taxes and benefits, increased by \$7.1M or 13.1% from the FY24 Budget. Salaries increased by \$2.6M or 10.4% primarily related to normal merit raises, market catch-up raises, and promotions. Additionally, performance compensation increased by \$4.9M or 23.2% primarily as a result of the proposed compensation plan changes approved by the UTIMCO Compensation Committee at its June 18, 2024, meeting and approved by the UTIMCO Board of Directors on June 20, 2024.

Total personnel-related expenses including employee benefits account for 77% of UTIMCO’s FY25 Services Budget (or 69% of Total Budgeted Costs). Trends in staffing and total compensation in relation to assets under management are shown in Table 3. Highlights from these tables include:

- Total Compensation has increased 10.6% annually over the last five years as a result of hiring additional employees, promotions, and base salary raises, in line with the 2019 Strategic Plan and reflects the proposed roadmap in the 2024 Strategic Plan.
- Total Compensation per employee has increased 6.5% (annualized) from \$292k to \$400k budgeted in FY25. UTIMCO staff indicates these increases are in line with market trends among endowment investment management peers as reported by Mercer, an independent compensation consultant, which provides annual guidance to the UTIMCO Board.
- AUM has steadily increased since FY20 due to positive returns and historic levels of PUF lands income, which continues a longer-term trend of increasing average AUM per Employee.

Table 3: UTIMCO Compensation and Headcount FY20-FY25 (excluding benefits)

	FY20	FY21	FY22	FY23	Forecast FY24	% Change Since FY20 (annual)	Budget FY25	% Change From FY24	% Change Since FY20 (annual)
Employees (as of year end)	110	115	123	122	124	3.0%	133	7.3%	3.9%
Average Total AUM (\$ millions)	49,906	59,803	66,392	67,693	72,444	9.8%	77,030	6.3%	9.1%
Average AUM/Employee (\$ millions)	454	520	540	555	584	6.5%	579	-0.9%	5.0%
Salaries (\$ millions)	17.0	18.2	20.3	22.3	23.5	8.5%	27.2	15.8%	9.9%
Performance Comp. (\$ millions)	15.2	20.0	12.9	26.0	21.1	8.5%	25.9	23.2%	11.3%
Total Comp. (\$ millions)	32.2	38.2	33.2	48.3	44.6	8.5%	53.2	19.3%	10.6%
Total Comp. per Employee (\$)	292,288	332,006	269,622	395,881	359,594	5.3%	399,930	11.2%	6.5%
Perf. Comp. as % of Salaries	89%	110%	63%	116%	89%		95%		
Perf. Comp. as % of Total Comp.	47%	52%	39%	54%	47%		49%		

On-Line Data & Subscriptions: FY25 Budgeted Data & Subscriptions are higher than the FY24 Budget by \$0.5M primarily due to the addition of new IT subscriptions (\$162k), other new data services and subscriptions (\$118k), an increased price for the risk system and related costs (\$118k), and inflation-related increases for other current services (\$102k).

Several services for both online data and subscriptions that were paid by the Funds directly in prior years were moved to the corporate budget in FY24. There are savings in the FY24 Forecast (\$5.9M) compared to FY24 Budget (\$7.1M) due primarily to timing differences of how some of these services were budgeted versus expensed. Additionally, there were subscriptions that were not purchased as anticipated and other budgeted IT-related services that were not fully utilized in FY24 and delayed to later in the fiscal year or to FY25.

For UTIMCO there has been a shift to more subscription-based information technology (“SBIT”), which results in higher operating expenses but reduces both capital expenditures and maintenance costs related to IT hardware and software. Increases in SBIT costs include additional data storage cloud capacity, cybersecurity, data tooling, and adoption of new AI tools.

Contract Services & Maintenance: FY25 Budgeted Contract Services of \$2.3M is higher than the FY24 Budget by \$860k due to consulting and contract services used for cyber initiatives, modernizing legacy systems, and the continuation of projects to update data governance and data infrastructure, and projects related to AI. IT service contractors are used to accomplish these initiatives to allow flexibility to augment staff in areas where the needs are greatest at any point in time but is not permanently needed.

Lease and Depreciation Expenses: FY25 Budgeted Lease and Lease Asset Amortization costs of \$3.4M are \$206k (6.4%) higher than the FY24 Budget but is in-line with FY24 Forecast amounts. The increase is the result of inflation-related lease operating costs and the addition of lease interest expense relating to new accounting rules for lease accounting. Lease expenses have increased in recent years due to the build-out of additional space in the UT System building to accommodate the growth from the 2019 Strategic Plan that was completed in late 2020. Table 4 shows the lease expense trends from FY20-FY25.

Table 4: UTIMCO Lease Expenses FY20- FY25

(\$ thousands)

	Actual				Forecast	Budget
	FY20	FY21	FY22	FY23	FY24	FY25
Property Lease and Interest Expense	\$1,942	\$2,394	\$2,373	\$2,351	\$2,328	\$2,304
Operating Lease	583	699	663	750	809	821
Parking Expenses	219	216	236	263	269	279
Total Lease Expenses (net)	\$2,744	\$3,309	\$3,272	\$3,363	\$3,406	\$3,404

Depreciation Expense is budgeted to be flat at \$1.8 million compared to the FY24 forecasted amount as the buildout of expanded lease space, furniture, and new equipment to support additional employees has been completed, and there are currently no further plans for significant capital improvements.

Other General Operating Expenses, Professional Fees, and Insurance (non-employee): Office expenses, insurance, travel, and professional fees fall in this category and are forecast to be \$2.7 million in FY24, which is \$0.7 million or 21% lower than the FY24 budget of \$3.4 million. The decrease is primarily due to lower hiring consultant fees paid and lower legal expenses. The FY25 budget of \$3.4 million is in line with the FY24 budget.

Direct Costs to Funds

Direct Costs to Funds for FY24 are budgeted at \$9.0 million, an 8.6% increase from the FY24 budget. This is primarily due to higher custodian fees associated with the larger AUM and higher legal fees. UTIMCO’s General Counsel continues to add new outside counsel to accommodate the higher number and level of complexity of deals being executed, which is part of a larger plan to utilize internal counsel for most corporate legal matters and to shift more of the investment transaction related legal matters to outside counsel. Additionally, there is a marked increase in tax compliance and consulting fees due to an increase in the number of investments with unrelated business taxable income (“UBTI”).

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY20-FY25 is summarized in Table 5 below. Capital expenditures in recent years has been substantially lower since FY21 due to the completion of the build-out of additional leased office space although the FY25 Budget includes upgrades to the UTIMCO conference rooms and network upgrades to the firewall.

