



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

**Committee Meeting: 5/22/2019**

**Board Meeting: 5/23/2019**  
Austin, Texas

*R. Steven Hicks, Chairman*  
*David J. Beck*  
*Jodie Lee Jiles*  
*Janiece Longoria*  
*Kelcy L. Warren*  
*Rad Weaver*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>11:00 a.m.</i> <i>Chairman Hicks</i>		
1. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	<i>11:00 a.m.</i> <b>Discussion</b>	<b>Action</b>	<b>62</b>
2. <b>U. T. System: Financial Status Presentation and Monthly Financial Report</b>	<i>11:05 a.m.</i> <b>Report/Discussion</b> <i>Dr. Kelley</i>	Not on Agenda	<b>63</b>
3. <b>U. T. System: Approval of the Fiscal Year 2020 Budget Preparation Policies and Calendar for budget operations</b>	<i>11:25 a.m.</i> <b>Action</b> <i>Mr. Long</i>	<b>Action</b>	<b>104</b>
4. <b>U. T. System Board of Regents: Update on University Lands</b>	<i>11:30 a.m.</i> <b>Report/Discussion</b> <i>Mr. Houser</i>	Not on Agenda	<b>108</b>
5. <b>U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund</b>	<i>11:40 a.m.</i> <b>Action</b> <i>Dr. Kelley</i>	<b>Action</b>	<b>118</b>
<b>Adjourn</b>	<i>12:00 p.m.</i>		

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

RECOMMENDATION

The proposed Consent Agenda items assigned to this Committee are [Items 3 - 11](#).

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Financial Status Presentation set forth on [Pages 64 - 84](#) and the March Monthly Financial Report on [Pages 85 - 103](#). The reports represent the consolidated and individual operating detail of the U. T. institutions.

# Financial Status

As of March 2019

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
May 2019



THE UNIVERSITY of TEXAS SYSTEM  
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

[WWW.UTSYSTEM.EDU](http://WWW.UTSYSTEM.EDU)

# Executive Summary



## SYSTEM ADMIN

Revenue = \$386.7M

Expenses = \$226.6M

Adj. Income = \$160.0M

*Excludes OPEB & Pension Expense*



## ACADEMIC

Revenue = \$3.7B

Expenses = \$3.7B

Adj. Income = \$34.7M



## HEALTH

Revenue = \$8.1B

Expenses = \$7.6B

Adj. Income = \$439.2M



## CONSOLIDATED

Revenue = \$12.2B

Expenses = \$11.5B

Adj. Income = \$633.9M

*Excludes OPEB & Pension Expense*



# U. T. System Administration – Operational Results

Agenda Book - 66

Expenses Funded with Available University Fund (AUF)						Designated Funds <i>(Excluding Other Postemployment Benefits &amp; Pension Expenses)</i>			
<i>(in millions)</i>	Core Operations		Direct Campus Support		Other Systemwide		<i>(in millions)</i>	March YTD FY 2018	March YTD FY 2019
	March YTD FY 2018	March YTD FY 2019	March YTD FY 2018	March YTD FY 2019	March YTD FY 2018	March YTD FY 2019			
Salaries & Fringes	\$ 20.0	21.2	7.9	8.5	4.9	2.1	\$ 17.3	11.8	
Materials & Supplies	2.5	2.7	0.4	0.5	1.0	1.2	13.4	15.1	
Other Contracted/Prof Fees	3.4	2.5	9.7	9.7	5.7	3.3	11.6	5.5	
All Other Operating Exp.	4.3	4.0	1.2	1.6	3.2	0.7	36.7	76.0	
<b>Total Expenses</b>	<b>\$ 30.2</b>	<b>30.4</b>	<b>19.2</b>	<b>20.3</b>	<b>14.8</b>	<b>7.3</b>	<b>\$ 79.0</b>	<b>108.3</b>	

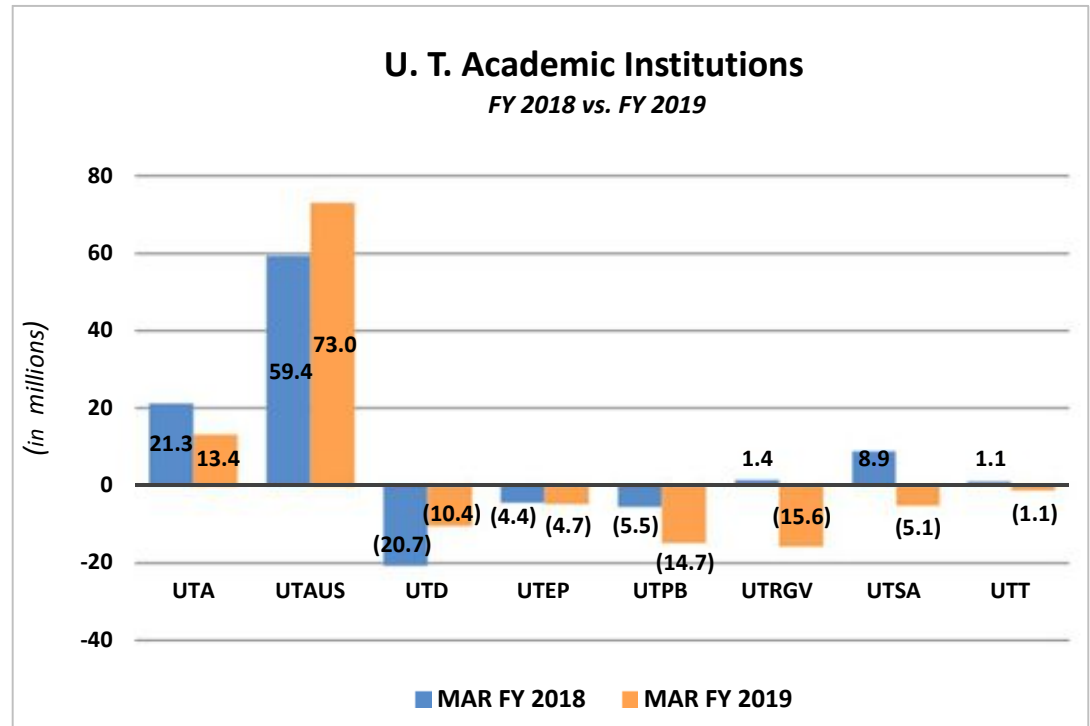
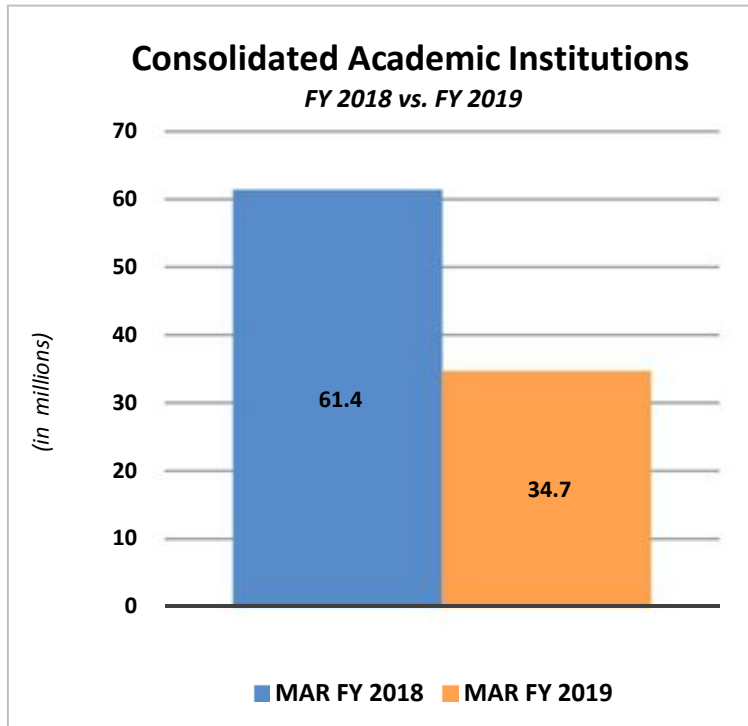
\$64M FY18    \$58M FY19

← Expenses for these funds are recorded on U. T. System Administration's Statement of Revenue, Expenses, & Changes in Net Position →



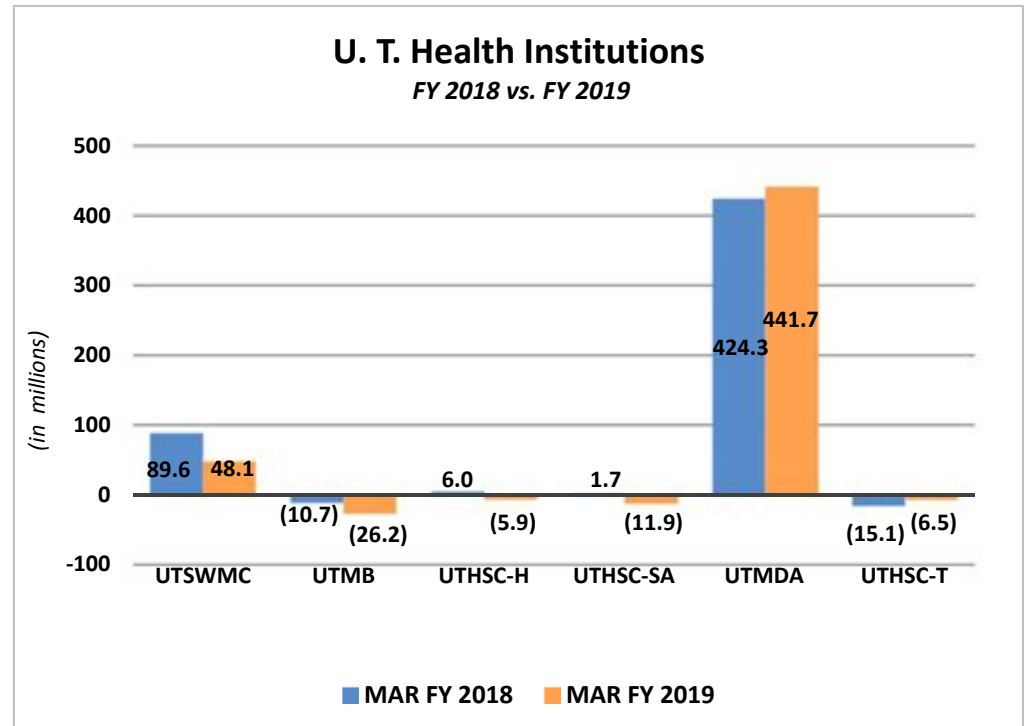
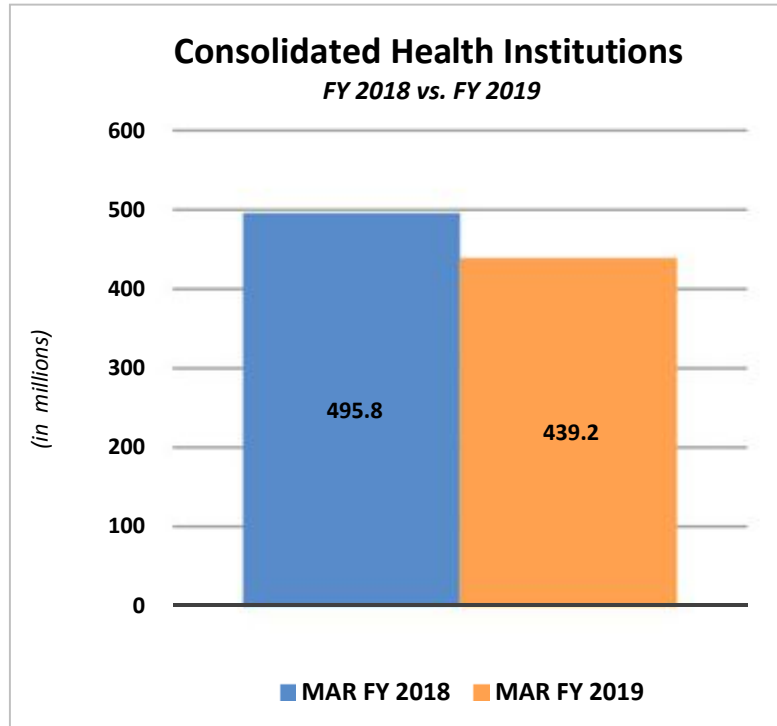
## Academic Adjusted Income (Loss) Comparison

For the Period Ending March 31, 2019



## Health Adjusted Income (Loss) Comparison

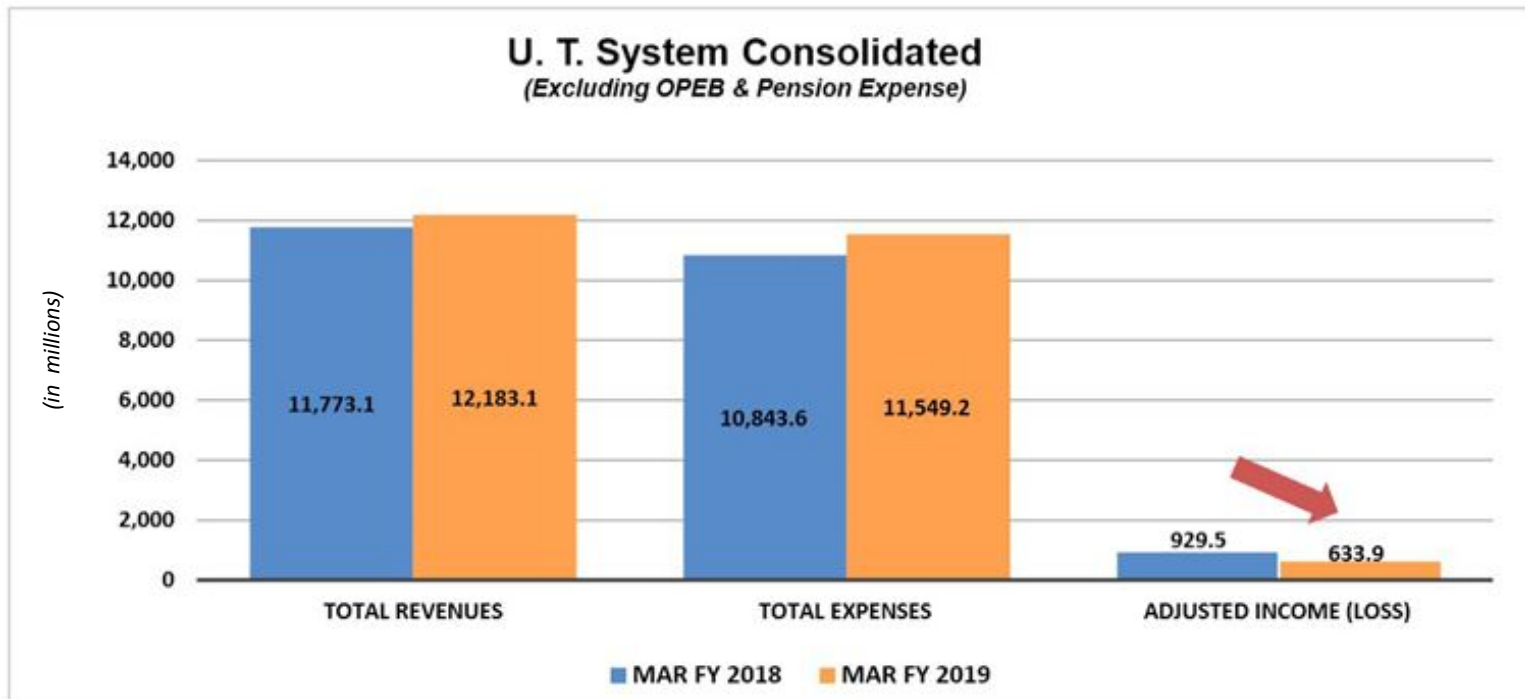
For the Period Ending March 31, 2019





# U. T. System Consolidated Landscape

For the Period Ending March 31, 2019



Source: Year-to-date 2018 and 2019 from the March Monthly Financial Report

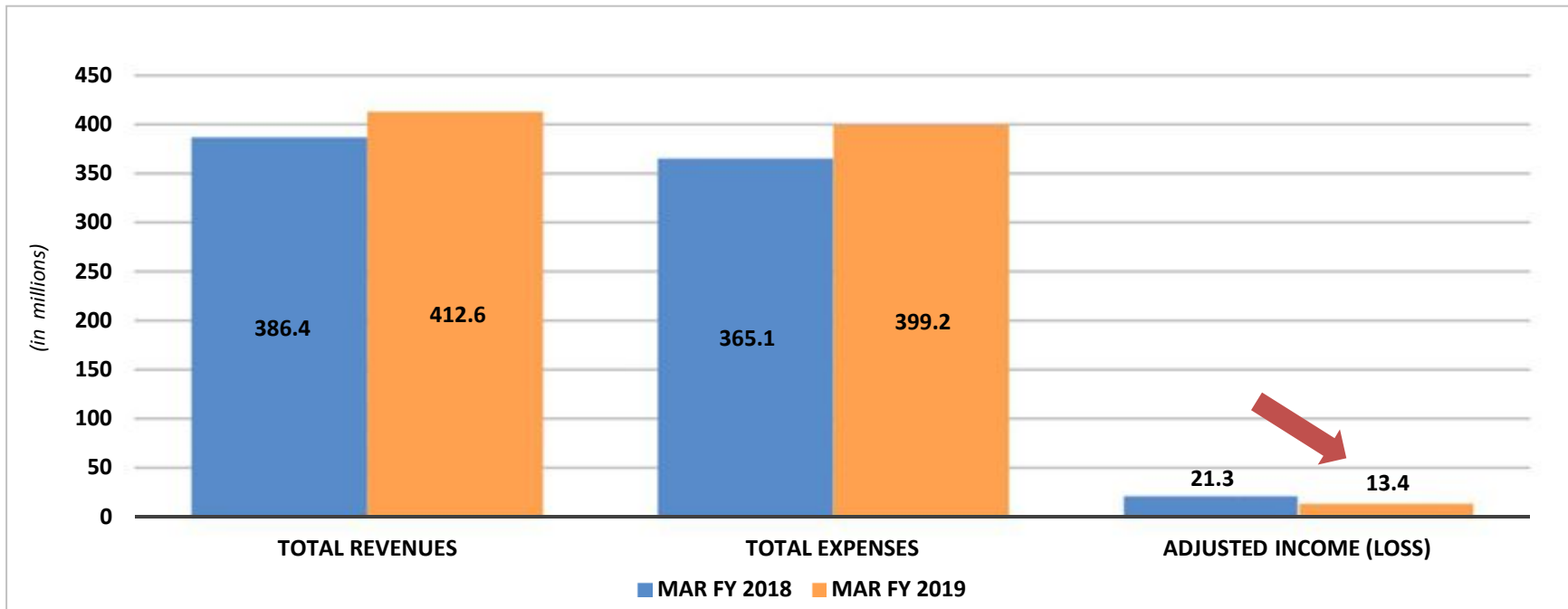


# Supplemental Information by Institution



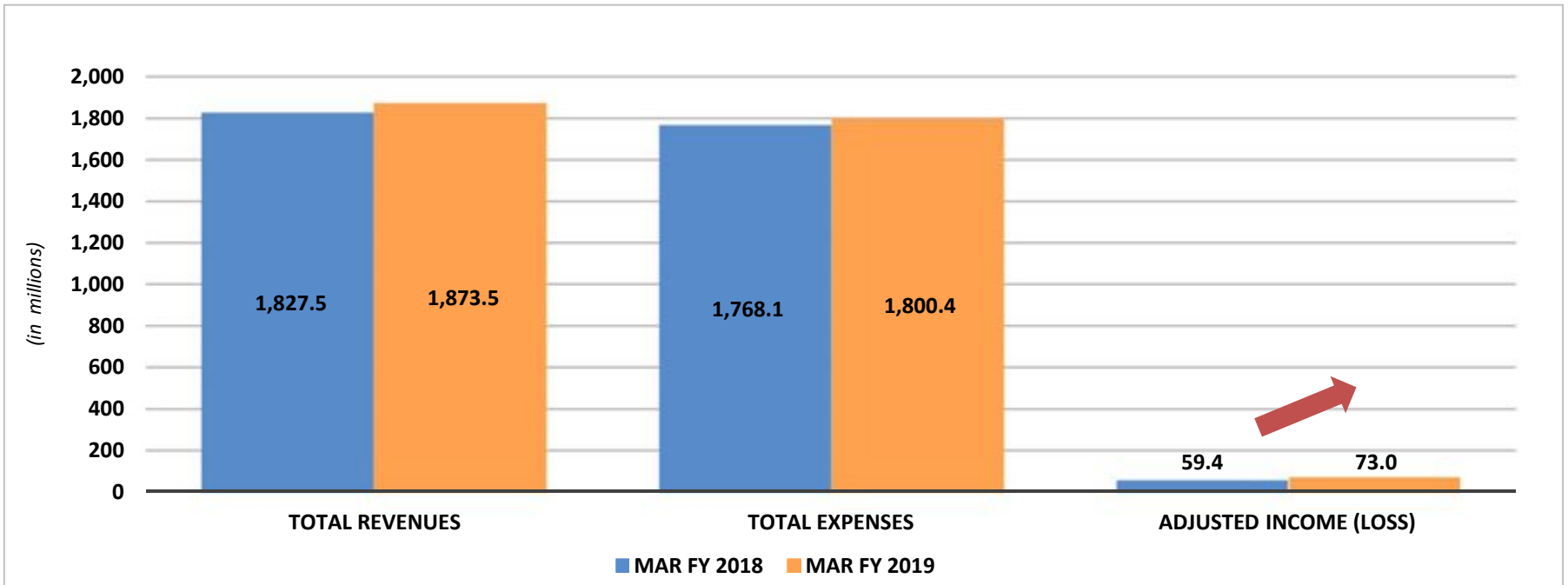
## Monthly Financial Report – U. T. Arlington