Table 5: UTIMCO Capital Expenditures FY20-FY25

	FY20	Actual			Forecast FY24	Budget FY25
		FY21	FY22	FY23		
Ongoing: Technology and Software Upgrades	\$200,000	\$119,000	\$25,000	\$266,612	\$82,000	\$520,000
Ongoing: Office Equipment and Fixtures	113,000	89,000	109,000	117,352	80,000	125,000
Expansion: Leasehold Buildout (net of TI allowance)	-	2,352,000	-	-	-	-
Expansion: Furniture and Fixtures	-	423,000	2,730	-	-	-
Total Capital Expenditures (net)	\$313,000	\$2,983,000	\$136,730	\$383,964	\$162,000	\$645,000

Cash Reserves

UTIMCO maintains a cash reserve of 25% of the annual operating budget and any excess amounts are returned to the funds. Due to unfilled vacancies, FY23 performance awards less than budgeted, ISS subscriptions and consulting projects that started later than projected, and higher interest income, UTIMCO is rebating \$12 million back to the Investment Funds. See Exhibit C for the calculation.

EXHIBIT A

Total Budgeted Costs FY24-FY25

	FY24		Change from FY24 Budget		FY25		Change from FY24 Forecast		Change from FY24 Budget
	Budget	Forecast	\$	%	Budget	\$	%	%	
UTIMCO Services									
Salaries	24,680,045	23,534,136	-1,145,909	-4.6%	27,248,025	3,713,889	15.8%	10.4%	
Performance Compensation + Earnings	21,055,462	21,055,462	0	0.0%	25,942,695	4,887,233	23.2%	23.2%	
Total Compensation	45,735,507	44,589,598	-1,145,909	-2.5%	53,190,720	8,601,122	19.3%	16.3%	
Total Payroll taxes	3,828,386	3,323,627	-504,759	-13.2%	3,195,035	-128,591	-3.9%	-16.5%	
403(b) Contributions	1,903,324	1,846,604	-56,720	-3.0%	2,103,319	256,715	13.9%	10.5%	
Insurance, Cell Phone, Learning	2,979,256	2,547,929	-431,327	-14.5%	3,088,692	540,763	21.2%	3.7%	
Employee Benefits	4,882,580	4,394,533	-488,047	-10.0%	5,192,011	797,478	18.1%	6.3%	
Total Employee Related Expenses	54,446,473	52,307,758	-2,138,715	-3.9%	61,577,766	9,270,008	17.7%	13.1%	
On-Line Data Services									
Subscriptions	3,507,324	3,258,531	-248,793	-7.1%	3,669,756	411,225	12.6%	4.6%	
Other	3,489,024	2,593,507	-895,517	-25.7%	3,823,284	1,229,777	47.4%	9.6%	
Total On-Line Data & Subscriptions	7,056,348	5,900,575	-1,155,773	-16.4%	7,555,044	1,654,469	28.0%	7.1%	
Contract Services & Maintenance	1,719,732	1,468,358	-251,374	-14.6%	2,564,124	1,095,766	74.6%	49.1%	
Travel & Meetings, Including BOD	1,469,032	1,362,296	-106,736	-7.3%	1,661,940	299,644	22.0%	13.1%	
Total Office Expense	199,600	157,316	-42,284	-21.2%	202,980	45,664	29.0%	1.7%	
Total Lease Expense	3,198,408	3,405,814	207,407	6.5%	3,403,990	-1,824	-0.1%	6.4%	
Compensation & Hiring Consultants	605,004	311,643	-293,361	-48.5%	305,016	-6,627	-2.1%	-49.6%	
Legal Expenses	333,528	148,716	-184,812	-55.4%	405,000	256,284	172.3%	21.4%	
Recruiting, Relocation & Intern Expenses	407,520	333,478	-74,042	-18.2%	329,508	-3,970	-1.2%	-19.1%	
Accounting fees	116,208	127,740	11,532	9.9%	121,500	-6,240	-4.9%	4.6%	
Board Advisors	30,000	30,000	0	0.0%	60,000	30,000	100.0%	100.0%	
Total Professional Fees	1,492,260	951,577	-540,683	-36.2%	1,221,024	269,447	28.3%	-18.2%	
Total Insurance	246,816	227,534	-19,282	-7.8%	277,532	49,998	22.0%	12.4%	
Depreciation	1,850,000	1,820,000	-30,000	-1.6%	1,825,000	5,000	0.3%	-1.4%	
Total Non-Employee Related Expenses	17,232,196	15,293,470	-1,938,726	-11.3%	18,711,634	3,418,164	22.4%	8.6%	
Total UTIMCO Services	71,678,668	67,601,228	-4,077,440	-5.7%	80,289,400	12,688,173	18.8%	12.0%	
Direct Costs to Funds									
Custodian Fees and Other Direct Costs	4,984,000	5,018,386	34,386	0.7%	5,409,000	390,614	7.8%	8.5%	
Consultant Fees	273,000	274,167	1,167	0.4%	286,650	12,483	4.6%	5.0%	
Auditing	890,799	925,569	34,770	3.9%	928,034	2,465	0.3%	4.2%	
Legal Fees	1,500,000	1,500,000	0	0.0%	1,620,000	120,000	8.0%	8.0%	
Background Searches & Other	670,000	468,191	-201,809	-30.1%	788,550	320,359	68.4%	17.7%	
Other Direct Costs Total	3,333,799	3,167,927	-165,872	-5.0%	3,623,234	455,307	14.4%	8.7%	
Total Direct Costs to Funds	8,317,799	8,186,313	-131,486	-1.6%	9,032,234	845,921	10.3%	8.6%	
Total Budgeted Costs	79,996,467	75,787,541	-4,208,926	-5.3%	89,321,634	13,534,093	17.9%	11.7%	

Fiscal Year 2025 Review of UTIMCO Services Budget and Other Direct Costs to Funds
 Prepared by the U. T. System Office of Finance
 July 16, 2024