*For the Period Ending March 31, 2019*



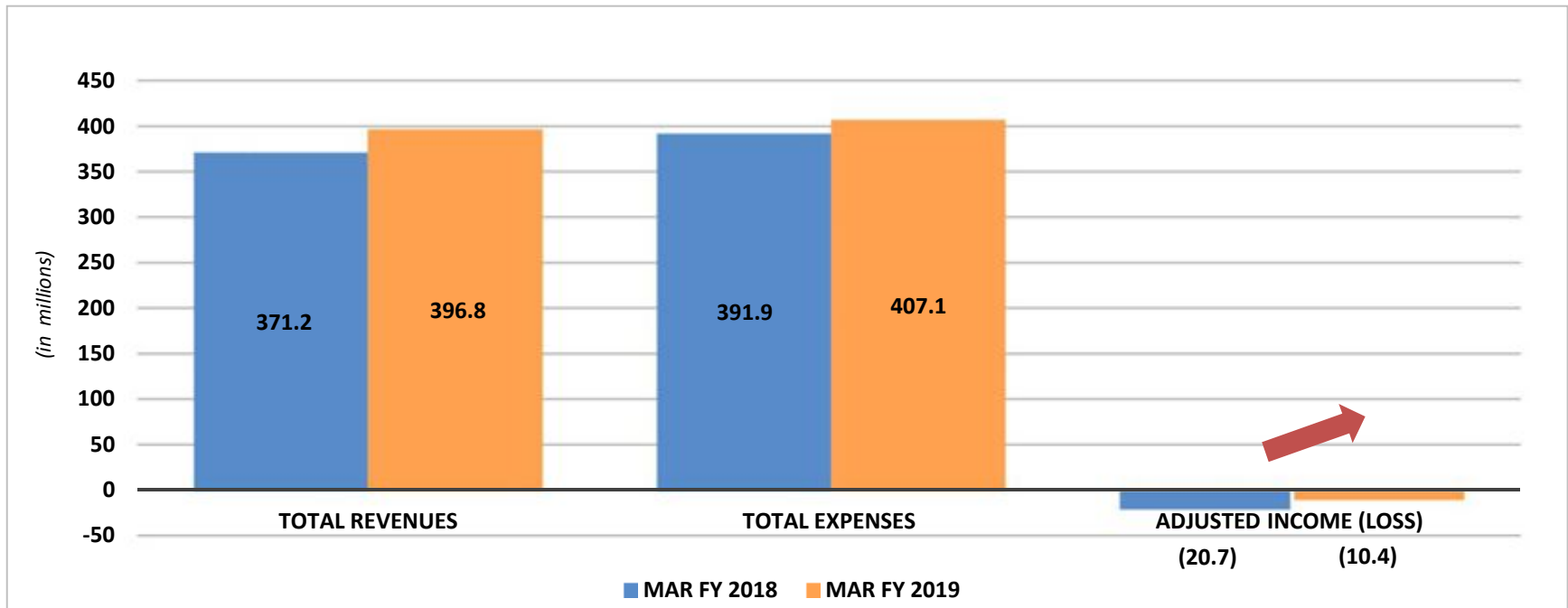
# Monthly Financial Report – U. T. Austin

For the Period Ending March 31, 2019



# Monthly Financial Report – U. T. Dallas

For the Period Ending March 31, 2019

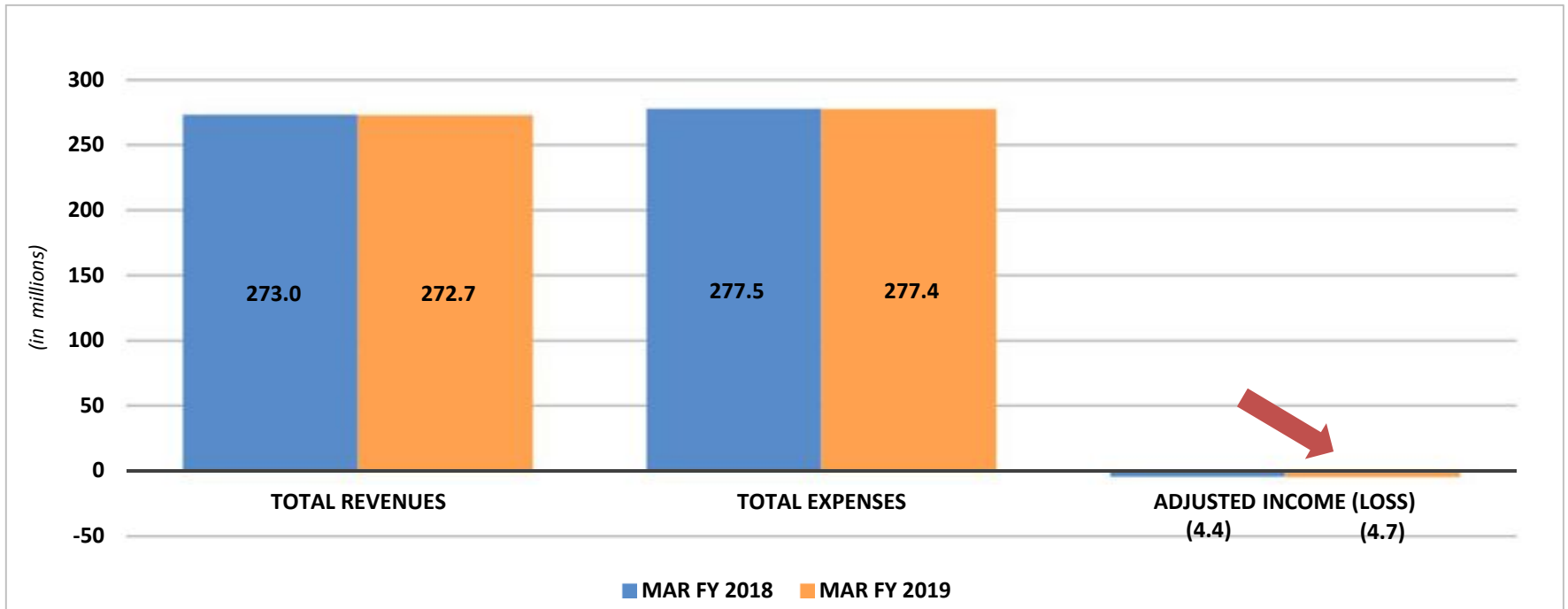


Source: Year-to-date 2018 and 2019 from the March Monthly Financial Report



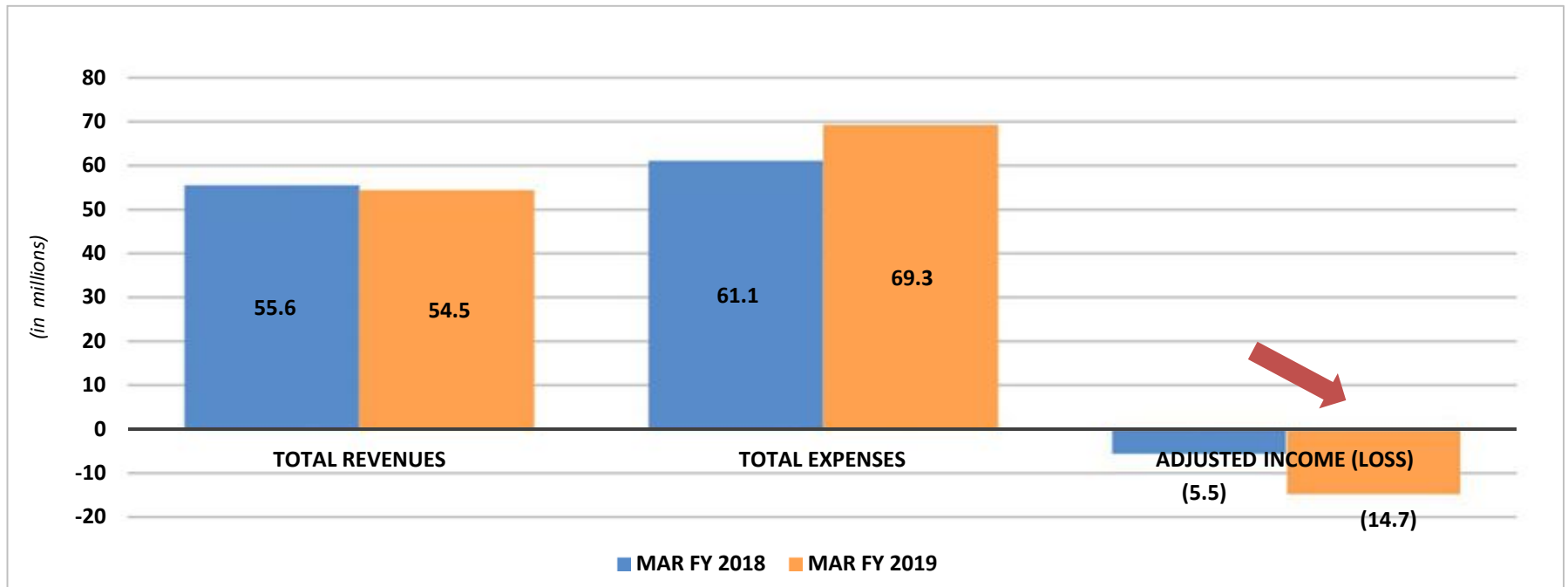
# Monthly Financial Report – U. T. El Paso

For the Period Ending March 31, 2019



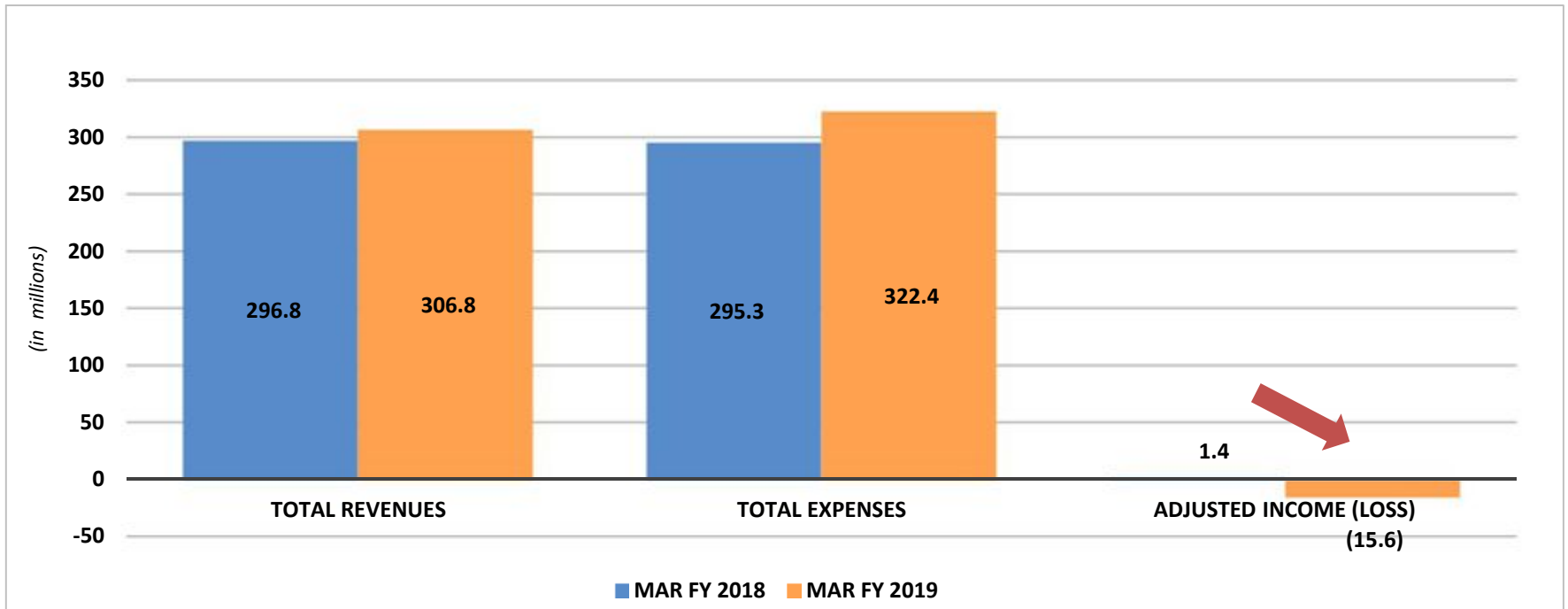
# Monthly Financial Report – U. T. Permian Basin

For the Period Ending March 31, 2019



## Monthly Financial Report – U. T. Rio Grande Valley

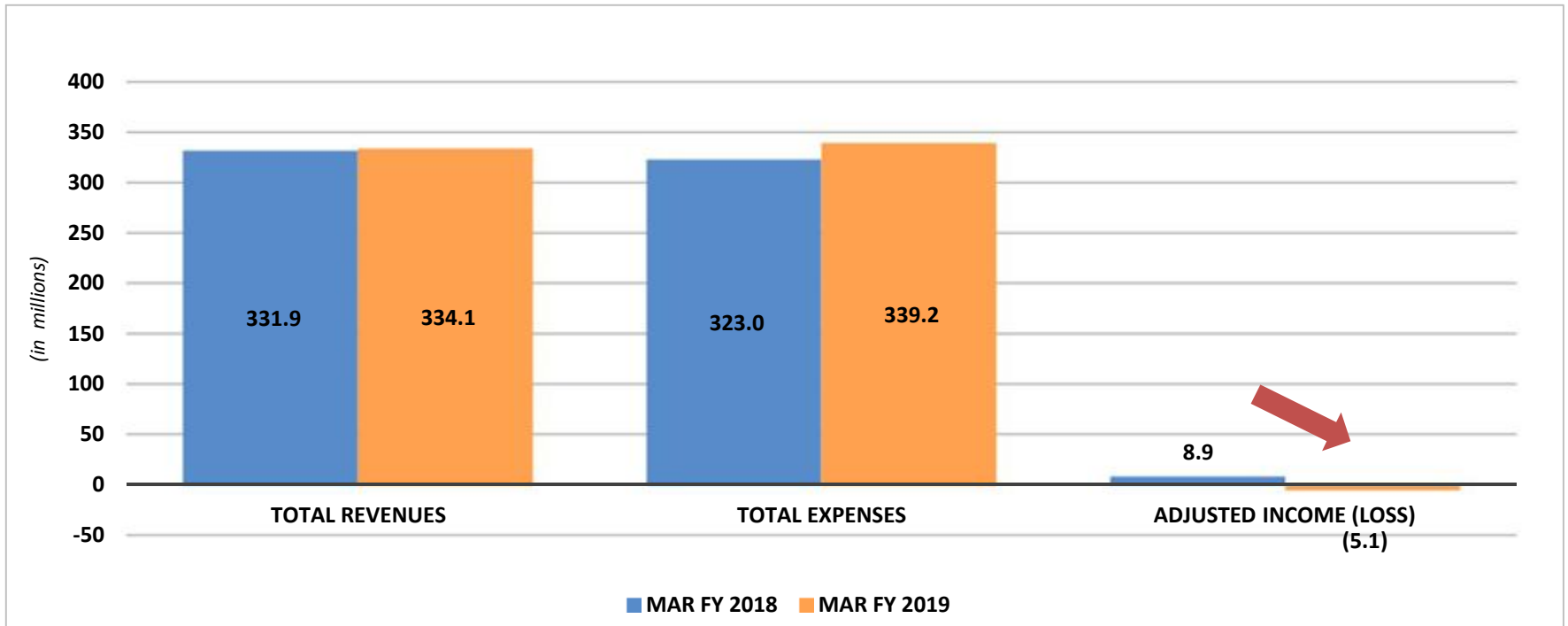
*For the Period Ending March 31, 2019*





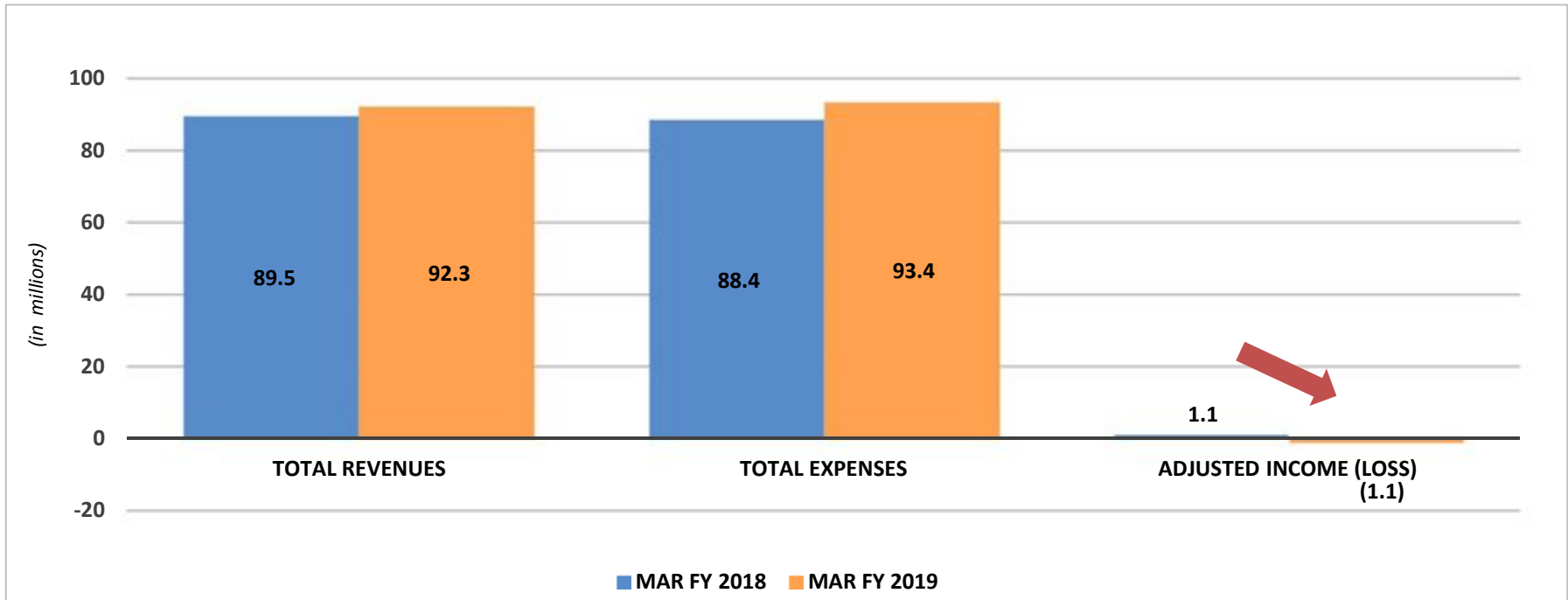
## Monthly Financial Report – U. T. San Antonio

*For the Period Ending March 31, 2019*



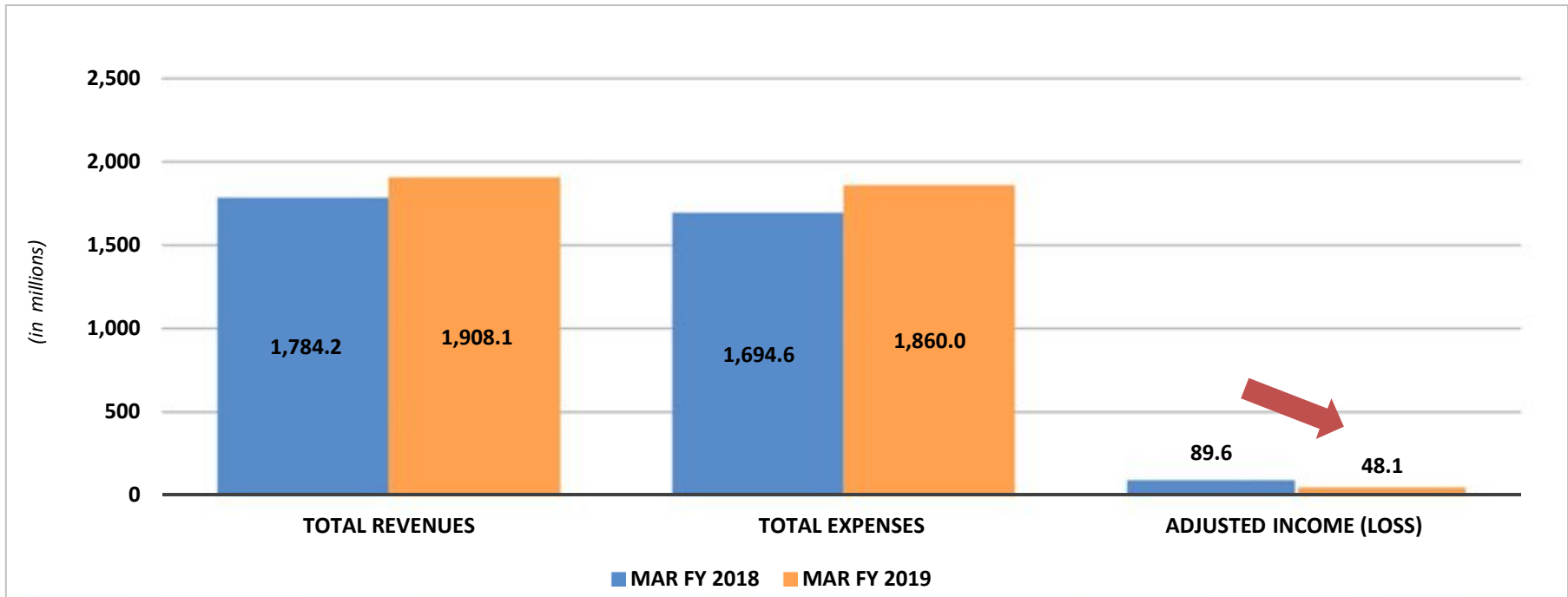
## Monthly Financial Report – U. T. Tyler

*For the Period Ending March 31, 2019*



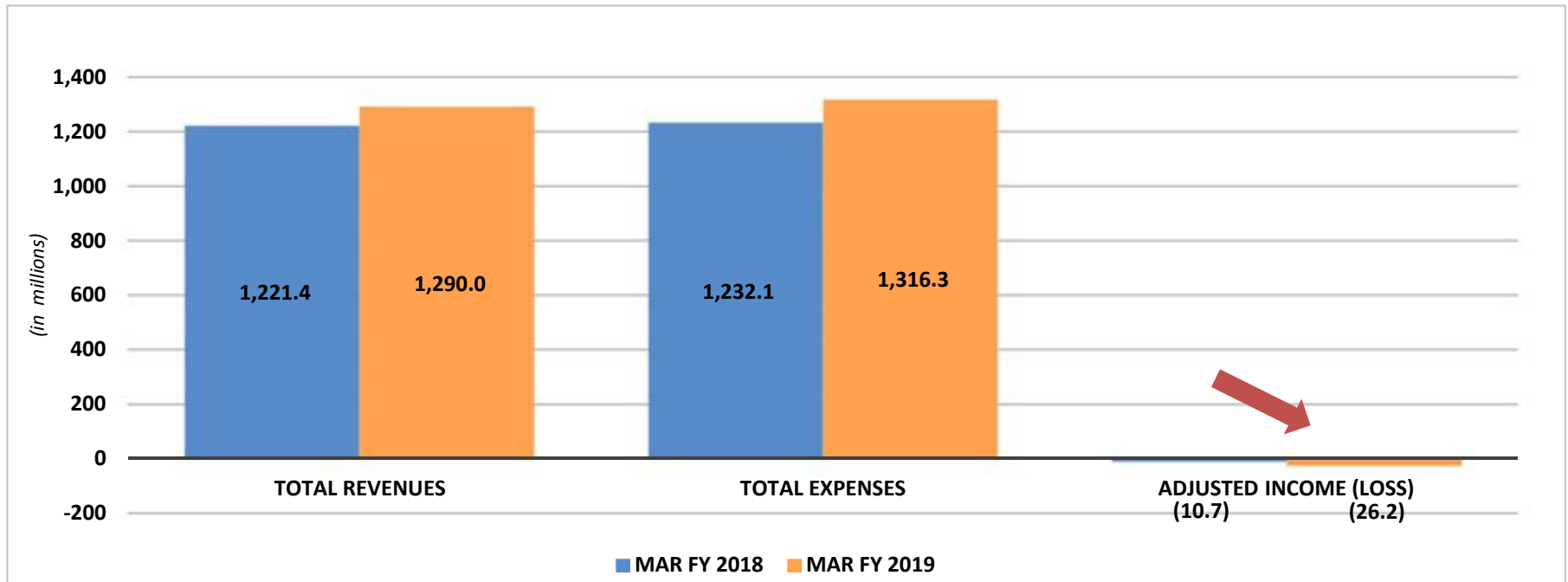
# Monthly Financial Report – U. T. Southwestern Medical Center

For the Period Ending March 31, 2019



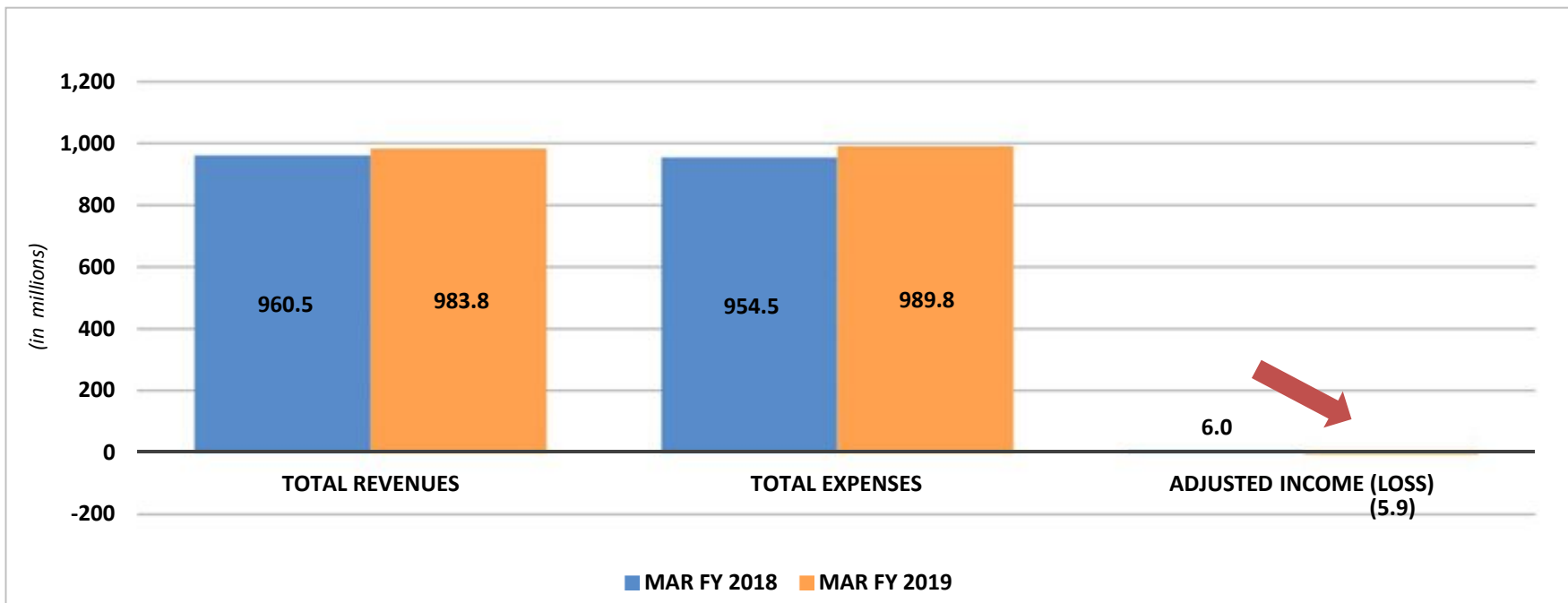
# Monthly Financial Report – U. T. Medical Branch - Galveston

For the Period Ending March 31, 2019



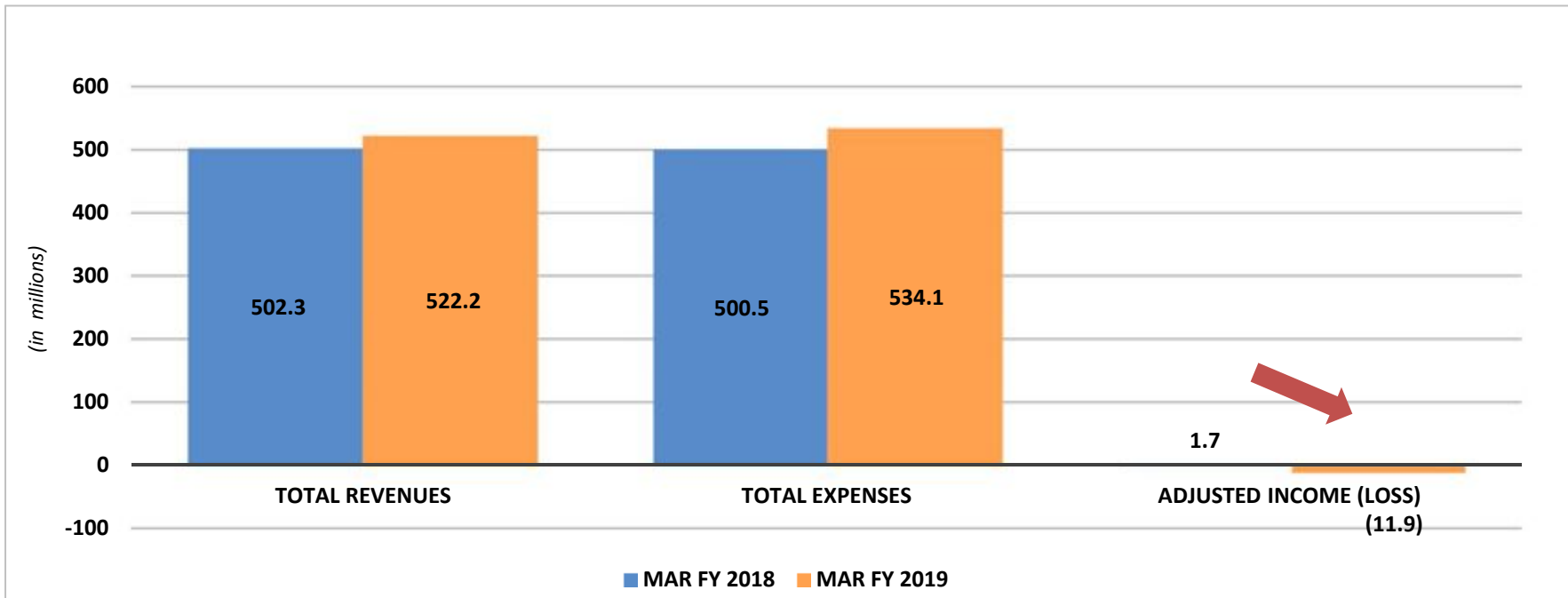
# Monthly Financial Report – U. T. Health Science Center - Houston

For the Period Ending March 31, 2019



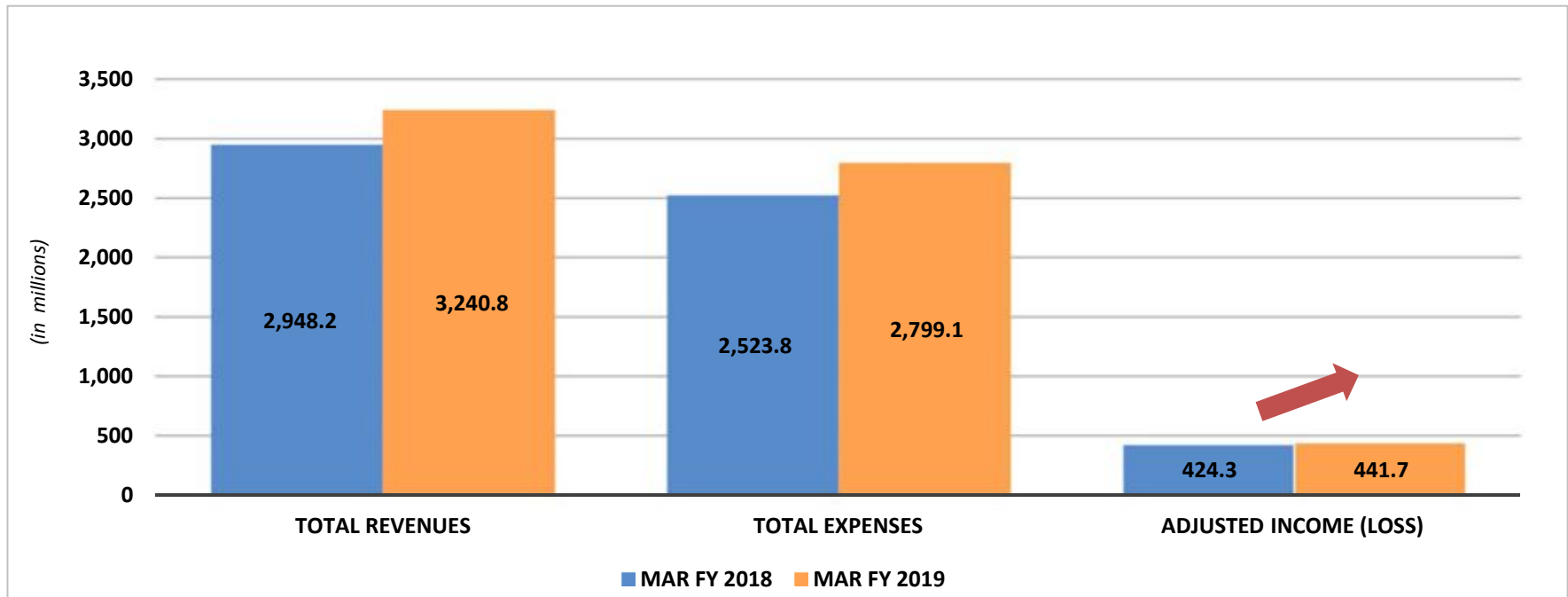
# Monthly Financial Report – U. T. Health Science Center - San Antonio

For the Period Ending March 31, 2019



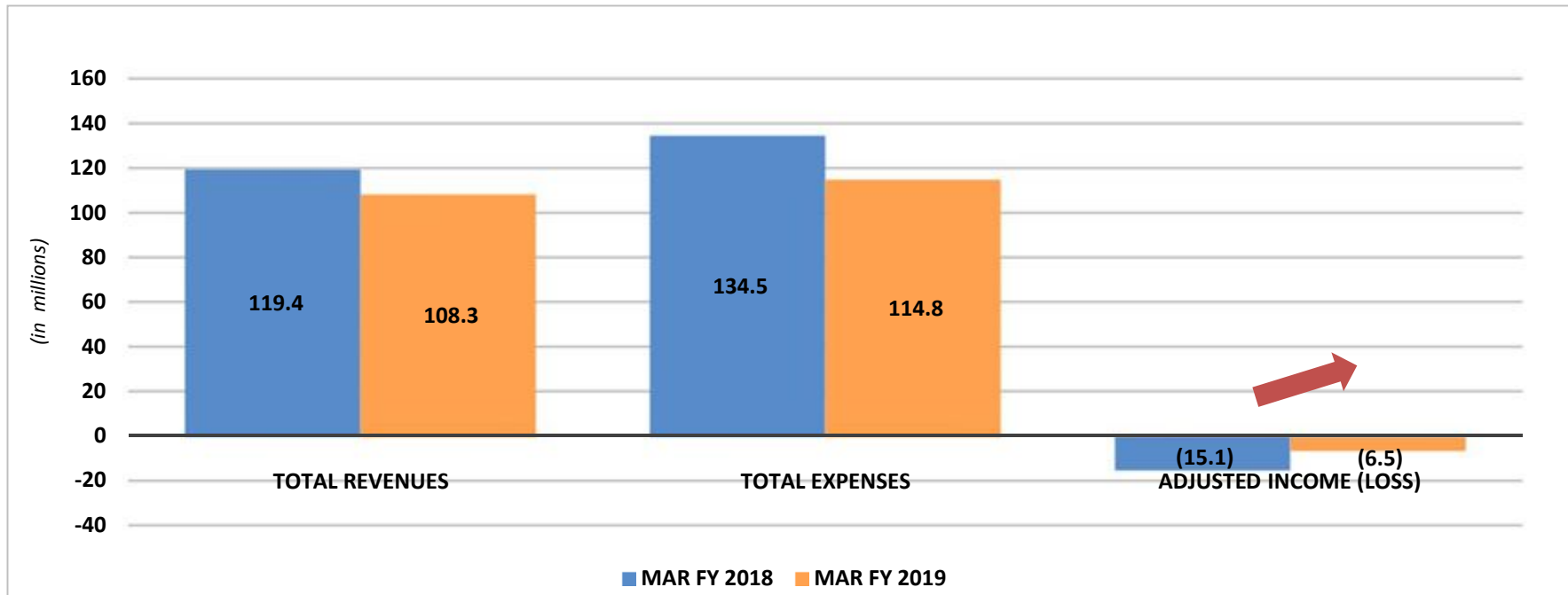
# Monthly Financial Report – U. T. M. D. Anderson Cancer Center

For the Period Ending March 31, 2019



# Monthly Financial Report – U. T. Health Science Center - Tyler

For the Period Ending March 31, 2019





**THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER**

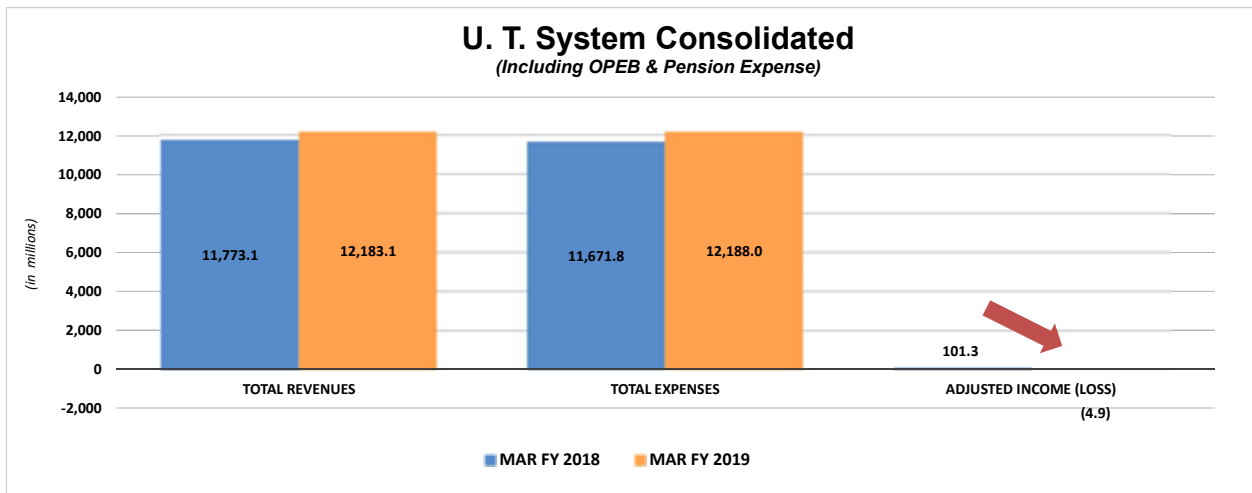
**MONTHLY FINANCIAL REPORT**  
*(unaudited)*

**MARCH 2019**



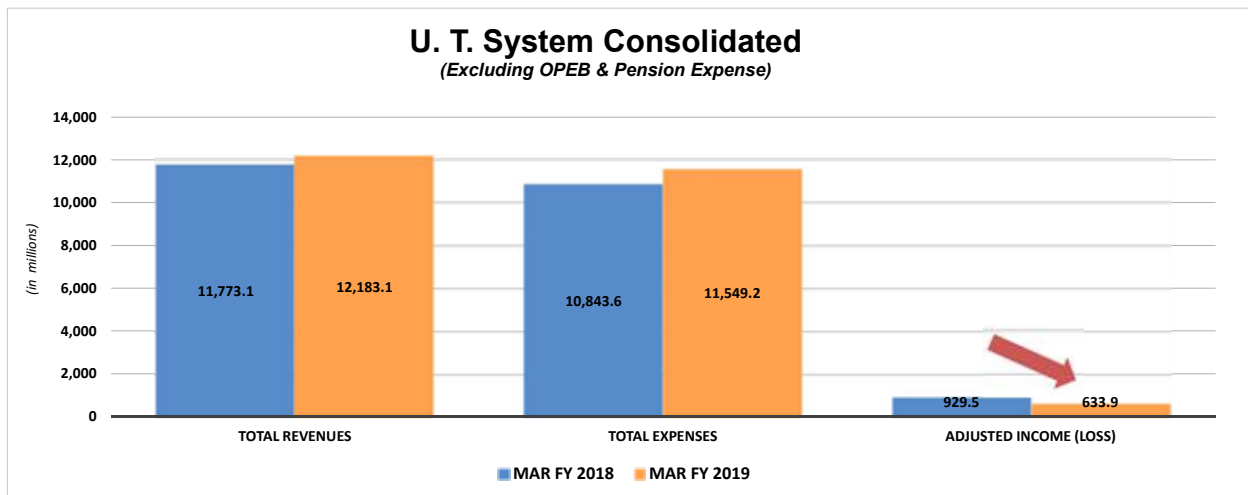
210 West Seventh Street  
Austin, Texas 78701  
512.499.4527  
[www.utsystem.edu/cont](http://www.utsystem.edu/cont)

## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019



*U. T. System Consolidated* shows a year-to-date adjusted loss of \$4.9 million, a decrease of \$106.2 million (104.8%). The decrease was primarily due to an increase in salaries and wages and payroll related costs across most of the institutions as a result of increases in faculty and staff positions and merit increases. Excluding OPEB and pension expense, *U. T. System Consolidated* would reflect year-to-date adjusted income of \$633.9 million.