EXHIBIT B

Total Actual Costs FY20-FY24 and FY25 Budget

	FY20	FY21	FY22	FY23	FY24	FY25
	Actual	Actual	Actual	Actual	Forecast	Budget
UTIMCO Services						
Salaries	16,966,760	18,193,968	20,289,489	22,331,375	23,534,136	27,248,025
Performance Compensation + Earnings	15,184,901	19,986,731	12,873,958	25,966,115	21,055,462	25,942,695
Total Compensation	32,151,661	38,180,699	33,163,447	48,297,490	44,589,598	53,190,720
Total Payroll taxes	1,387,881	2,073,547	2,561,796	2,553,680	3,323,627	3,195,035
403(b) Contributions	1,200,281	1,290,358	1,470,167	1,659,557	1,846,604	2,103,319
Insurance, Cell Phone, Learning	1,597,639	2,005,251	2,396,713	2,373,648	2,547,929	3,088,692
Employee Benefits	2,797,921	3,295,609	3,866,880	4,033,205	4,394,533	5,192,011
Total Employee Related Expenses	36,337,463	43,549,855	39,592,122	54,884,375	52,307,758	61,577,766
On-Line Data & Subscriptions	3,685,726	4,174,090	4,282,170	4,851,165	5,900,575	7,555,044
Contract Services & Maintenance	862,160	1,444,467	1,506,143	1,346,720	1,468,358	2,564,124
Travel & Meetings, Including BOD	583,265	63,459	585,888	1,212,281	1,362,296	1,661,940
Total Office Expense	202,896	191,815	159,832	181,402	157,316	202,980
Total Lease Expense	2,744,234	3,308,824	3,272,032	3,363,351	3,405,814	3,403,990
Compensation & Hiring Consultants	570,516	586,000	532,544	454,563	311,643	305,016
Legal Expenses	171,519	262,928	184,607	193,841	148,716	405,000
Recruiting, Relocation & Intern Expenses	146,509	59,510	247,179	263,626	333,478	329,508
Accounting fees	101,590	96,155	107,201	106,782	127,740	121,500
Board Advisors	30,000	30,000	30,000	30,000	30,000	60,000
Total Professional Fees	1,020,133	1,034,593	1,101,531	1,048,812	951,577	1,221,024
Total Insurance	208,714	219,659	231,430	231,354	227,534	277,532
Depreciation	1,646,105	1,776,348	2,001,103	1,871,313	1,820,000	1,825,000
Total Non-Employee Related Expenses	10,953,232	12,213,255	13,140,129	14,106,398	15,293,470	18,711,634
Total UTIMCO Services	47,290,695	55,763,110	52,732,252	68,990,772	67,601,228	80,289,400
Direct Costs to Funds						
Custodian Fees and Other Direct Costs	4,047,237	4,157,665	4,201,672	4,704,620	5,018,386	5,409,000
Risk Measurement	654,340	1,286,353	1,079,100	838,276	0	0
Custodian and Risk Measurement Costs	4,701,577	5,444,018	5,280,772	5,542,896	5,018,386	5,409,000
Consultant Fees	297,500	297,500	302,167	317,575	274,167	286,650
Auditing	828,919	1,053,346	980,378	849,799	925,569	928,034
Legal Fees	188,455	303,577	544,785	1,050,875	1,500,000	1,620,000
Background Searches & Other	648,894	529,199	1,253,754	690,869	468,191	788,550
Other Direct Costs Total	1,963,768	2,183,622	3,081,084	2,909,118	3,167,927	3,623,234
Total Direct Costs to Funds	6,665,345	7,627,640	8,361,856	8,452,013	8,186,313	9,032,234
Total Budgeted Costs	53,956,040	63,390,750	61,094,107	77,442,785	75,787,541	89,321,634

Fiscal Year 2025 Review of UTIMCO Services Budget and Other Direct Costs to Funds
 Prepared by the U. T. System Office of Finance
 July 16, 2024

EXHIBIT C
UTIMCO Reserve Analysis for August 31, 2024

Projected Cash Reserves at August 31, 2024		
Cash		\$ 50,900,000
Prepaid Expenses		1,750,000
Less: Accounts Payable (Includes incentive compensation & earnings payable)		(21,650,000)
Projected Cash Reserves at August 31, 2024		\$ 31,000,000
FY25 Proposed Operating Budget	\$80,289,399	
Applicable Percentage	25%	20,072,350
Capital Budget Expenditures		645,000
Depreciation Expense		(1,825,000)
Required Cash Reserves at August 31, 2024		\$ 18,892,350
Balance Available for Distribution		\$ 12,107,650
Recommended Distribution		\$ 12,000,000

8. **U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update**

Mr. Richard Hall, President, Chief Executive Officer and Chief Investment Officer, will provide an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint set forth on the following pages.



UTIMCO Update

Mr. Richard Hall, President, Chief Executive Officer and Chief Investment Officer
U. T. System Board of Regents Meeting
Finance and Planning Committee
August 2024

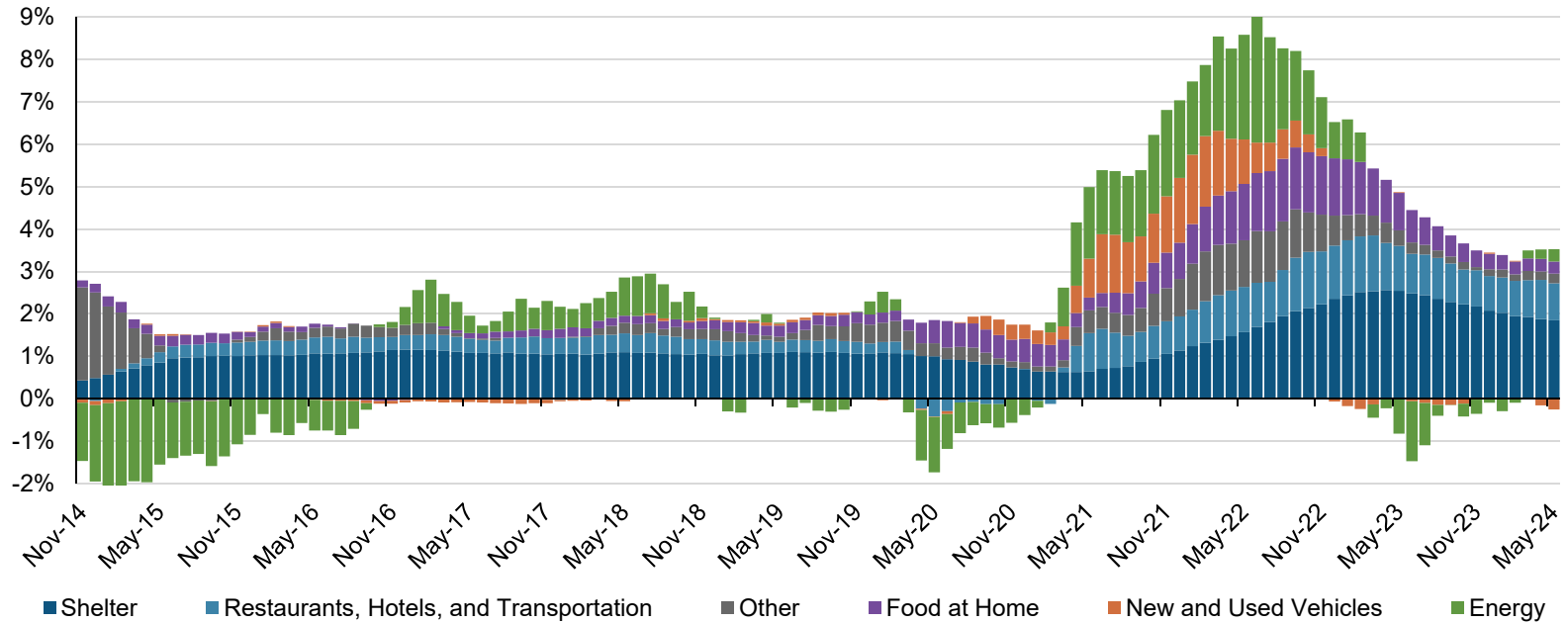
Market Update





Year-over-year (YoY) Inflation

- YoY% inflation has stabilized just above 3%; slightly higher than the Fed target
- Last 3 months Consumer Price Index/Personal Consumption Expenditures annualized at 2.8% and 3.8%* respectively
- Last 6 months Consumer Price Index/Personal Consumption Expenditures annualized at 3.4% and 2.9%* respectively