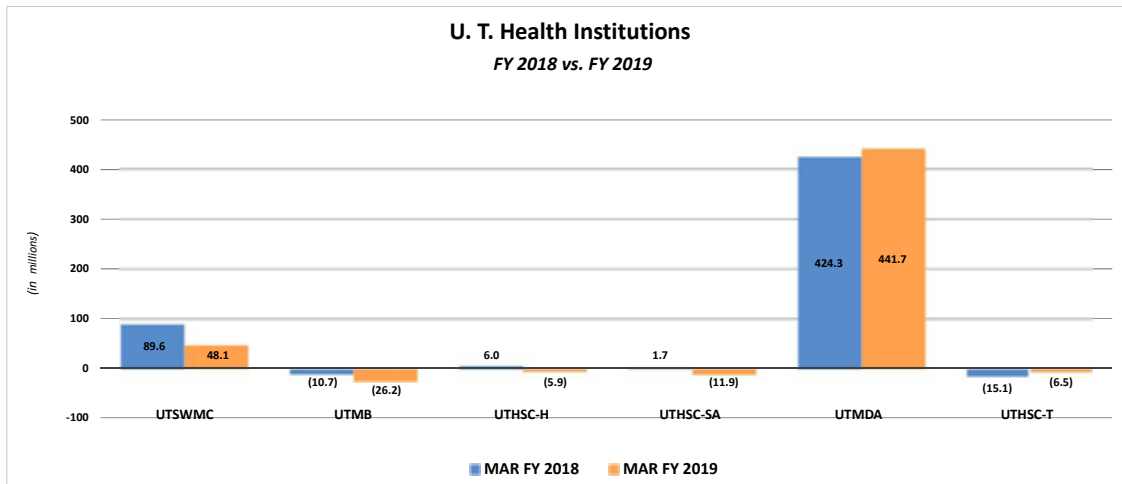
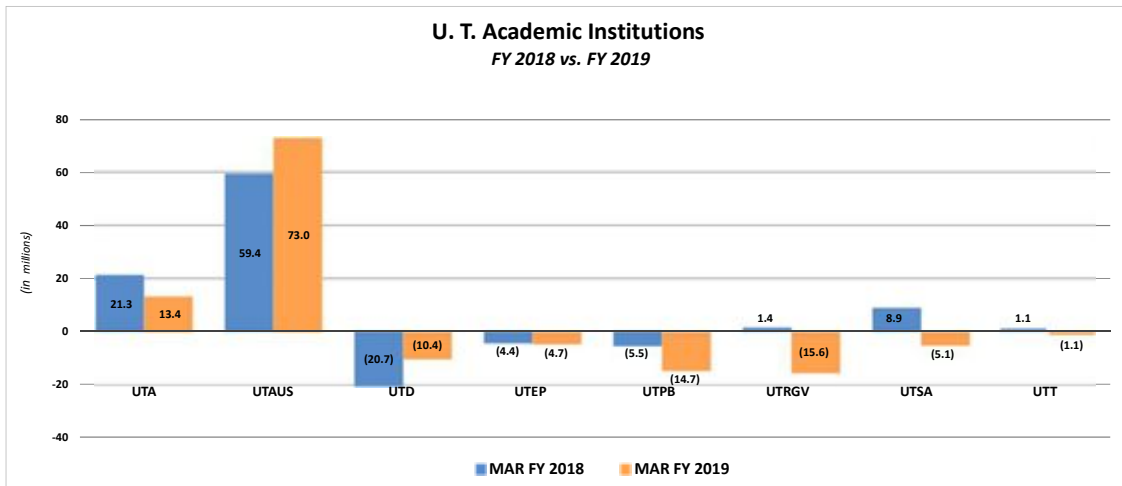
(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 4,714.0	5,102.8	388.8	8,895.9
Sponsored Programs/Nonexchange Sponsored Programs	2,109.2	2,205.0	95.7	3,914.8
State Appropriations	1,342.9	1,356.2	13.3	2,299.3
Net Tuition and Fees	1,044.3	1,082.2	37.9	1,845.1
Auxiliary Revenues/Sales & Services of Educational Activities	816.9	807.5	(9.4)	1,155.5
Net Investment Income	1,165.7	1,083.9	(81.7)	1,855.2
Other Operating Revenues/Gift Contributions for Operations	580.1	545.4	(34.7)	892.1
<b>Total Revenues</b>	<b>11,773.1</b>	<b>12,183.1</b>	<b>410.0</b>	<b>20,857.9</b>
Salaries and Wages/Payroll Related Costs	6,477.0	6,873.5	396.5	11,398.7
Materials and Supplies/Cost of Goods Sold	1,278.9	1,452.3	173.4	2,454.2
Depreciation and Amortization	842.6	871.1	28.4	1,494.3
Other Contracted Services/Professional Fees & Services	748.7	821.5	72.8	1,528.3
All Other Operating Expenses	1,496.4	1,530.8	34.4	2,557.5
<b>Total Expenses (Excluding OPEB &amp; Pension Exp)</b>	<b>\$ 10,843.6</b>	<b>11,549.2</b>	<b>705.6</b>	<b>19,432.9</b>
<b>Adjusted Income (Loss) Excluding OPEB &amp; Pension Exp</b>	<b>929.5</b>	<b>633.9</b>	<b>(295.5)</b>	<b>1,424.9</b>
OPEB Expense	613.7	491.9	(121.8)	843.2
Pension Expense	214.5	147.0	(67.5)	252.0
<b>Adjusted Income (Loss)</b>	<b>101.3</b>	<b>(4.9)</b>	<b>(106.2)</b>	<b>329.7</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>943.9</b>	<b>866.1</b>	<b>(77.8)</b>	<b>1,824.1</b>



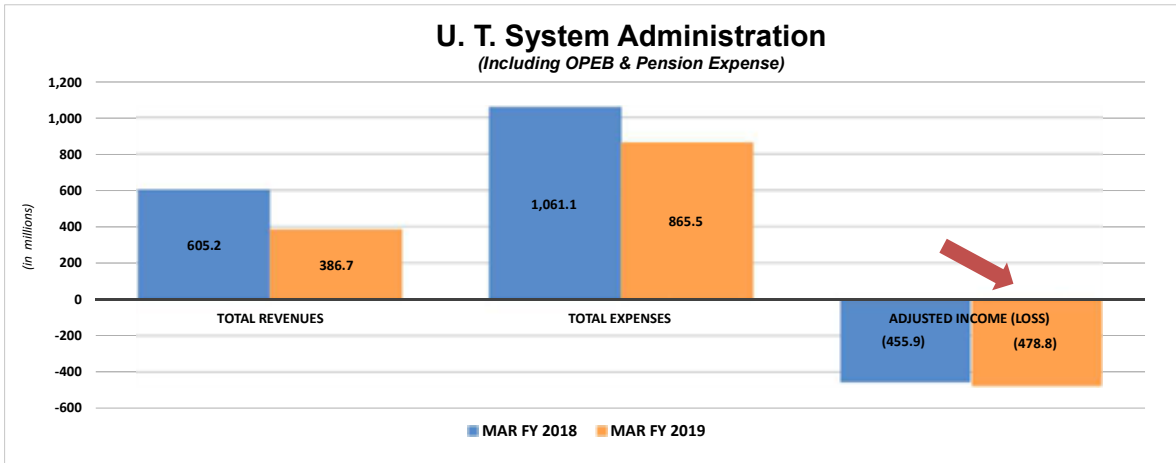
## Monthly Financial Report Comparison of Adjusted Income (Loss) For the Period Ending March 31, 2019

The following table presents a year-to-date comparative summary of each institution's adjusted income (loss).

Institution	March YTD FY 2018 (in millions)	March YTD FY 2019 (in millions)	Variance \$ (in millions)	Variance %
U. T. System Administration	\$ (455.9)	\$ (478.8)	\$ (22.9)	-5.0%
U. T. Arlington	21.3	13.4	(7.9)	-37.3%
U. T. Austin	59.4	73.0	13.7	23.0%
U. T. Dallas	(20.7)	(10.4)	10.4	50.1%
U. T. El Paso	(4.4)	(4.7)	(0.3)	-6.2%
U. T. Permian Basin	(5.5)	(14.7)	(9.2)	-165.6%
U. T. Rio Grande Valley	1.4	(15.6)	(17.1)	-1,182.5%
U. T. San Antonio	8.9	(5.1)	(14.0)	-157.6%
U. T. Tyler	1.1	(1.1)	(2.2)	-202.4%
U. T. Southwestern Medical Center	89.6	48.1	(41.5)	-46.3%
U. T. Medical Branch - Galveston	(10.7)	(26.2)	(15.6)	-146.0%
U. T. Health Science Center - Houston	6.0	(5.9)	(12.0)	-198.5%
U. T. Health Science Center - San Antonio	1.7	(11.9)	(13.7)	-799.9%
U. T. M. D. Anderson Cancer Center	424.3	441.7	17.3	4.1%
U. T. Health Science Center - Tyler	(15.1)	(6.5)	8.7	57.3%
<b>Total Adjusted Income (Loss)</b>	<b>\$ 101.3</b>	<b>\$ (4.9)</b>	<b>\$ (106.2)</b>	<b>-104.8%</b>

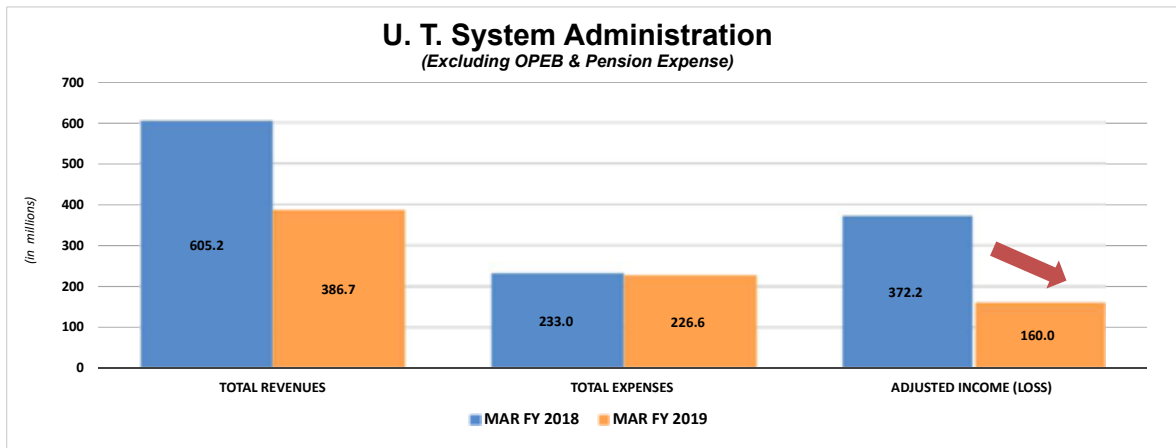


**Monthly Financial Report**  
**Comparison of Operating Results, Margin and Projected Year-End**  
**For the Period Ending March 31, 2019**



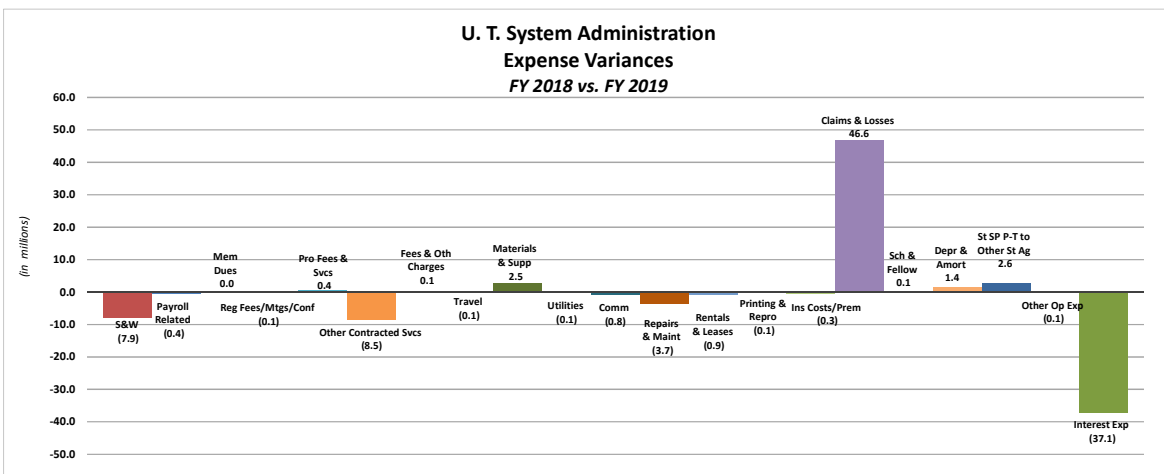
*U. T. System Administration* incurred a year-to-date adjusted loss of \$478.8 million, an increase in adjusted loss of \$22.9 million (5.0%). The increase was primarily due to a decrease in net investment income as a result of a reduction in mineral lease bonus sales. The most current projection provided by *U. T. System Administration* reflects a loss of \$506.3 million for the year.

<i>(in millions)</i>	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 35.9	29.8	(6.2)	55.0
State Appropriations	1.9	1.9	-	3.3
Auxiliary Revenues/Sales & Services of Educational Activities	29.8	6.6	(23.2)	11.4
Net Investment Income/Available University Fund (AUF)	496.8	330.9	(165.9)	567.3
Other Operating Revenues/Gift Contributions for Operations	40.7	17.4	(23.3)	29.4
<b>Total Revenues</b>	<b>605.2</b>	<b>386.7</b>	<b>(218.5)</b>	<b>666.3</b>
Salaries and Wages/Payroll Related Costs	52.2	44.0	(8.2)	(207.4)
Materials and Supplies/Cost of Goods Sold	17.6	20.1	2.5	18.4
Depreciation and Amortization	14.2	15.7	1.4	24.0
Other Contracted Services/Professional Fees & Services	32.7	24.5	(8.1)	36.1
All Other Operating Expenses	116.3	122.4	6.1	206.3
<b>Total Expenses (Excluding OPEB &amp; Pension Exp)</b>	<b>\$ 233.0</b>	<b>226.6</b>	<b>(6.3)</b>	<b>77.5</b>
<b>Adjusted Income (Loss) Excluding OPEB &amp; Pension Exp</b>	<b>372.2</b>	<b>160.0</b>	<b>(212.2)</b>	<b>588.9</b>
OPEB Expense	613.7	491.9	(121.8)	843.2
Pension Expense	214.5	147.0	(67.5)	252.0
<b>Adjusted Income (Loss)</b>	<b>(455.9)</b>	<b>(478.8)</b>	<b>(22.9)</b>	<b>(506.3)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>(441.7)</b>	<b>(463.2)</b>	<b>(21.5)</b>	<b>(482.3)</b>



## Monthly Financial Report Detailed Expense Break-out for U. T. System Administration For the Period Ending March 31, 2019

<i>(in millions)</i>	March YTD FY 2018	March YTD FY 2019	Actual Year-End FY 2018	Annual Projected FY 2019
Salaries and Wages	\$ 43.3	35.4	59.0	60.8
Payroll Related Costs	8.9	8.6	(270.0) *	(268.1) *
Membership Dues	0.3	0.3	0.3	0.6
Registration Fees, Meetings, Conferences	0.2	0.2	0.4	0.3
Professional Fees and Services	7.4	7.8	11.8	13.3
Other Contracted Services	25.3	16.7	31.1	22.8
Fees and Other Charges	(0.1)	0.0	(0.0)	0.1
Travel	0.9	0.8	1.6	1.4
Materials and Supplies	17.6	20.1	10.7	18.4
Utilities	0.4	0.2	0.6	0.4
Communications	4.3	3.5	4.0	3.7
Repairs and Maintenance	6.0	2.3	6.7	4.0
Rentals and Leases	2.8	1.9	3.4	3.3
Printing and Reproduction	0.3	0.2	0.4	0.3
Insurance Costs/Premiums	28.1	27.7	7.1	47.5
Claims and Losses	13.5	60.2	65.5	103.1
Scholarships and Fellowships	0.5	0.6	2.3	1.0
Depreciation and Amortization	14.2	15.7	25.2	24.0
State Sponsored Program Pass-Through to Other State Agencies	0.9	3.5	3.2	4.9
Other Operating Expenses	1.1	0.9	0.3	1.6
Interest Expense	57.1	20.0	32.2	34.2
<b>Total Expenses (Excluding OPEB &amp; Pension Expense)</b>	<b>233.0</b>	<b>226.6</b>	<b>(4.0)</b>	<b>77.5</b>
OPEB Expense	613.7	491.9	843.2	843.2
Pension Expense	214.5	147.0	252.0	252.0
<b>Total Expenses (Including OPEB &amp; Pension Expense)</b>	<b>\$ 1,061.1</b>	<b>865.5</b>	<b>1,091.1</b>	<b>1,172.7</b>



Brief explanations for U. T. System Administration's largest expense variances are provided below:

**Salaries & Wages** – decrease of \$7.9 million due to decreases in Texas Oil and Gas Institute, Competency Based Education and the Chancellor's Office, and a change in methodology for PUF Management revenue allocation and elimination.

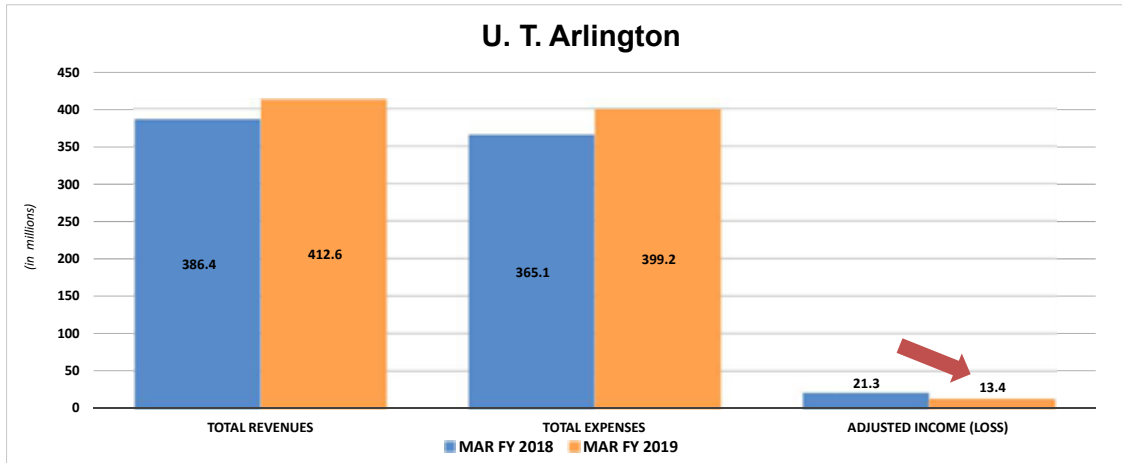
**Other Contracted Services** - decrease of \$8.5 million due to decreases in Competency Based Education, National Lab Exploration, South Texas Biomedical Research Program and University Lands Engineering Services.

**Claims and Losses** - increase of \$46.6 million due to increased claims for the Medical/Dental Self Insurance Plan.

**Interest Expense** - decrease of \$37.1 million due to a change made in the calculation to take into account the amortization of premiums/discounts and gains/losses on bonds to be more consistent with the reporting of interest expense on the Annual Financial Report. This change was made beginning with the April 2018 Monthly Financial Report.