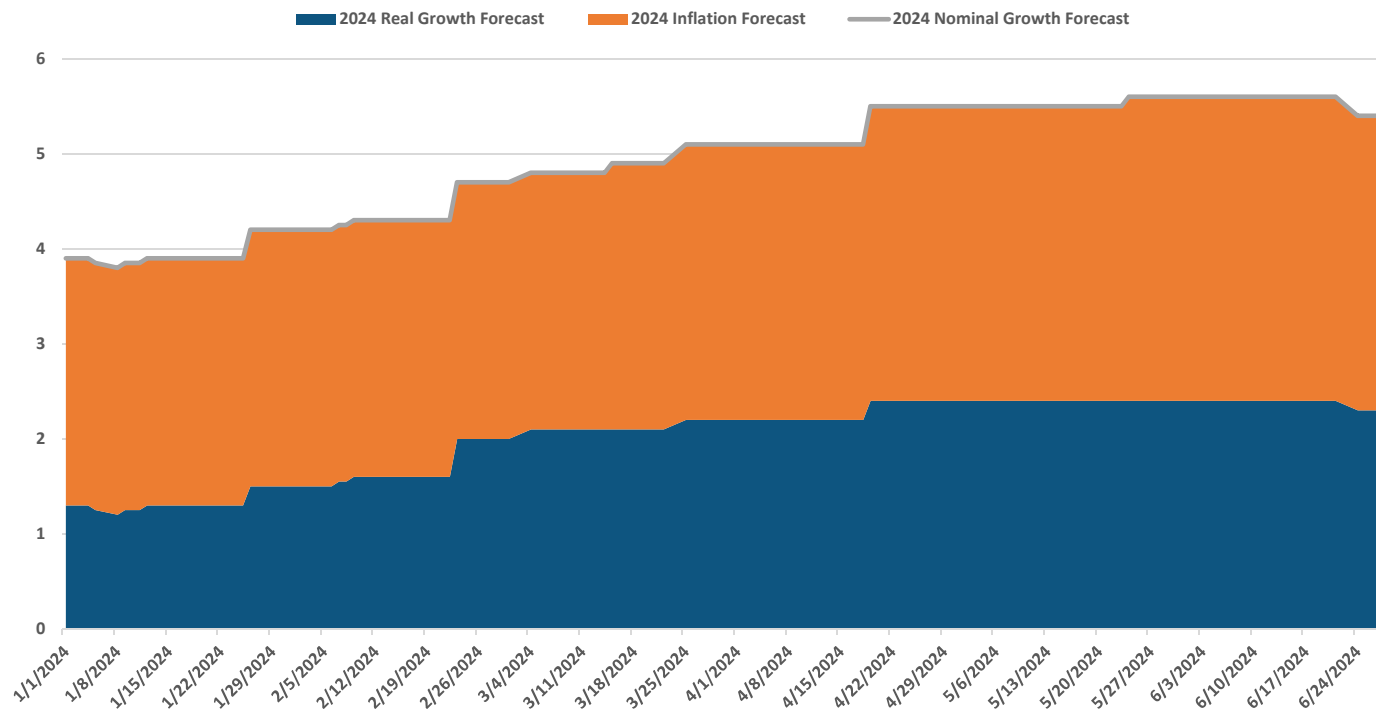


*As of April 30, 2024



Growth – Upward Revisions to 2024 Forecasts

2024 Forecasts revised up to 2.3% real growth, 3.1% inflation, 5.4% nominal growth





Interest Rates – fading expectations for a cut

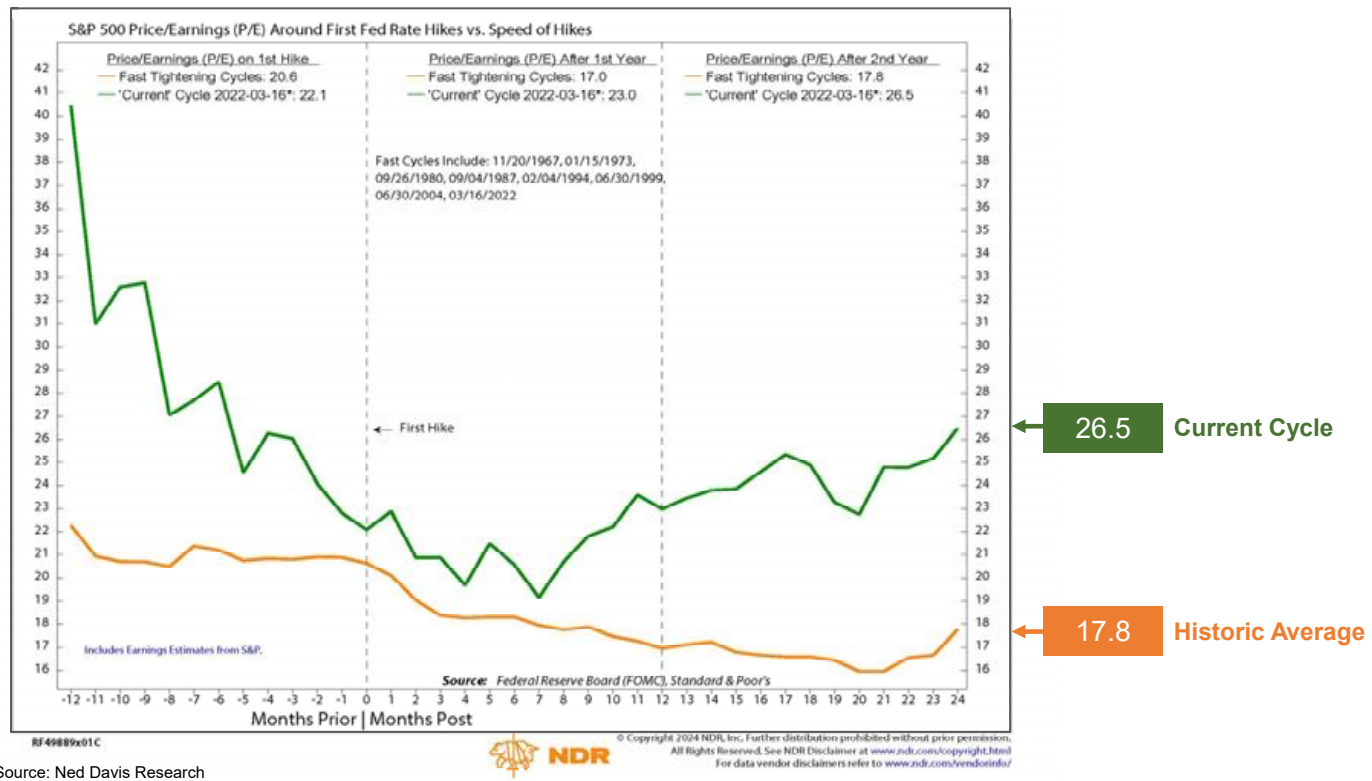
Sticky inflation, resilient consumer and corporate spending, and strong growth have pushed out rate cut expectations





Price/Earnings Multiples During Tightening Cycle

Price/Earnings Multiples generally trend down for 24 months after first rate hike

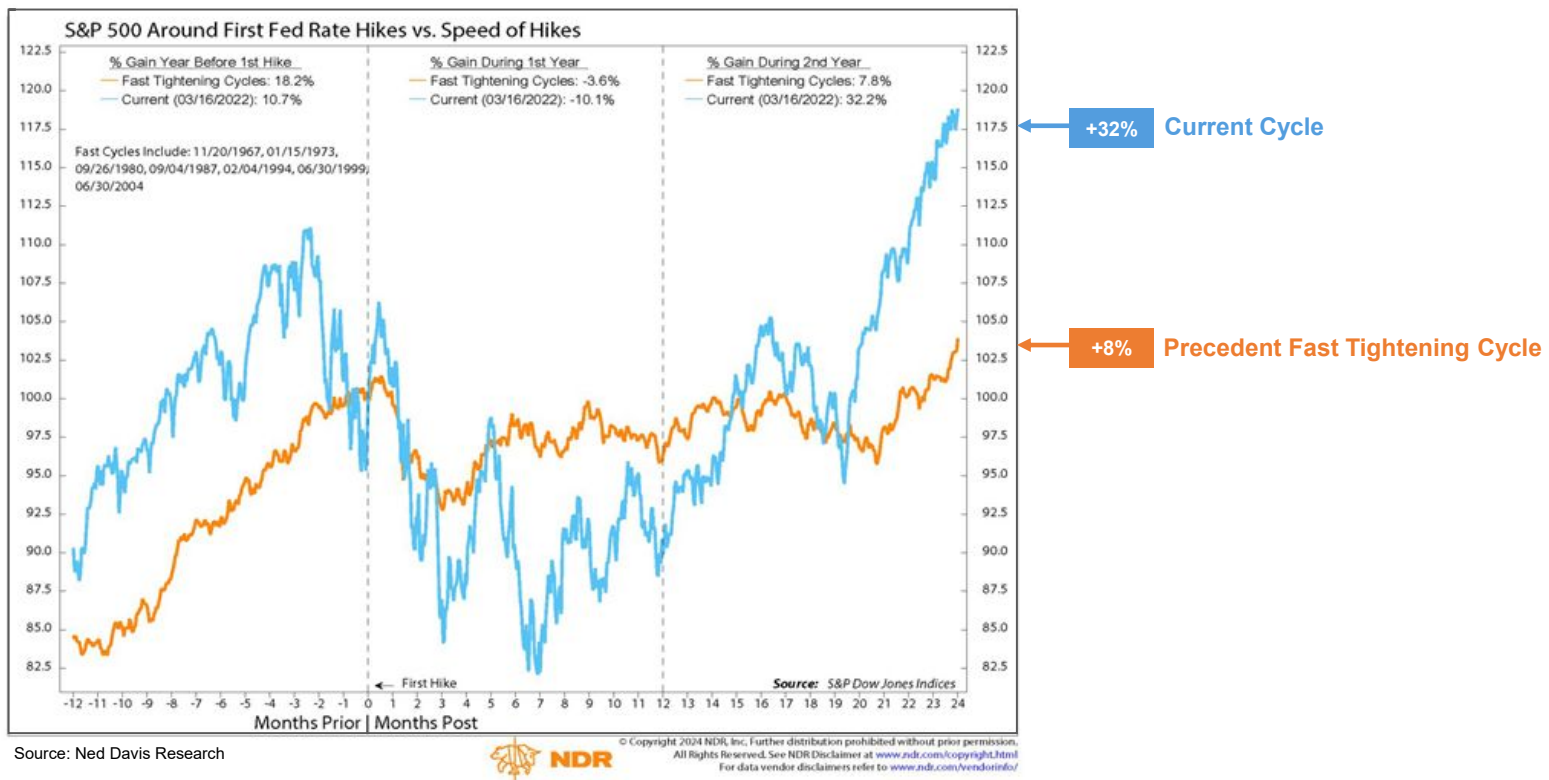


Source: Ned Davis Research



Actual Performance During Tightening

Markets have outperformed when compared to average tightening cycle



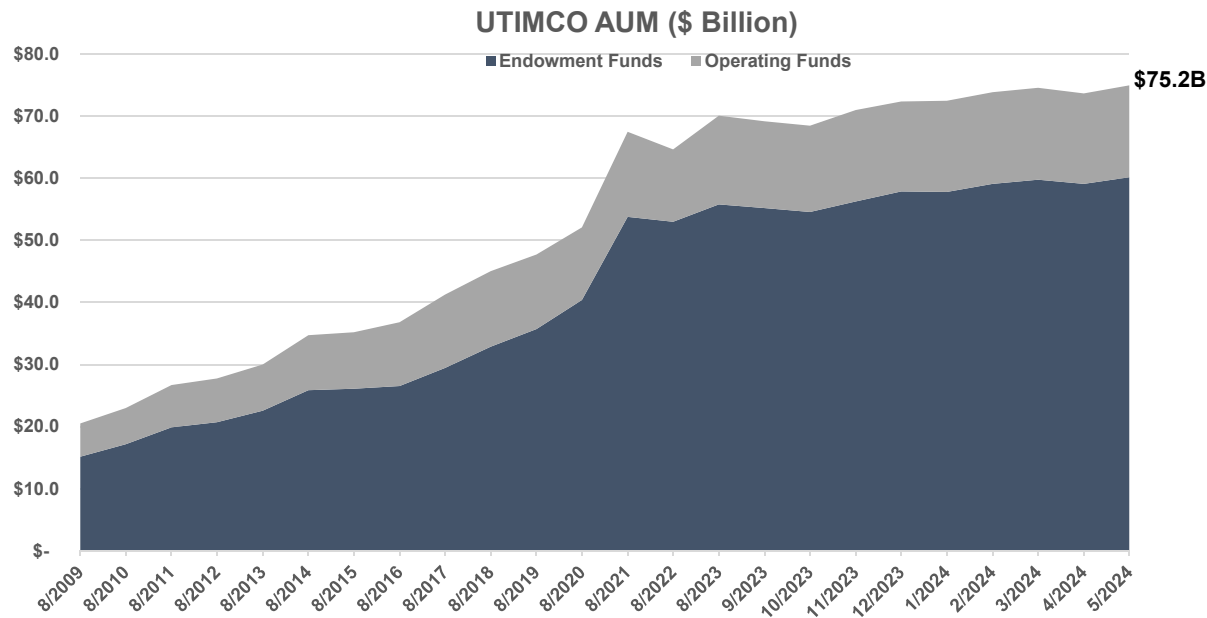
UTIMCO Performance





Growth in Assets Under Management (AUM)