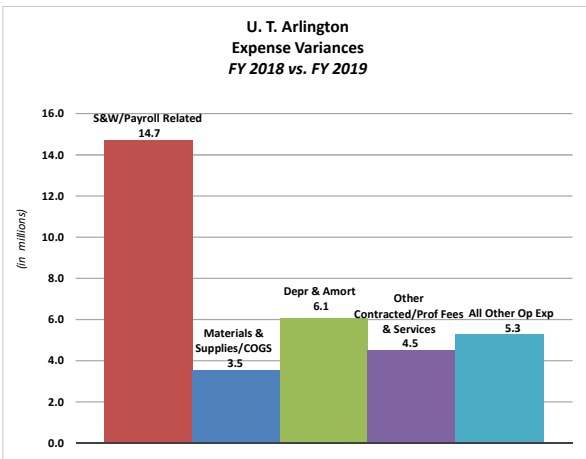
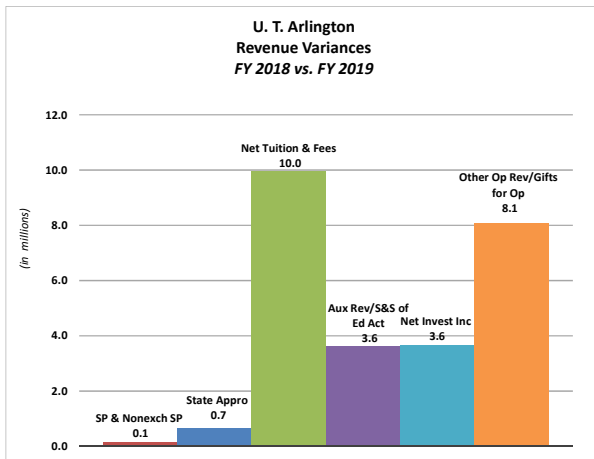
\***Payroll Related Costs** - The negative payroll related costs at year-end relate to the pension entry to defer contributions made after the measurement date.

## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

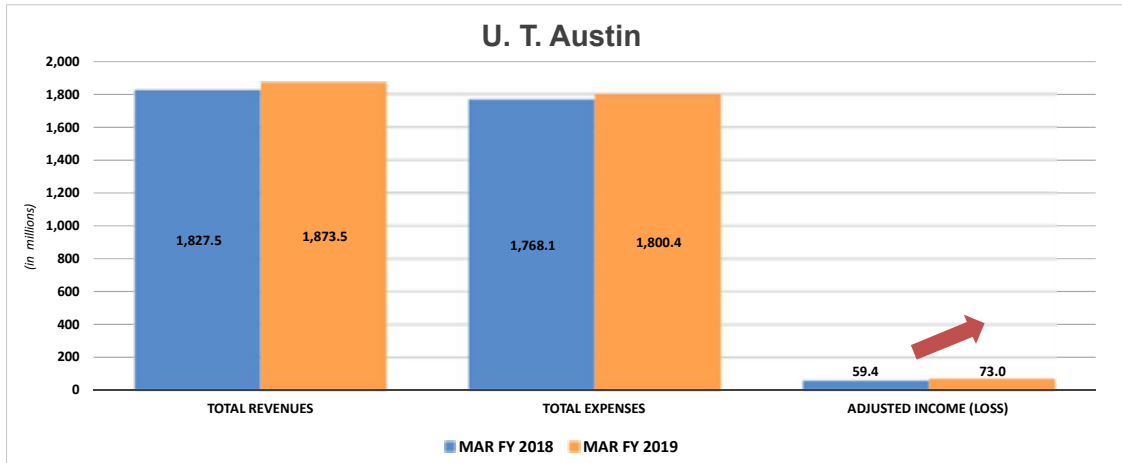


*U. T. Arlington* reported year-to-date adjusted income of \$13.4 million, a decrease of \$7.9 million (37.3%). The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increased faculty levels, faculty retention initiatives, and merit increases; an increase in depreciation and amortization expense as a result of new buildings placed into service in 2018; an increase in other contracted services due to an increase in accelerated online program expenses, temporary parking services, and contracted services for the University Center; and an increase in materials and supplies due to an increase in software expenses and the purchase of non-capital items for new buildings on campus. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was \$45.4 million. The most current projection received from *U. T. Arlington* reflects income of \$24.1 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 80.6	80.7	0.1	137.4
State Appropriations	76.7	77.4	0.7	132.7
Net Tuition and Fees	175.2	185.1	10.0	321.9
Auxiliary Revenues/Sales & Services of Educational Activities	37.4	41.1	3.6	74.5
Net Investment Income	9.5	13.1	3.6	22.6
Other Operating Revenues/Gift Contributions for Operations	7.0	15.1	8.1	19.1
<b>Total Revenues</b>	<b>386.4</b>	<b>412.6</b>	<b>26.1</b>	<b>708.1</b>
Salaries and Wages/Payroll Related Costs	211.9	226.6	14.7	379.2
Materials and Supplies/Cost of Goods Sold	17.0	20.5	3.5	35.6
Depreciation and Amortization	26.0	32.1	6.1	54.9
Other Contracted Services/Professional Fees & Services	40.7	45.2	4.5	85.0
All Other Operating Expenses	69.5	74.8	5.3	129.2
<b>Total Expenses</b>	<b>\$ 365.1</b>	<b>399.2</b>	<b>34.0</b>	<b>684.0</b>
<b>Adjusted Income (Loss)</b>	<b>21.3</b>	<b>13.4</b>	<b>(7.9)</b>	<b>24.1</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>47.3</b>	<b>45.4</b>	<b>(1.9)</b>	<b>79.1</b>

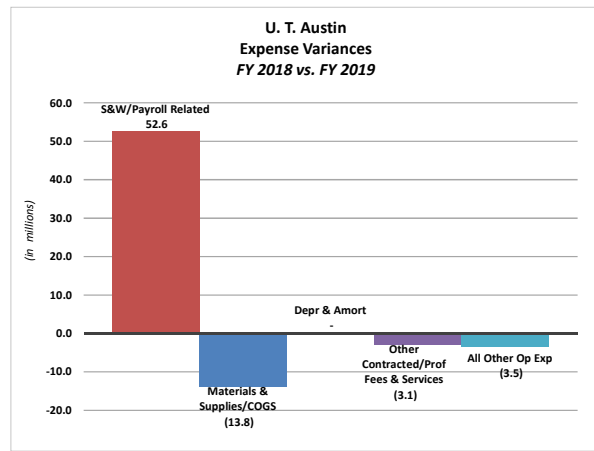
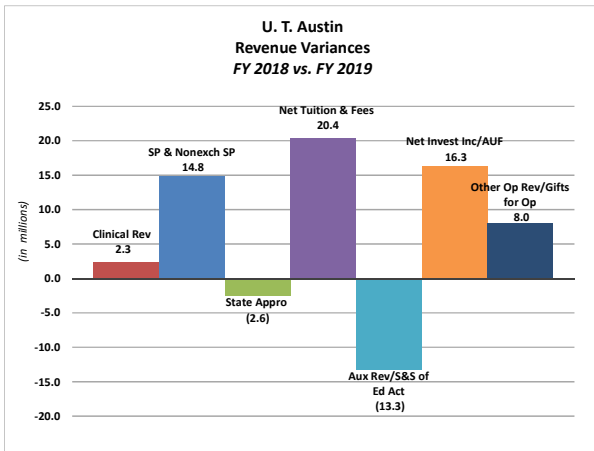


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

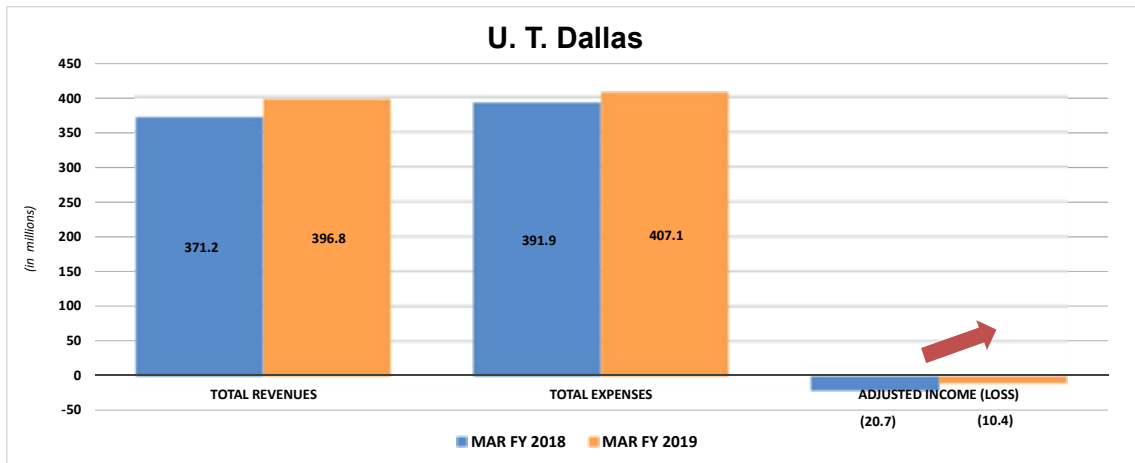


*U. T. Austin* reported year-to-date adjusted income of \$73.0 million, an increase of \$13.7 million (23.0%). The increase was primarily due to the following: an increase in net student tuition and fees due to an increase in flat rate tuition, MBA and PharmD programs; and an increase in the amount of the transfer from the Available University Fund (AUF). Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was \$256.2 million. The most current projection received from *U. T. Austin* reflects income of \$111.7 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 0.7	3.0	2.3	5.0
Sponsored Programs/Nonexchange Sponsored Programs	361.9	376.8	14.8	753.1
State Appropriations	210.4	207.8	(2.6)	356.2
Net Tuition and Fees	282.9	303.3	20.4	520.0
Auxiliary Revenues/Sales & Services of Educational Activities	493.9	480.6	(13.3)	602.4
Net Investment Income/Available University Fund (AUF)	365.8	382.1	16.3	650.0
Other Operating Revenues/Gift Contributions for Operations	111.9	119.9	8.0	177.7
<b>Total Revenues</b>	<b>1,827.5</b>	<b>1,873.5</b>	<b>46.0</b>	<b>3,064.4</b>
Salaries and Wages/Payroll Related Costs	990.8	1,043.4	52.6	1,688.6
Materials and Supplies/Cost of Goods Sold	105.8	92.0	(13.8)	137.8
Depreciation and Amortization	183.2	183.2	-	314.0
Other Contracted Services/Professional Fees & Services	120.3	117.3	(3.1)	212.8
All Other Operating Expenses	368.1	364.6	(3.5)	599.5
<b>Total Expenses</b>	<b>\$ 1,768.1</b>	<b>1,800.4</b>	<b>32.3</b>	<b>2,952.7</b>
<b>Adjusted Income (Loss)</b>	<b>59.4</b>	<b>73.0</b>	<b>13.7</b>	<b>111.7</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>242.5</b>	<b>256.2</b>	<b>13.7</b>	<b>425.7</b>

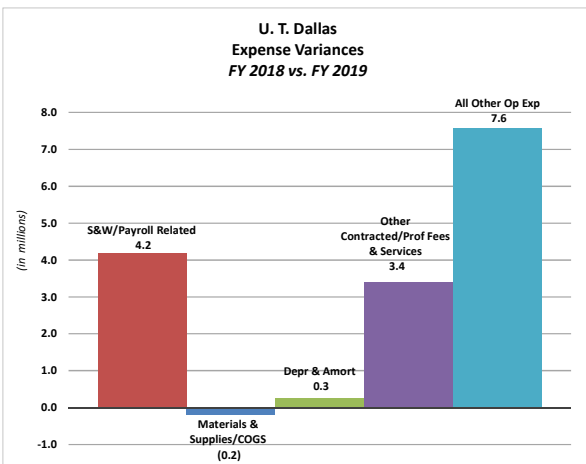
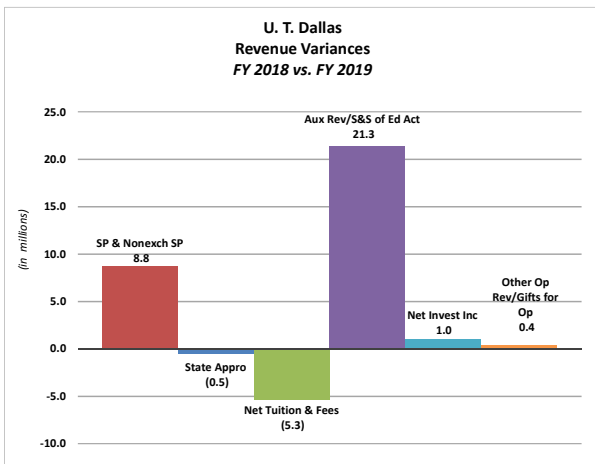


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019



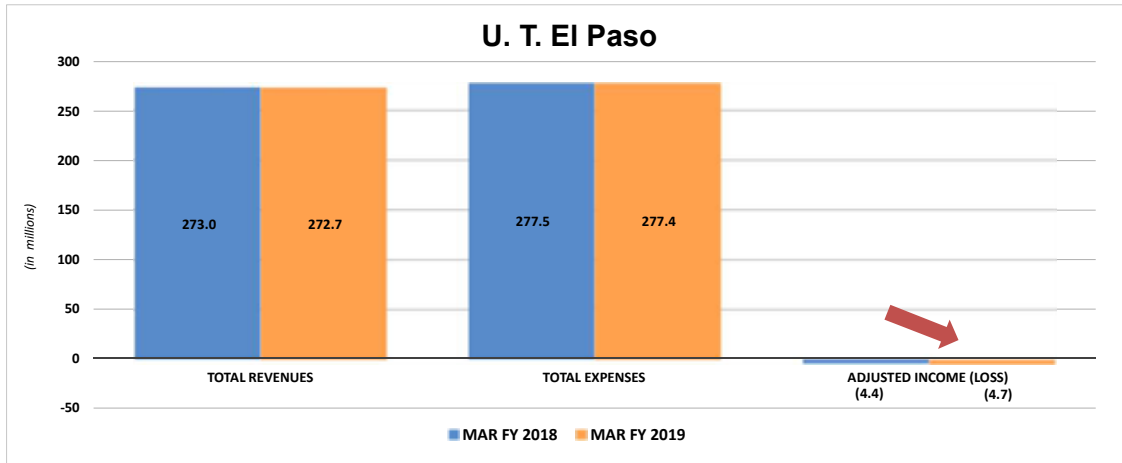
*U. T. Dallas* incurred a year-to-date adjusted loss of \$10.4 million, a decrease in adjusted loss of \$10.4 million (50.1%). This decrease was primarily attributable to an increase in net auxiliary enterprises as a result of housing services being managed internally. Excluding depreciation and amortization expense, *U. T. Dallas*' adjusted income was \$37.5 million. The most current projection received from *U. T. Dallas* reflects a loss of \$17.8 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 51.8	60.5	8.8	103.8
State Appropriations	72.3	71.8	(0.5)	123.2
Net Tuition and Fees	184.7	179.3	(5.3)	307.4
Auxiliary Revenues/Sales & Services of Educational Activities	33.9	55.2	21.3	94.7
Net Investment Income	17.7	18.6	1.0	32.0
Other Operating Revenues/Gift Contributions for Operations	10.8	11.2	0.4	19.2
<b>Total Revenues</b>	<b>371.2</b>	<b>396.8</b>	<b>25.6</b>	<b>680.2</b>
Salaries and Wages/Payroll Related Costs	228.9	233.1	4.2	399.6
Materials and Supplies/Cost of Goods Sold	19.0	18.8	(0.2)	32.2
Depreciation and Amortization	47.6	47.8	0.3	82.0
Other Contracted Services/Professional Fees & Services	15.8	19.2	3.4	32.9
All Other Operating Expenses	80.6	88.2	7.6	151.2
<b>Total Expenses</b>	<b>\$ 391.9</b>	<b>407.1</b>	<b>15.2</b>	<b>698.0</b>
<b>Adjusted Income (Loss)</b>	<b>(20.7)</b>	<b>(10.4)</b>	<b>10.4</b>	<b>(17.8)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>26.8</b>	<b>37.5</b>	<b>10.6</b>	<b>64.2</b>



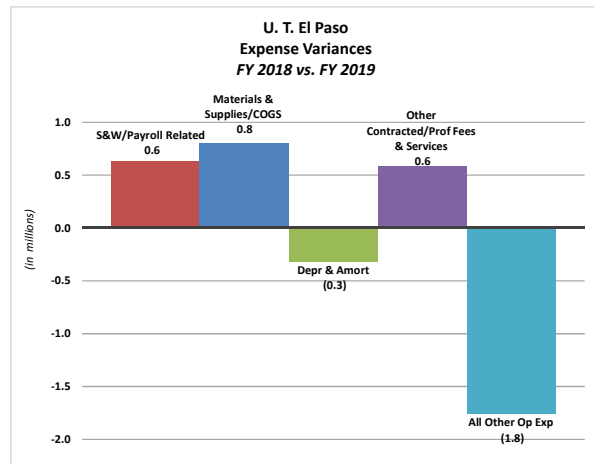
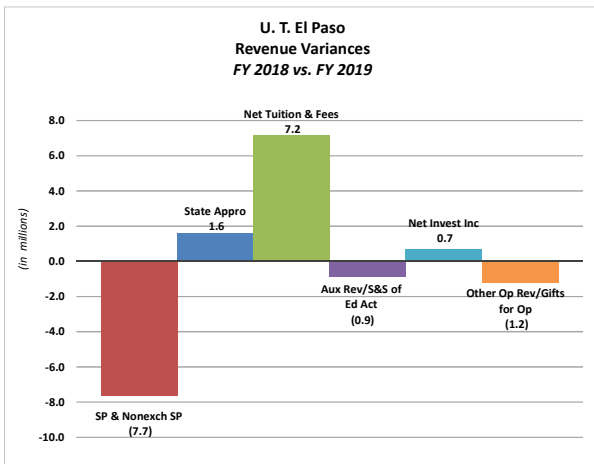


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

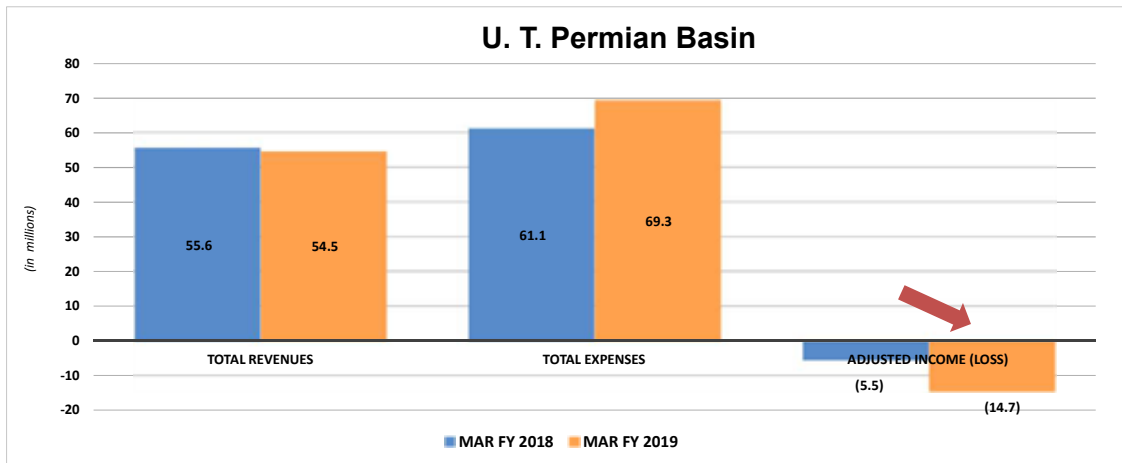


U. T. El Paso incurred a year-to-date adjusted loss of \$4.7 million, a slight increase in adjusted loss of \$0.3 million (6.2%). The increase was primarily due to a decrease in gift contributions for operations. Excluding depreciation and amortization expense, U. T. El Paso's adjusted income was \$12.8 million. The most current projection received from U. T. El Paso reflects a loss of \$6.4 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 90.7	83.1	(7.7)	146.8
State Appropriations	64.2	65.8	1.6	107.6
Net Tuition and Fees	77.3	84.4	7.2	135.5
Auxiliary Revenues/Sales & Services of Educational Activities	27.5	26.6	(0.9)	41.2
Net Investment Income	9.1	9.8	0.7	15.9
Other Operating Revenues/Gift Contributions for Operations	4.3	3.0	(1.2)	6.2
<b>Total Revenues</b>	<b>273.0</b>	<b>272.7</b>	<b>(0.3)</b>	<b>453.2</b>
Salaries and Wages/Payroll Related Costs	151.1	151.7	0.6	253.6
Materials and Supplies/Cost of Goods Sold	10.2	11.0	0.8	20.4
Depreciation and Amortization	17.8	17.5	(0.3)	30.3
Other Contracted Services/Professional Fees & Services	19.1	19.7	0.6	29.1
All Other Operating Expenses	79.2	77.5	(1.8)	126.2
<b>Total Expenses</b>	<b>\$ 277.5</b>	<b>277.4</b>	<b>(0.1)</b>	<b>459.6</b>
<b>Adjusted Income (Loss)</b>	<b>(4.4)</b>	<b>(4.7)</b>	<b>(0.3)</b>	<b>(6.4)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>13.4</b>	<b>12.8</b>	<b>(0.6)</b>	<b>23.8</b>