Total Assets through May 31, 2024



1-Year Change in AUM

\$ Billion	
Beginning Net Asset Value (NAV)	68.3
Net Contributions	3.6
Net Investment Income	6.2
Distributions	-2.9
Ending Net Asset Value	75.2

3-Year Change in AUM

\$ Billion	
Beginning Net Asset Value	64.1
Net Contributions	12.8
Net Investment Income	5.7
Distributions	-7.4
Ending Net Asset Value	75.2

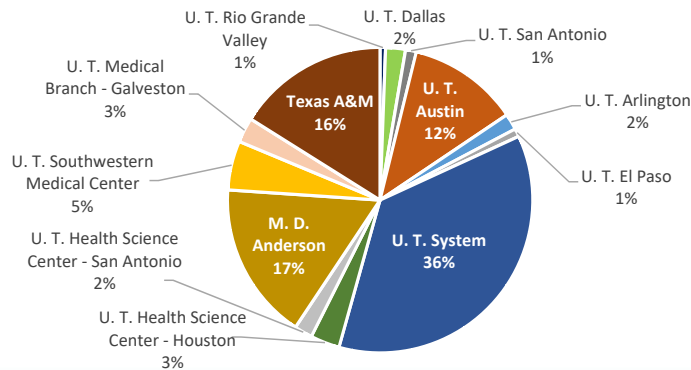
5-Year Change in AUM

\$ Billion	
Beginning Net Asset Value	46.1
Net Contributions	18.6
Net Investment Income	22.0
Distributions	-11.5
Ending Net Asset Value	75.2

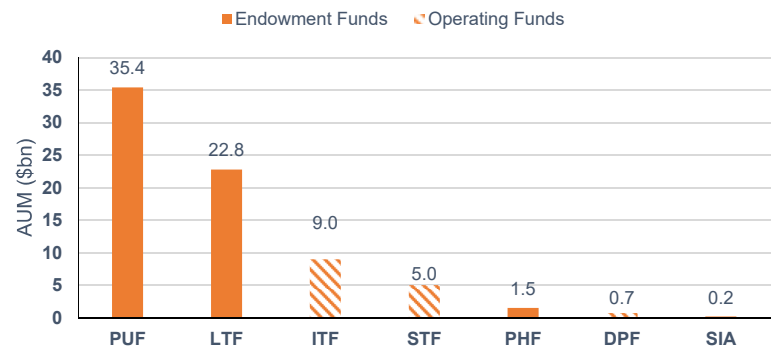


AUM Breakdown (As of May 31, 2024)

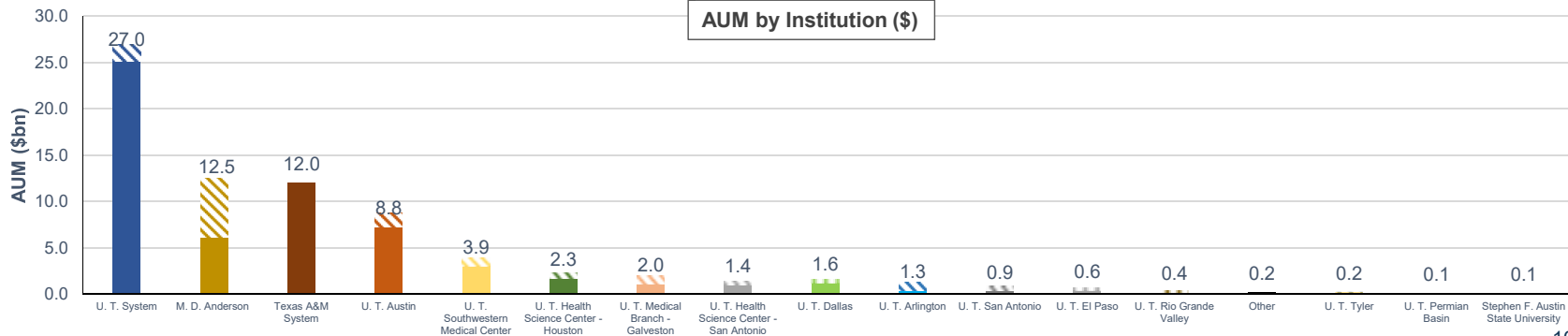
AUM by Institution (%)



AUM by Fund



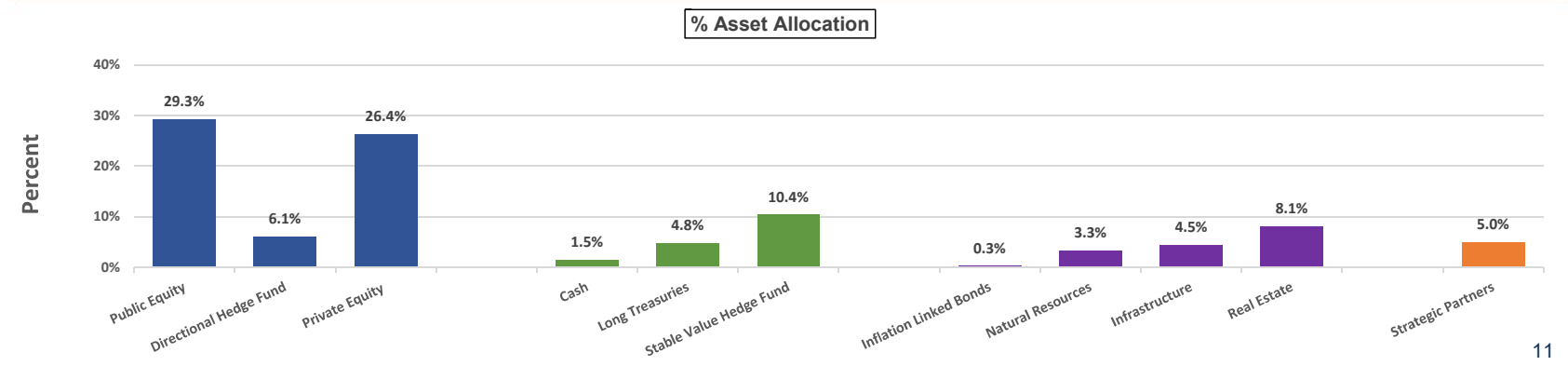
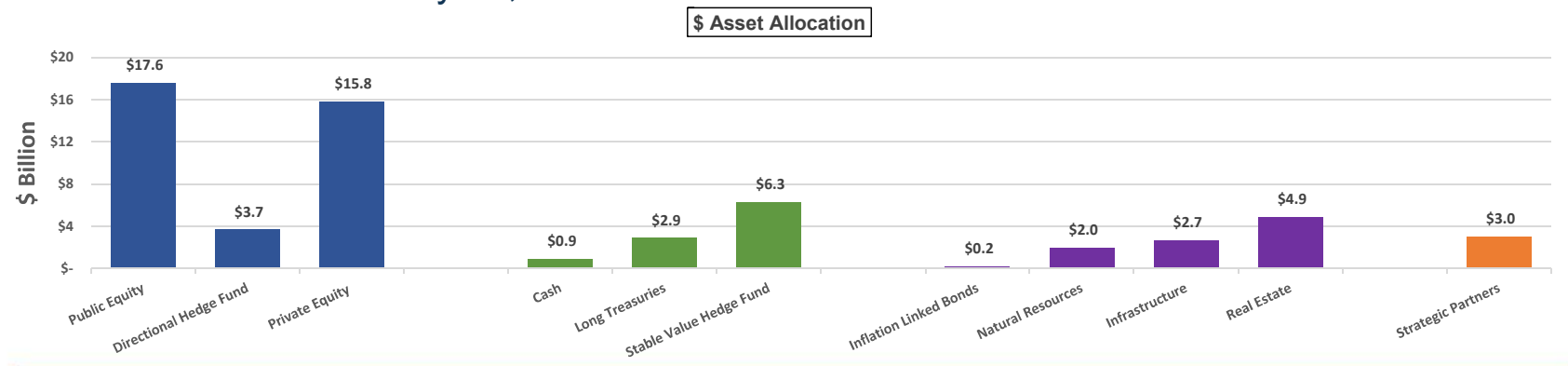
AUM by Institution (\$)