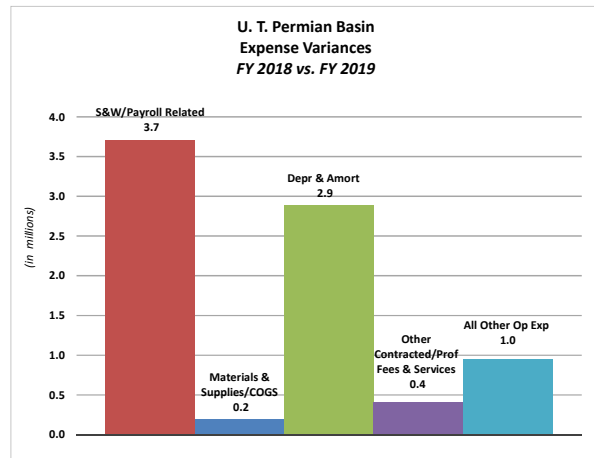
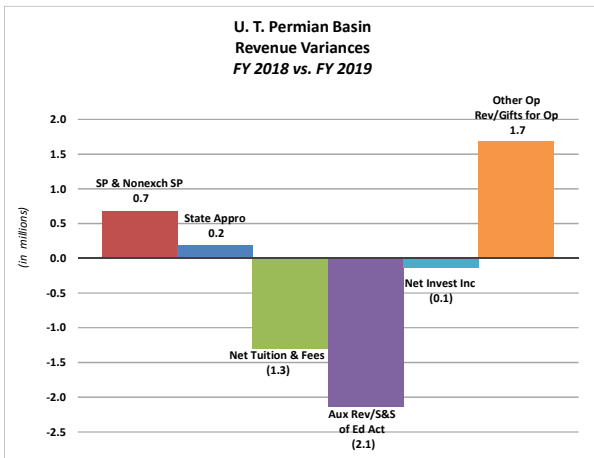


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

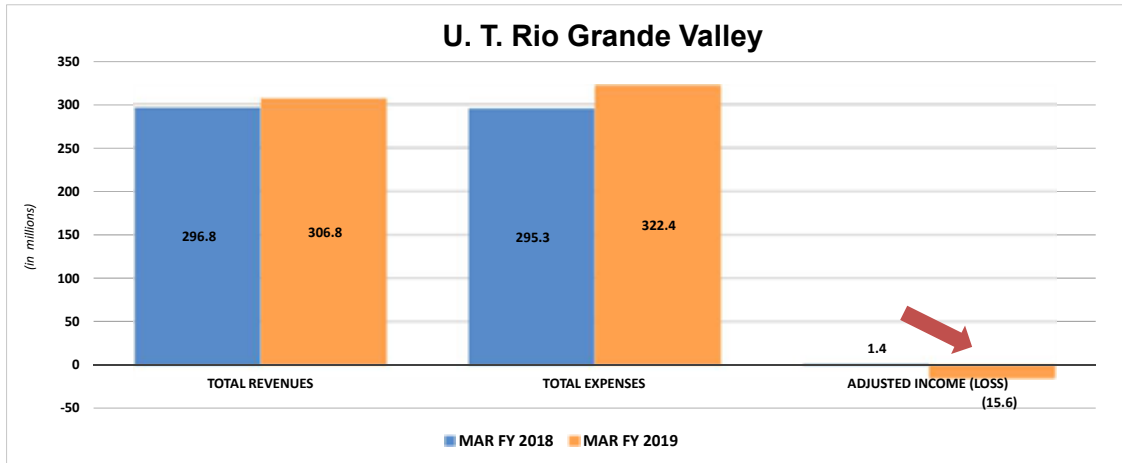


*U. T. Permian Basin* incurred a year-to-date adjusted loss of \$14.7 million, an increase in adjusted loss of \$9.2 million (165.6%). The increase was primarily attributable to the following: an increase in salaries and wages and payroll related costs as a result of vacant positions being filled; an increase in depreciation and amortization expense due to a correction to the in service date related to the Center for Energy and Economic Diversification; and a decrease in net auxiliary enterprises as a result of Fall 2018 revenue which was not properly deferred to 2019, as well as a decrease in enrollment. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted loss was \$2.6 million. The most current projection received from *U. T. Permian Basin* reflects a loss of \$31.0 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 8.5	9.2	0.7	15.8
State Appropriations	21.4	21.6	0.2	35.2
Net Tuition and Fees	13.6	12.3	(1.3)	21.1
Auxiliary Revenues/Sales & Services of Educational Activities	6.6	4.5	(2.1)	7.7
Net Investment Income	1.5	1.3	(0.1)	2.3
Other Operating Revenues/Gift Contributions for Operations	4.0	5.6	1.7	4.6
<b>Total Revenues</b>	<b>55.6</b>	<b>54.5</b>	<b>(1.0)</b>	<b>86.6</b>
Salaries and Wages/Payroll Related Costs	25.8	29.5	3.7	50.6
Materials and Supplies/Cost of Goods Sold	2.6	2.8	0.2	4.9
Depreciation and Amortization	9.2	12.1	2.9	20.8
Other Contracted Services/Professional Fees & Services	5.4	5.8	0.4	9.9
All Other Operating Expenses	18.0	19.0	1.0	31.4
<b>Total Expenses</b>	<b>\$ 61.1</b>	<b>69.3</b>	<b>8.1</b>	<b>117.6</b>
<b>Adjusted Income (Loss)</b>	<b>(5.5)</b>	<b>(14.7)</b>	<b>(9.2)</b>	<b>(31.0)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>3.7</b>	<b>(2.6)</b>	<b>(6.3)</b>	<b>(10.2)</b>

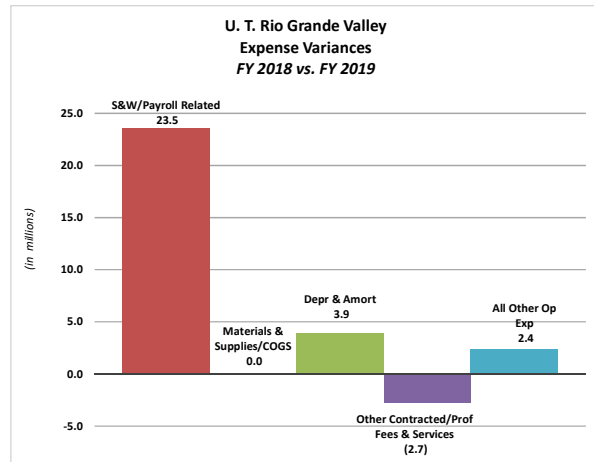
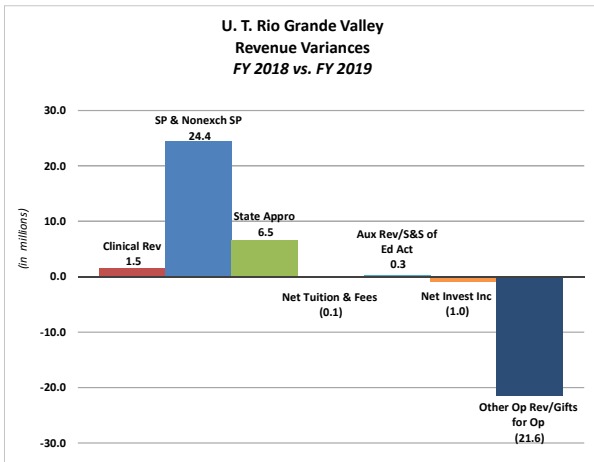


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

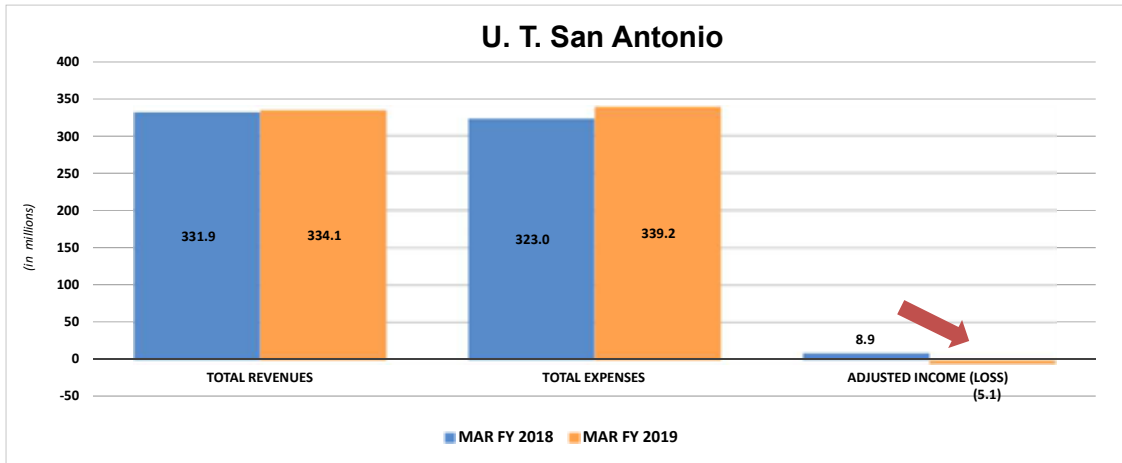


*U. T. Rio Grande Valley* incurred a year-to-date adjusted loss of \$15.6 million, a decrease of \$17.1 million (1,182.5%). The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increases in staff and faculty positions; and an increase in depreciation and amortization expense as a result of two new buildings placed into service in 2018. In addition, there were reclassifications between sponsored programs and other operating revenues. Excluding depreciation and amortization expense, *U. T. Rio Grande Valley's* adjusted income was \$11.1 million. The most current projection received from *U. T. Rio Grande Valley* reflects a loss of \$26.2 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 1.9	3.4	1.5	7.3
Sponsored Programs/Nonexchange Sponsored Programs	101.7	126.1	24.4	204.1
State Appropriations	85.6	92.1	6.5	145.8
Net Tuition and Fees	58.6	58.5	(0.1)	100.2
Auxiliary Revenues/Sales & Services of Educational Activities	10.7	11.0	0.3	16.7
Net Investment Income	6.8	5.8	(1.0)	8.4
Other Operating Revenues/Gift Contributions for Operations	31.4	9.8	(21.6)	11.2
<b>Total Revenues</b>	<b>296.8</b>	<b>306.8</b>	<b>10.0</b>	<b>493.9</b>
Salaries and Wages/Payroll Related Costs	172.0	195.6	23.5	320.7
Materials and Supplies/Cost of Goods Sold	11.2	11.2	0.0	20.9
Depreciation and Amortization	22.9	26.7	3.9	48.4
Other Contracted Services/Professional Fees & Services	11.6	8.9	(2.7)	16.2
All Other Operating Expenses	77.6	80.0	2.4	113.9
<b>Total Expenses</b>	<b>\$ 295.3</b>	<b>322.4</b>	<b>27.1</b>	<b>520.1</b>
<b>Adjusted Income (Loss)</b>	<b>1.4</b>	<b>(15.6)</b>	<b>(17.1)</b>	<b>(26.2)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>24.3</b>	<b>11.1</b>	<b>(13.2)</b>	<b>22.1</b>

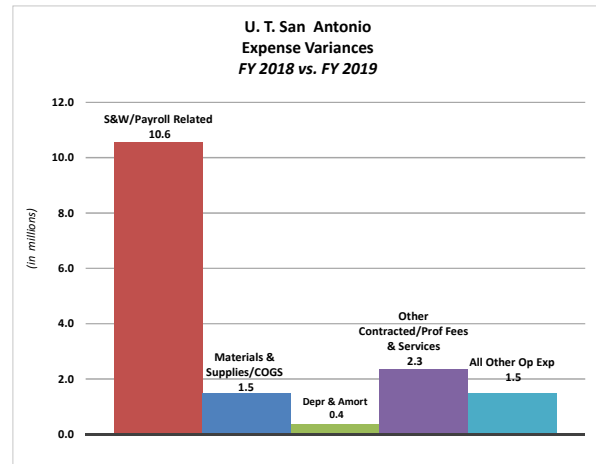
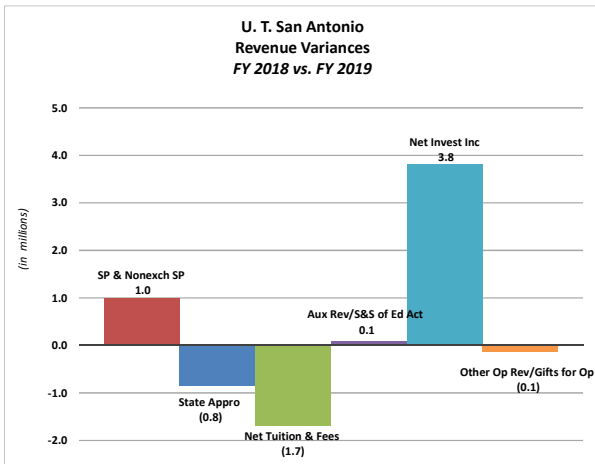


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

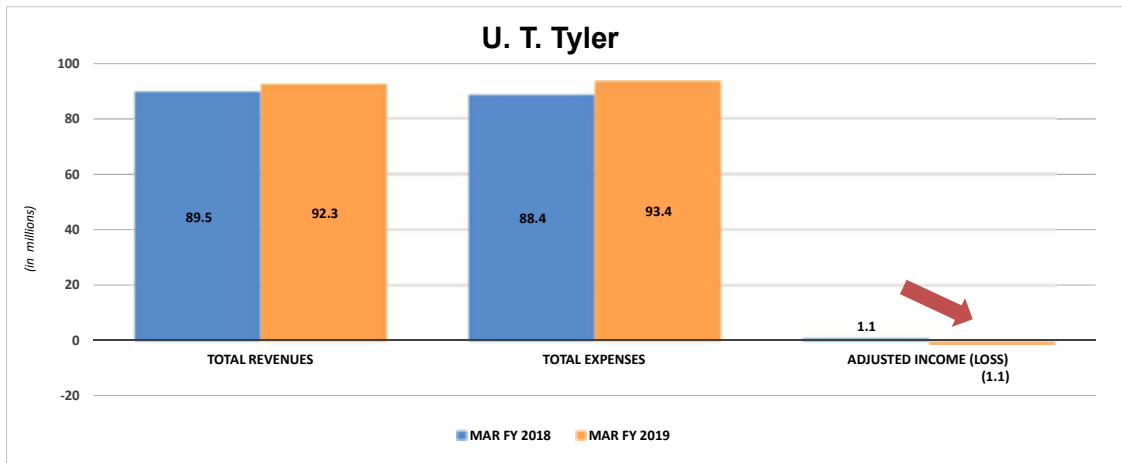


*U. T. San Antonio* incurred a year-to-date adjusted loss of \$5.1 million, a decrease of \$14.0 million (157.6%). The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to merit increases and vacant positions being filled; an increase in professional fees and services due to various new Presidential strategic initiatives; and an increase in materials and supplies due to an increase in software expenses, as well as non-capitalized expenses for furniture and equipment. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was \$23.8 million. The most current projection received from *U. T. San Antonio* reflects a loss of \$8.8 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 78.8	79.8	1.0	136.8
State Appropriations	78.5	77.6	(0.8)	133.1
Net Tuition and Fees	122.3	120.6	(1.7)	206.7
Auxiliary Revenues/Sales & Services of Educational Activities	35.9	36.0	0.1	61.8
Net Investment Income	9.3	13.1	3.8	22.4
Other Operating Revenues/Gift Contributions for Operations	7.1	7.0	(0.1)	12.0
<b>Total Revenues</b>	<b>331.9</b>	<b>334.1</b>	<b>2.2</b>	<b>572.7</b>
Salaries and Wages/Payroll Related Costs	181.9	192.4	10.6	329.9
Materials and Supplies/Cost of Goods Sold	14.6	16.1	1.5	27.5
Depreciation and Amortization	28.6	28.9	0.4	49.6
Other Contracted Services/Professional Fees & Services	15.5	17.8	2.3	30.5
All Other Operating Expenses	82.5	84.0	1.5	143.9
<b>Total Expenses</b>	<b>\$ 323.0</b>	<b>339.2</b>	<b>16.3</b>	<b>581.5</b>
<b>Adjusted Income (Loss)</b>	<b>8.9</b>	<b>(5.1)</b>	<b>(14.0)</b>	<b>(8.8)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>37.5</b>	<b>23.8</b>	<b>(13.7)</b>	<b>40.8</b>

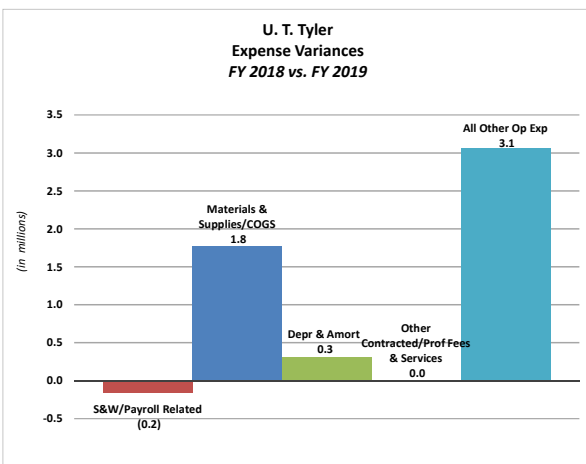
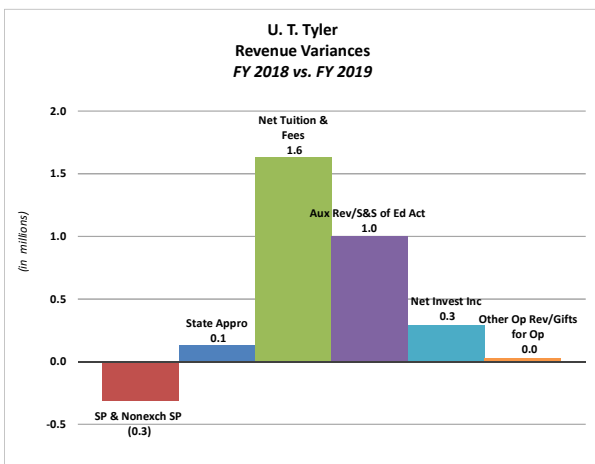


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

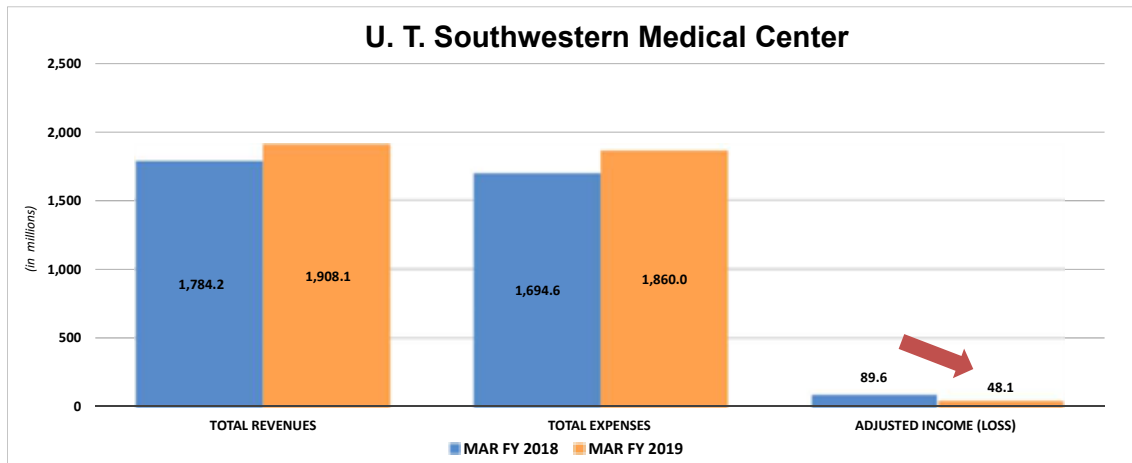


*U. T. Tyler* incurred a year-to-date adjusted loss of \$1.1 million, a decrease of \$2.2 million (202.4%). The decrease was primarily due to the following: an increase in materials and supplies for non-capitalized furnishings and equipment for the STEM Business building; and an increase in repairs and maintenance as a result of an increase in non-capitalized software, grounds maintenance, and waste disposal expenses. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was \$8.2 million. The most current projection received from *U. T. Tyler* reflects a loss of \$0.7 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	\$ 14.7	14.4	(0.3)	25.0
State Appropriations	25.6	25.8	0.1	44.2
Net Tuition and Fees	30.1	31.8	1.6	54.4
Auxiliary Revenues/Sales & Services of Educational Activities	14.9	15.9	1.0	23.0
Net Investment Income	3.2	3.5	0.3	6.8
Other Operating Revenues/Gift Contributions for Operations	0.9	1.0	0.0	1.6
<b>Total Revenues</b>	<b>89.5</b>	<b>92.3</b>	<b>2.8</b>	<b>155.0</b>
Salaries and Wages/Payroll Related Costs	54.8	54.7	(0.2)	90.2
Materials and Supplies/Cost of Goods Sold	3.4	5.2	1.8	8.1
Depreciation and Amortization	9.0	9.3	0.3	15.8
Other Contracted Services/Professional Fees & Services	6.1	6.1	0.0	12.0
All Other Operating Expenses	15.1	18.1	3.1	29.4
<b>Total Expenses</b>	<b>\$ 88.4</b>	<b>93.4</b>	<b>5.0</b>	<b>155.6</b>
<b>Adjusted Income (Loss)</b>	<b>1.1</b>	<b>(1.1)</b>	<b>(2.2)</b>	<b>(0.7)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>10.1</b>	<b>8.2</b>	<b>(1.9)</b>	<b>15.2</b>