Positioning

Asset allocation as of May 31, 2024

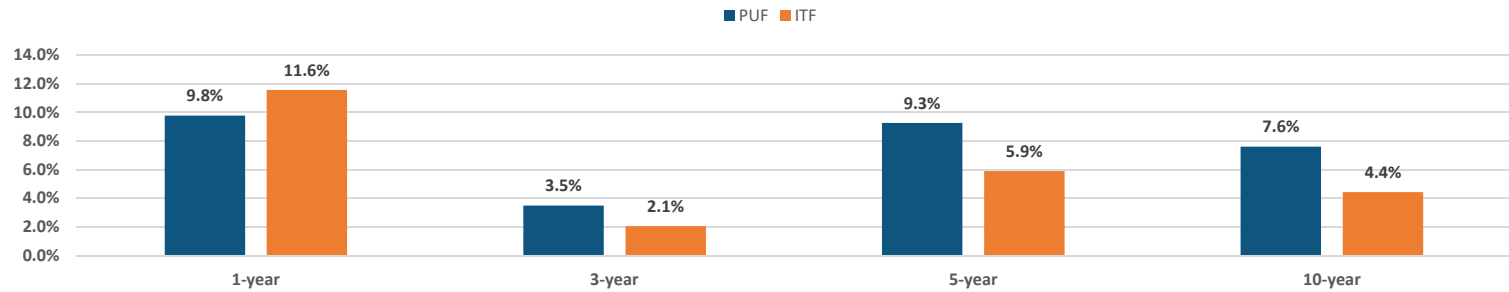




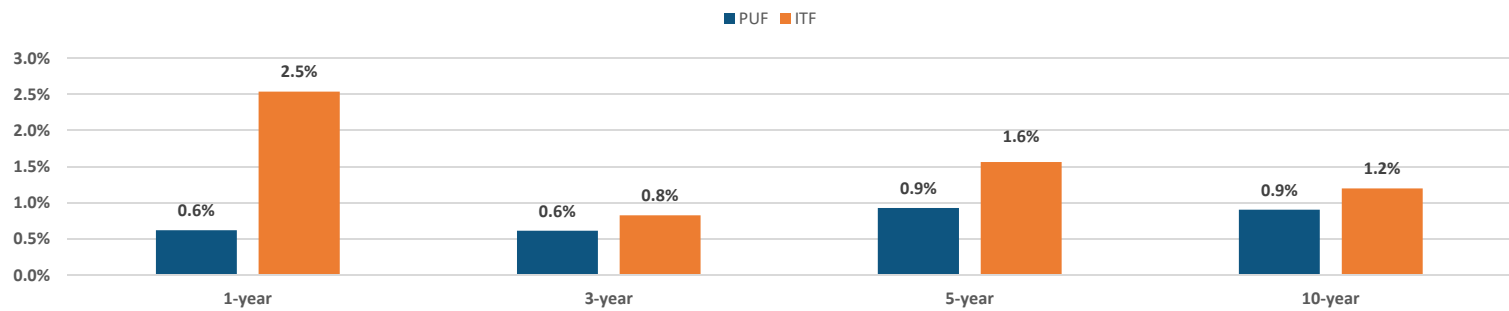
Portfolio Performance

UTIMCO Returns and Alpha as of May 31, 2024

Total Net Returns



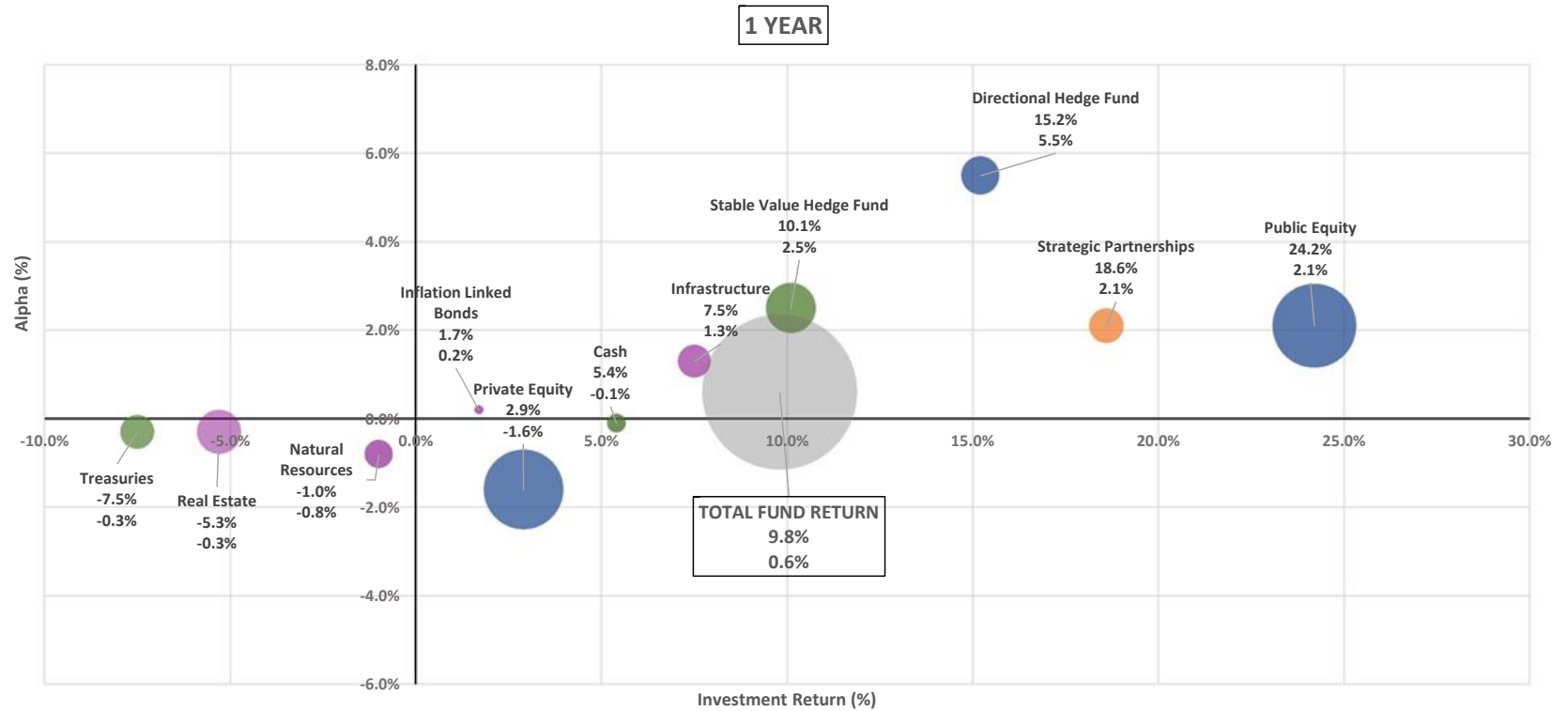
Outperformance vs. Benchmarks





Performance

Detailed 1-Year Performance as of May 31, 2024





Strategic Plan: 2024-2029

Plan sets out priorities, success metrics, and resources for the next 5 years

- Positions UTIMCO and our clients for **long-term success**
- Supports **expected AUM increase of ~\$20 Billion or ~26%** by 2029
- Requires **~11.6bps** of AUM annual budget, well **below peers at 15 to 25bps**



TALENT

- Succession Planning
- Competitive Talent Market
- Maturing Organization
- Development
- Total Rewards and Benefits



DATA & TECHNOLOGY

- Security
- Rapid Evolution of Hardware and Software Tools
- AI
- Exponential Growth of Data
- Must Invest to Stay Competitive, Productive and Efficient



INVESTMENT DESIGN

- \$100B of Assets in 5 Years
- Scale Creates Opportunities and Challenges
- Innovate to Drive Returns and Maintain Alpha



LIQUIDITY & LEVERAGE

- Prepare for Future Downturns
- Make Distributions
- Honor Contractual Obligations
- Rebalance
- Play Offense

9. **U. T. Health Science Center - Houston: Discussion and appropriate action regarding the development and construction of an Ambulatory Surgery Center (ASC) within U. T. Health Science Center - Houston's and U. T. Physicians' multi-specialty clinic at Bellaire Station, 6500 W. Loop South, Bellaire, TX 77401; including a) an increase in the allocation and authorization of expenditure of institutional funds for U. T. Health Science Center - Houston's portion of the project from \$35,000,000 to \$54,200,000; b) an increase in the allocation and authorization to finance capital expenditures for U. T. Health Science Center - Houston's portion of the project from \$15,000,000 to \$31,750,000; c) resolution regarding parity debt; and d) reaffirmation of finding of public purpose**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the institutional president that the U. T. System Board of Regents

- a. authorize expenditure by U. T. Health Science Center - Houston of up to \$54,200,000 from unrestricted institutional funds for U. T. Health Science Center - Houston's proportionate share of the project costs (construction, equipment, working capital, etc.) with the understanding that no state-appropriated funds or tuition revenues will be used;
- b. authorize up to \$31,750,000 for U. T. Health Science Center - Houston to finance capital costs related to constructing the ambulatory surgery center;
- c. make the findings required under Section 5 of the Amended and Restated Master Resolution establishing the Revenue Financing System relating to the issuance of parity debt on behalf of U. T. Health Science Center - Houston in an estimated amount of \$31,750,000 and that this action satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations*; and
- d. reaffirm the finding of public purpose made by the Board on February 23, 2023, by finding that the project continues to provide adequate consideration to U. T. Health Science Center - Houston and the State of Texas in exchange for U. T. Health Science Center - Houston's capital and other contributions.