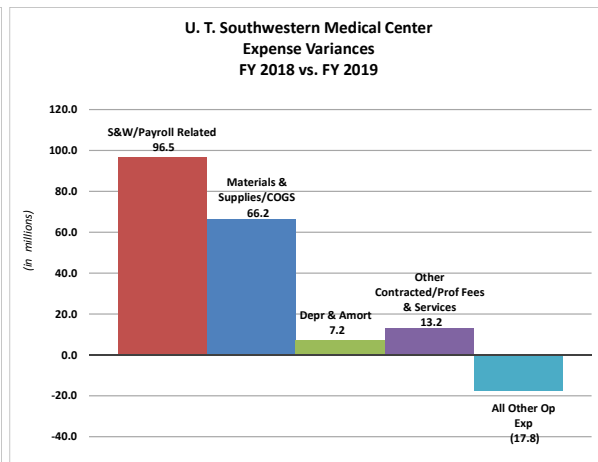
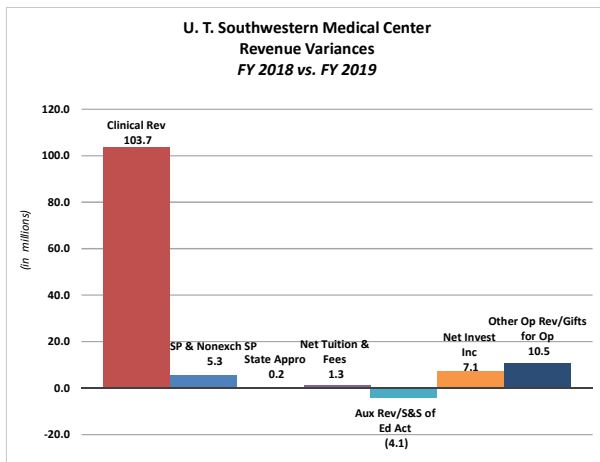


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

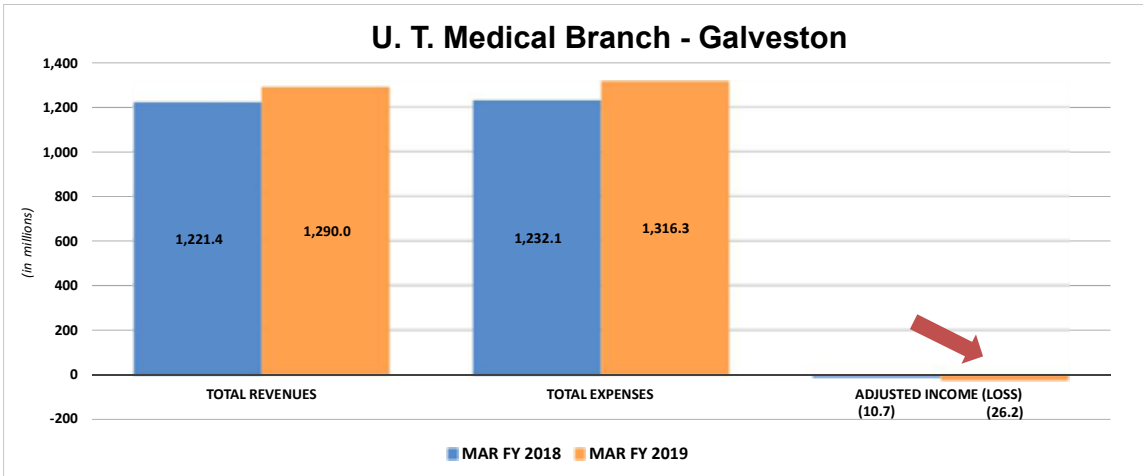


U. T. Southwestern Medical Center reported year-to-date adjusted income of \$48.1 million, a decrease of \$41.5 million (46.3%). The decrease was primarily due to the following: an increase in salaries and wages and payroll related costs as a result of growth in both the hospital and the physician practice plan; and an increase in materials and supplies as a result of increased drugs and medical supplies driven by patient volumes and patient acuity. Excluding depreciation and amortization expense, U. T. Southwestern Medical Center's adjusted income was \$155.1 million. The most current projection received from U. T. Southwestern Medical Center reflects income of \$90.5 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 1,137.4	1,241.1	103.7	2,155.7
Sponsored Programs/Nonexchange Sponsored Programs	341.2	346.5	5.3	575.6
State Appropriations	112.8	112.9	0.2	193.9
Net Tuition and Fees	14.5	15.8	1.3	27.0
Auxiliary Revenues/Sales & Services of Educational Activities	24.6	20.5	(4.1)	35.1
Net Investment Income	69.2	76.3	7.1	119.1
Other Operating Revenues/Gift Contributions for Operations	84.5	95.0	10.5	182.5
<b>Total Revenues</b>	<b>1,784.2</b>	<b>1,908.1</b>	<b>123.9</b>	<b>3,289.0</b>
Salaries and Wages/Payroll Related Costs	1,064.4	1,160.9	96.5	1,997.8
Materials and Supplies/Cost of Goods Sold	279.5	345.7	66.2	595.9
Depreciation and Amortization	99.8	107.0	7.2	177.0
Other Contracted Services/Professional Fees & Services	123.3	136.5	13.2	254.7
All Other Operating Expenses	127.7	109.9	(17.8)	173.2
<b>Total Expenses</b>	<b>\$ 1,694.6</b>	<b>1,860.0</b>	<b>165.4</b>	<b>3,198.5</b>
<b>Adjusted Income (Loss)</b>	<b>89.6</b>	<b>48.1</b>	<b>(41.5)</b>	<b>90.5</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>189.3</b>	<b>155.1</b>	<b>(34.2)</b>	<b>267.5</b>

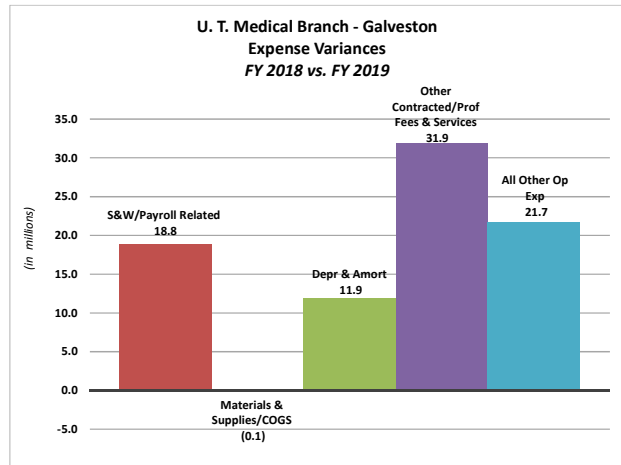
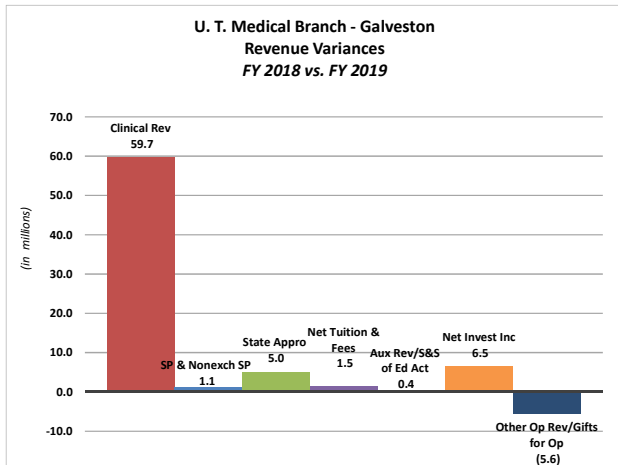


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

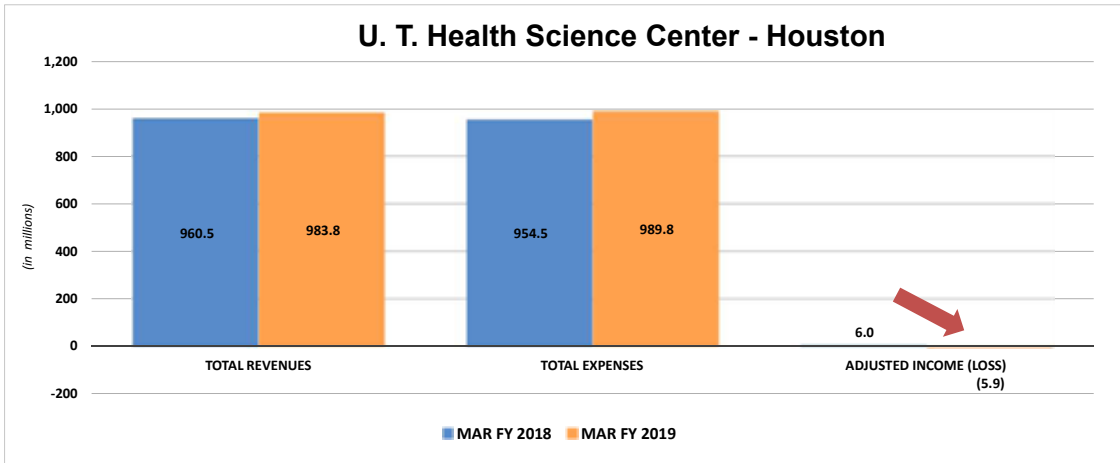


*U. T. Medical Branch - Galveston* incurred a year-to-date adjusted loss of \$26.2 million, an increase in adjusted loss of \$15.6 million (146.0%). The increase was primarily due to the following: an increase in professional fees and services due to an increase in consulting services from external consulting firms, a clinical partnership contract with *U. T. M. D. Anderson Cancer Center*, and Clear Lake hospital startup activity; an increase in other contracted services as a result of an increase in Correctional Managed Care costs; an increase in salaries and wages and payroll related costs as a result of increases in staff and faculty positions associated with the opening of the Clear Lake hospital and merit increases; and an increase in depreciation and amortization expense due to various projects placed into service. Excluding depreciation and amortization expense, *U. T. Medical Branch - Galveston's* adjusted income was \$75.7 million. The most current projection received from *U. T. Medical Branch - Galveston* reflects a loss of \$44.3 million for the year primarily as a result of startup costs related to the opening of the Clear Lake hospital in March.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 783.3	843.0	59.7	1,503.1
Sponsored Programs/Nonexchange Sponsored Programs	115.3	116.4	1.1	202.0
State Appropriations	215.7	220.7	5.0	373.6
Net Tuition and Fees	24.2	25.7	1.5	43.5
Auxiliary Revenues/Sales & Services of Educational Activities	15.7	16.1	0.4	29.5
Net Investment Income	31.1	37.7	6.5	63.9
Other Operating Revenues/Gift Contributions for Operations	36.1	30.5	(5.6)	53.2
<b>Total Revenues</b>	<b>1,221.4</b>	<b>1,290.0</b>	<b>68.6</b>	<b>2,268.8</b>
Salaries and Wages/Payroll Related Costs	784.2	803.0	18.8	1,394.0
Materials and Supplies/Cost of Goods Sold	157.2	157.1	(0.1)	281.7
Depreciation and Amortization	90.1	102.0	11.9	183.6
Other Contracted Services/Professional Fees & Services	87.0	118.9	31.9	218.9
All Other Operating Expenses	113.6	135.3	21.7	234.7
<b>Total Expenses</b>	<b>\$ 1,232.1</b>	<b>1,316.3</b>	<b>84.2</b>	<b>2,313.0</b>
<b>Adjusted Income (Loss)</b>	<b>(10.7)</b>	<b>(26.2)</b>	<b>(15.6)</b>	<b>(44.3)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>79.4</b>	<b>75.7</b>	<b>(3.7)</b>	<b>139.4</b>

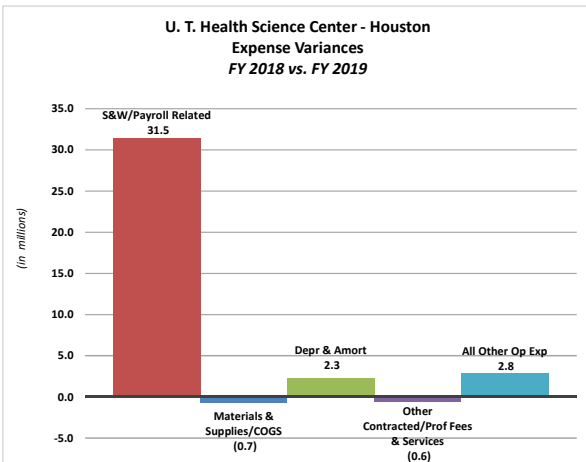
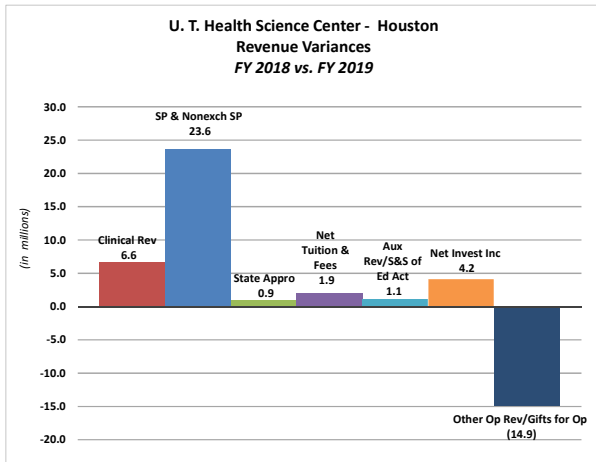


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019



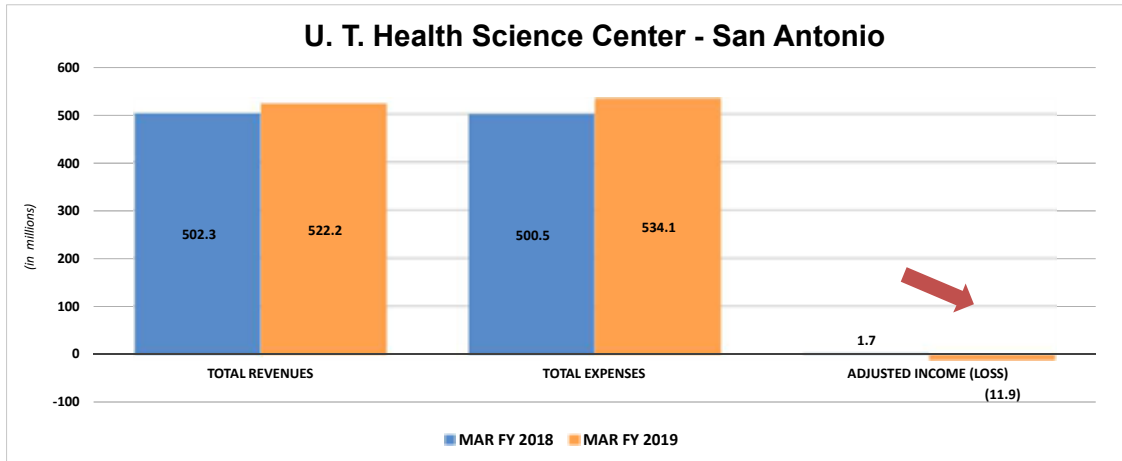
*U. T. Health Science Center - Houston* incurred a year-to-date loss of \$5.9 million, a decrease of \$12.0 million (198.5%). The decrease was attributable to the following: an increase in salaries and wages as a result of growth in the physician practice plan; a decrease in other operating revenues as a result of a decline in Delivery System Reform Incentive Payment (DSRIP) revenues; and a decrease in gift contributions for operations as a result of a decline in pledges as compared to the prior year. Excluding depreciation and amortization expense, *U. T. Health Science Center - Houston's* adjusted income was \$33.2 million. The most current projection received from *U. T. Health Science Center - Houston* reflects income of \$8.1 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 251.4	258.0	6.6	449.7
Sponsored Programs/Nonexchange Sponsored Programs	430.2	453.8	23.6	816.1
State Appropriations	125.4	126.4	0.9	215.7
Net Tuition and Fees	34.3	36.3	1.9	59.3
Auxiliary Revenues/Sales & Services of Educational Activities	40.5	41.6	1.1	67.3
Net Investment Income	26.0	30.2	4.2	54.5
Other Operating Revenues/Gift Contributions for Operations	52.6	37.7	(14.9)	72.7
<b>Total Revenues</b>	<b>960.5</b>	<b>983.8</b>	<b>23.3</b>	<b>1,735.4</b>
Salaries and Wages/Payroll Related Costs	695.6	727.1	31.5	1,254.2
Materials and Supplies/Cost of Goods Sold	51.5	50.8	(0.7)	85.3
Depreciation and Amortization	36.8	39.2	2.3	67.3
Other Contracted Services/Professional Fees & Services	77.8	77.2	(0.6)	146.4
All Other Operating Expenses	92.7	95.5	2.8	174.1
<b>Total Expenses</b>	<b>\$ 954.5</b>	<b>989.8</b>	<b>35.3</b>	<b>1,727.3</b>
<b>Adjusted Income (Loss)</b>	<b>6.0</b>	<b>(5.9)</b>	<b>(12.0)</b>	<b>8.1</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>42.9</b>	<b>33.2</b>	<b>(9.6)</b>	<b>75.4</b>



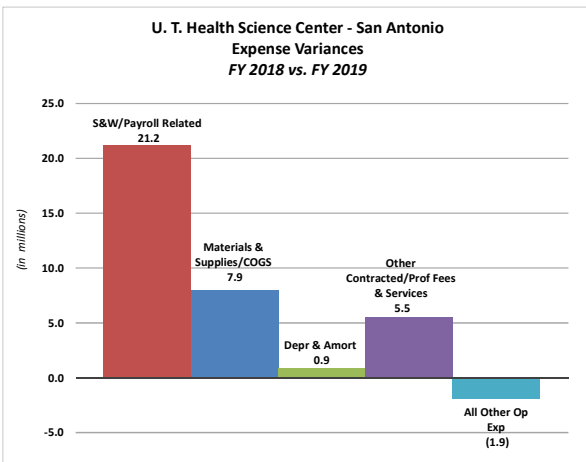
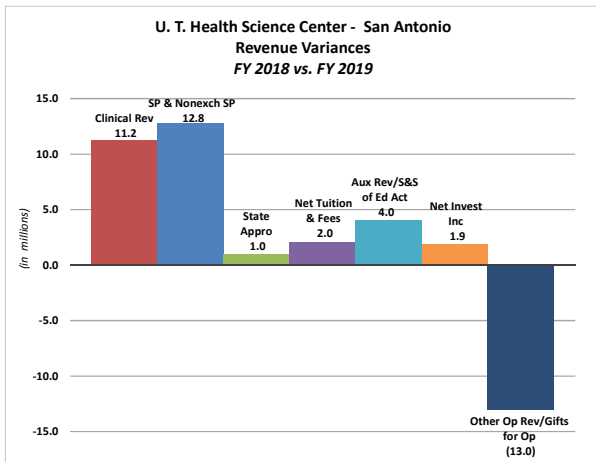