BACKGROUND INFORMATION

On February 23, 2023, the U. T. System Board of Regents authorized U. T. Health Science Center - Houston, together with Surgical Care Affiliates, LLC, a Delaware limited liability company, and/or its affiliate (SCA), to develop and construct an ambulatory surgery center in U. T. Health Science Center - Houston's and U. T. Physicians' multi-specialty clinic at Bellaire Station, 6500 W. Loop South, Bellaire, TX 77401 and authorized the expenditure of up to \$35,000,000 of institutional funds for U. T. Health Science Center - Houston's portion of the project costs. Approval of this item would increase the expenditure authorization of institutional funds from \$35,000,000 to \$54,200,000 to accommodate a larger project than originally contemplated.

On May 9, 2024, the U. T. System Board of Regents authorized up to \$15,000,000 of Revenue Financing System debt to finance U. T. Health Science Center - Houston's portion of the project's capital costs. Approval of this item would increase the Revenue Financing System authorization from \$15,000,000 to \$31,750,000. The debt is expected to be repaid with clinical revenue. Annual debt service is estimated at \$3,910,000. The institution's Scorecard Rating of 3.5 at fiscal year-end 2023 is below the maximum threshold of 6.0 and demonstrates that the institution has the financial capacity to satisfy its direct obligations related to parity debt. The institution therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that:

- a. parity debt shall be issued to fund all or a portion of the project, including any costs prior to the issuance of such parity debt;
- b. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the RFS Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- c. U. T. Health Science Center - Houston, which is a "Member" as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of parity debt in an aggregate amount of \$31,750,000; and
- d. this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

The project continues to support the public mission and serve the public purposes appropriate to the functions of U. T. Health Science Center - Houston by enhancing its ability to a) deliver and manage high quality health care services to its patients through alternate delivery settings; b) own and operate surgical facilities in partnership with other clinical partners who share U. T. Health Science Center - Houston's mission of providing quality healthcare services across the entire care continuum; c) offer U. T. Health Science Center - Houston faculty and learners additional training opportunities in the advancement of their educational experience; and d) meet its financial objectives necessary to the fulfillment of its tripartite missions of clinical care, education, and research. All proper and necessary safeguards and controls by U. T. Health Science Center - Houston to ensure the project continues to be in furtherance of the public purposes remain in place. Finally, the consideration and other benefits received by U. T. Health Science Center - Houston and the public remain adequate in exchange for the institution's participation and capital contributions.