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

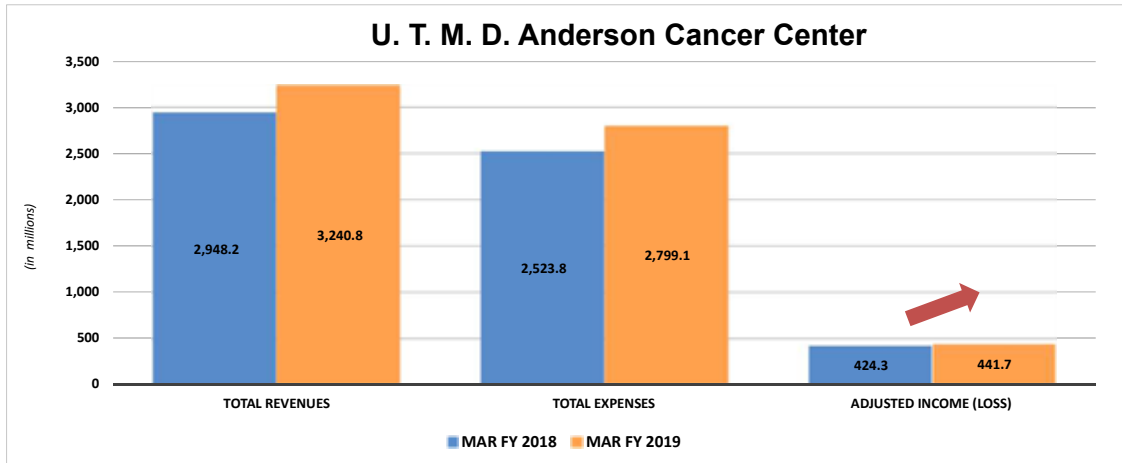


*U. T. Health Science Center - San Antonio* incurred a year-to-date loss of \$11.9 million, a decrease of \$13.7 million (799.9%). The decrease was primarily due to the following: an increase in salaries and wages attributable to increased clinical faculty and staff positions as a result of growth associated with expanded clinical facilities; a decline in Delivery System Reform Incentive Payment (DSRIP) revenues; and a cancelled pledge from the now dissolved San Antonio Cancer Foundation. Excluding depreciation and amortization expense, *U. T. Health Science Center - San Antonio's* adjusted income was \$21.3 million. The most current projection received from *U. T. Health Science Center - San Antonio* reflects a loss of \$11.8 million for the year due to expansion and research.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 120.3	131.5	11.2	238.4
Sponsored Programs/Nonexchange Sponsored Programs	179.7	192.4	12.8	328.2
State Appropriations	100.7	101.7	1.0	173.1
Net Tuition and Fees	25.6	27.6	2.0	46.0
Auxiliary Revenues/Sales & Services of Educational Activities	16.7	20.7	4.0	36.5
Net Investment Income	25.7	27.6	1.9	44.0
Other Operating Revenues/Gift Contributions for Operations	33.6	20.6	(13.0)	32.9
<b>Total Revenues</b>	<b>502.3</b>	<b>522.2</b>	<b>19.9</b>	<b>899.1</b>
Salaries and Wages/Payroll Related Costs	340.7	361.8	21.2	621.1
Materials and Supplies/Cost of Goods Sold	36.3	44.2	7.9	75.8
Depreciation and Amortization	32.4	33.3	0.9	57.0
Other Contracted Services/Professional Fees & Services	25.7	31.2	5.5	52.5
All Other Operating Expenses	65.6	63.6	(1.9)	104.6
<b>Total Expenses</b>	<b>\$ 500.5</b>	<b>534.1</b>	<b>33.6</b>	<b>910.9</b>
<b>Adjusted Income (Loss)</b>	<b>1.7</b>	<b>(11.9)</b>	<b>(13.7)</b>	<b>(11.8)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>34.1</b>	<b>21.3</b>	<b>(12.8)</b>	<b>45.2</b>

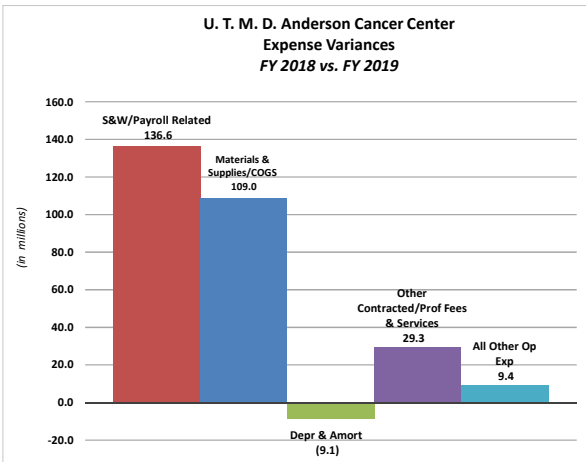
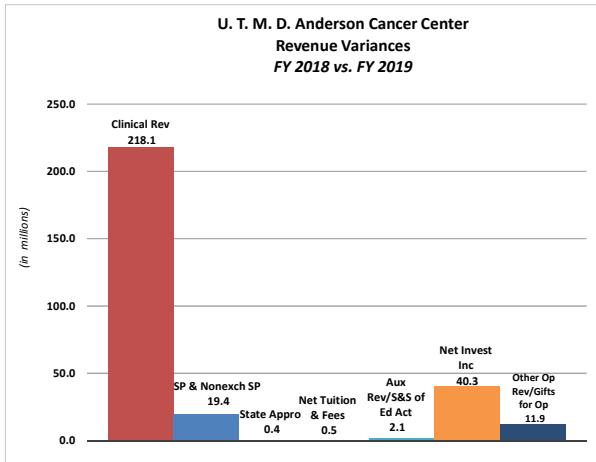


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019

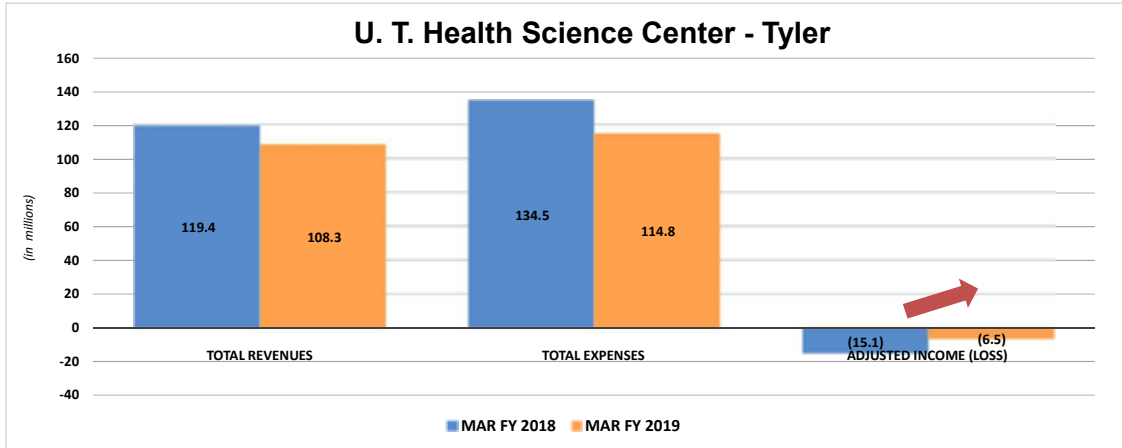


U. T. M. D. Anderson Cancer Center reported year-to-date adjusted income of \$441.7 million, an increase of \$17.3 million (4.1%). The increase in adjusted income was primarily attributable to an increase in net sales and services of hospitals due to an increase in admissions, patient days, and outpatient visits. An increase in net investment income due to improved market conditions also contributed to the favorable variance. Excluding depreciation and amortization expense, U. T. M. D. Anderson Cancer Center's adjusted income was \$649.6 million. The most current projection received from U. T. M. D. Anderson Cancer Center reflects income of \$747.9 million for the year.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 2,369.7	2,587.7	218.1	4,475.1
Sponsored Programs/Nonexchange Sponsored Programs	198.3	217.7	19.4	384.0
State Appropriations	121.8	122.2	0.4	209.4
Net Tuition and Fees	0.9	1.4	0.5	1.7
Auxiliary Revenues/Sales & Services of Educational Activities	26.5	28.6	2.1	49.4
Net Investment Income	91.6	131.9	40.3	242.5
Other Operating Revenues/Gift Contributions for Operations	139.3	151.2	11.9	234.7
<b>Total Revenues</b>	<b>2,948.2</b>	<b>3,240.8</b>	<b>292.6</b>	<b>5,596.9</b>
Salaries and Wages/Payroll Related Costs	1,441.5	1,578.1	136.6	2,713.4
Materials and Supplies/Cost of Goods Sold	535.5	644.4	109.0	1,088.7
Depreciation and Amortization	217.0	207.9	(9.1)	355.2
Other Contracted Services/Professional Fees & Services	150.3	179.6	29.3	367.0
All Other Operating Expenses	179.6	189.1	9.4	324.6
<b>Total Expenses</b>	<b>\$ 2,523.8</b>	<b>2,799.1</b>	<b>275.3</b>	<b>4,848.9</b>
<b>Adjusted Income (Loss)</b>	<b>424.3</b>	<b>441.7</b>	<b>17.3</b>	<b>747.9</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>641.3</b>	<b>649.6</b>	<b>8.3</b>	<b>1,103.1</b>

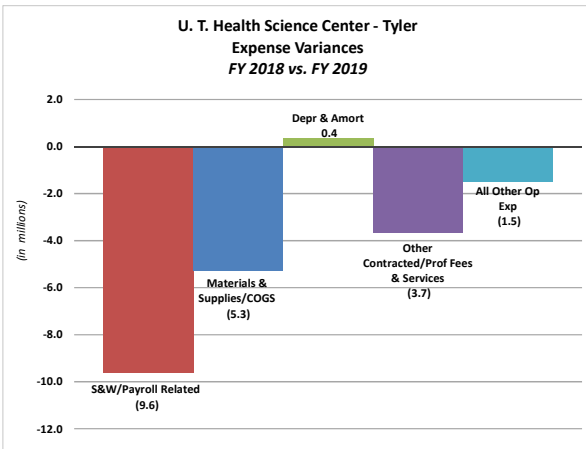
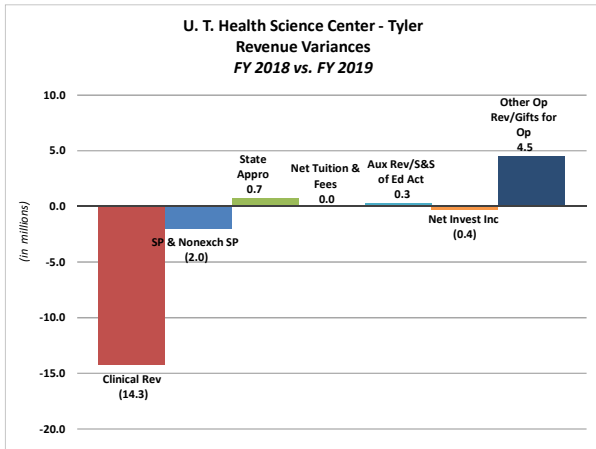


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending March 31, 2019



*U. T. Health Science Center - Tyler* incurred a year-to-date loss of \$6.5 million, a decrease in adjusted loss of \$8.7 million (57.3%). The decrease was primarily due to the following: lower salaries and wages and payroll related costs attributable to workforce restructuring initiatives; a decrease in materials and supplies as a result of a decrease in medical supplies, corresponding to lower direct hospital revenue associated with entry into the UT Health East Texas (UTHET) joint venture; increased other operating income from the joint venture; and a decrease in professional fees as a result of lower medical services expenses and one-time consulting and legal expenses associated with the joint venture in 2018 with no such comparable expenses in 2019. Excluding depreciation and amortization expense, *U. T. Health Science Center - Tyler's* adjusted income was \$2.0 million. The most current projection received from *U. T. Health Science Center - Tyler* reflects income of \$0.6 million for the year due to the continued benefit from salary and benefit savings related to the prior year's workforce restructuring initiatives, expected seasonal increases in direct hospital revenues, and increased sponsored program revenues and gift contributions.

(in millions)	March YTD FY 2018	March YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	\$ 49.3	35.0	(14.3)	61.6
Sponsored Programs/Nonexchange Sponsored Programs	19.8	17.7	(2.0)	31.3
State Appropriations	29.8	30.6	0.7	52.4
Net Tuition and Fees	0.1	0.2	0.0	0.3
Auxiliary Revenues/Sales & Services of Educational Activities	2.2	2.5	0.3	4.3
Net Investment Income	2.4	2.0	(0.4)	3.4
Other Operating Revenues/Gift Contributions for Operations	15.8	20.3 *	4.5	35.2
<b>Total Revenues</b>	<b>119.4</b>	<b>108.3</b>	<b>(11.1)</b>	<b>188.4</b>
Salaries and Wages/Payroll Related Costs	81.3	71.6	(9.6)	113.0
Materials and Supplies/Cost of Goods Sold	17.5	12.2	(5.3)	21.0
Depreciation and Amortization	8.1	8.4	0.4	14.4
Other Contracted Services/Professional Fees & Services	17.3	13.6	(3.7)	24.2
All Other Operating Expenses	10.4	8.8	(1.5)	15.2
<b>Total Expenses</b>	<b>\$ 134.5</b>	<b>114.8</b>	<b>(19.8)</b>	<b>187.8</b>
<b>Adjusted Income (Loss)</b>	<b>(15.1)</b>	<b>(6.5)</b>	<b>8.7</b>	<b>0.6</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>(7.1)</b>	<b>2.0</b>	<b>9.0</b>	<b>15.1</b>



\*Other Operating Income includes 30% of UTHET's net adjusted income which is \$6.5 million through March. The forecast of \$0.6 million includes \$11.1 million of UTHET's net adjusted income for the year.

3. **U. T. System: Approval of the Fiscal Year 2020 Budget Preparation Policies and Calendar for budget operations**

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs ad interim, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies below and the Calendar on [Page 107](#) for use in preparing the Fiscal Year (FY) 2020 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2020 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the *General Appropriations Act* enacted by the 85th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2020 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the *General Appropriations Act*. The Assistant Vice Chancellor, Budget and Planning will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

Overall budget totals, including retaining reasonable reserves for potential future financial shortfall, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2020 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the appropriate Executive Vice Chancellor, and the Assistant Vice Chancellor, Budget and Planning.
3. Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

- A. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.
- B. Merit Increases and Promotions - Institutions should consider available resources and resolution of any major salary inequities when implementing merit salary increases for faculty and staff.

As defined in *Texas Education Code* Section 51.962, an employee must have been employed by the institution for the six months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase. These limitations also apply to one-time merit payments.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

In accordance with the Regents' *Rules and Regulations*, performance appraisals are to be conducted annually for all employees of the U. T. System. To verify compliance with this rule, U. T. System presidents and the Deputy Chancellor for U. T. System Administration shall annually certify that all eligible employees (including staff and faculty) have completed performance appraisals.

- C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Assistant Vice Chancellor, Budget and Planning, such increases should be noted and explained in the supplemental data accompanying the budget.
- D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.
- E. Reporting - The Assistant Vice Chancellor, Budget and Planning will issue guidance on reporting of compensation changes and amounts. It is expected that required reports will encompass highly compensated and high-ranking personnel covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those individuals receiving significant changes in compensation.

4. Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the *General Appropriations Act*. Payments for benefits, including for retirees, should comply with the provisions of Accounting Policy Statements No. 11, "Benefits Proportional by Fund" and the *General Appropriations Act*. The Assistant Vice Chancellor, Budget and Planning will issue instructions regarding the implementation of the benefits into the budget process.
5. Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience-rated for each institution. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.
6. Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.
7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Assistant Vice Chancellor, Budget and Planning to modify the Calendar.

#### BACKGROUND INFORMATION

The U. T. System FY 2020 Budget Preparation Policies are consistent with the regulations and directives included in the *General Appropriations Act* and other general law to be enacted by the 86th Texas Legislature. As written, this policy provides general direction to the U. T. System institutions.



**THE UNIVERSITY OF TEXAS SYSTEM  
FISCAL YEAR 2020 OPERATING BUDGET CALENDAR**

---

April 15, 2019	Request for Library, Equipment, Repair and Rehabilitation new project instructions sent to institutions
May 22 - 23, 2019	U. T. System Board of Regents takes appropriate action on budget preparation policies
June 3, 2019	New Library, Equipment, Repair and Rehabilitation project requests are due to U. T. System
June 3 - 14, 2019	Budget goals and priorities discussions – Institution Business Affairs and U. T. System Budget and Planning (additional attendees may be requested depending upon institution circumstances)
June 3 - July 31, 2019	Follow-up meetings with institution senior leadership as needed to provide opportunity for institutions to communicate priorities and additional details. These sessions will also help the Budget & Planning group understand institution priorities and provide support for advocating for budget requests with Board of Regents.
June 24, 2019	Draft budget documents due to U. T. System
June 27 - July 3, 2019	Technical budget review with U. T. System
July 12, 2019	Reports on highly compensated staff covered by Regents' Rules 20203 and 20204, high-ranking staff salaries, and top ten salaries due to U. T. System
July 12, 2019	Final budget documents due to U. T. System
July 31, 2019	Operating Budget Summaries provided to the U. T. System Board of Regents
August 12, 2019	Salary change report due to U. T. System
August 15, 2019	U. T. System Board of Regents takes appropriate action on Operating Budget and all compensation matters

4. **U. T. System Board of Regents: Update on University Lands**

REPORT

Mr. Mark Houser, Chief Executive Officer - University Lands, will report on matters related to University Lands using the PowerPoint presentation set forth on the following pages.





# University Lands (UL) Update

Mr. Mark Houser, Chief Executive Officer – University Lands

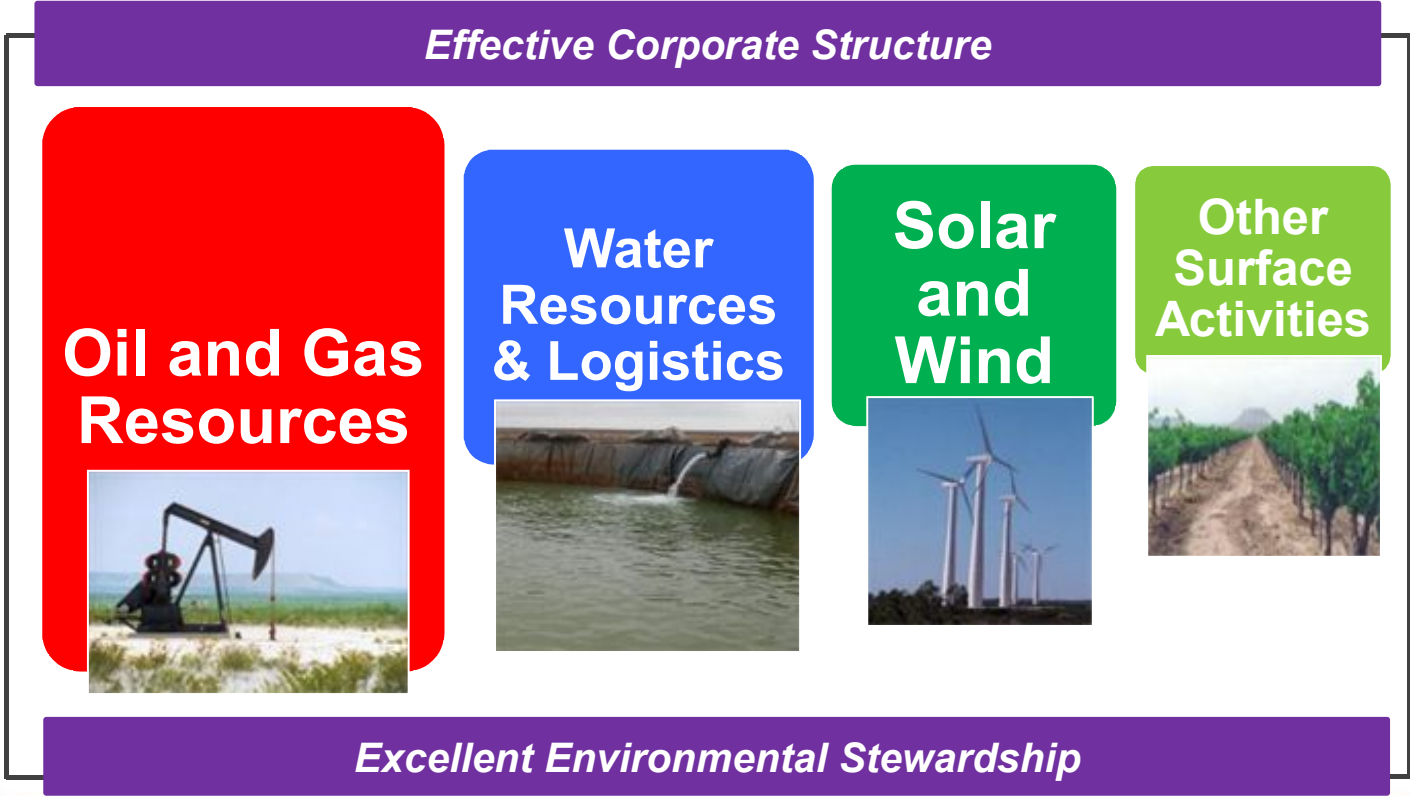
U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
May 2019



THE UNIVERSITY of TEXAS SYSTEM  
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

[WWW.UTSYSTEM.EDU](http://WWW.UTSYSTEM.EDU)

# UL: Economic Development Opportunities



## UL: FY2019 Organizational Goals

1. Meet or exceed projected production and revenue goals within budgeted expense levels
2. Capitalize on emergence of growth of water use in oil and gas development
3. Improve internal ability to put data to use to create value
4. Execute contractual rights related to lease compliance and enforcement
5. Promote development in economically challenged Southern Midland Basin
6. Continue to increase focus on emissions and environment and work to better tell UL's stewardship story
7. Work to refine and clarify work processes with U. T. System Administration to increase organizational efficiency and nimbleness
8. Continue alignment with UTIMCO where synergies exist



# Key Takeaways for Today

- **Fiscal Year 2019 revenue on track with projections, with net revenue expected at \$1.1B**
  - Projecting record year for AUF revenue at ~\$100 million
  - PUF revenue estimated at ~\$1 billion
    - Royalty revenue up ~\$100 million year-over-year
    - Lease sale revenue down \$100 million year-over-year
  - Projected expenses of ~\$24.5 million
    - Represent ~\$1.02/barrel of production, significantly below industry peers
- **Oil and gas production is at record levels, increased by 20% year-over-year**
  - PUF lands production correlates with overall Permian Basin production. Permian remains and will remain one of the most attractive basins.
  - Focus on re-negotiating old agreements to be in line with today’s practices; increase drilling obligations; and protect UL’s rights and interests

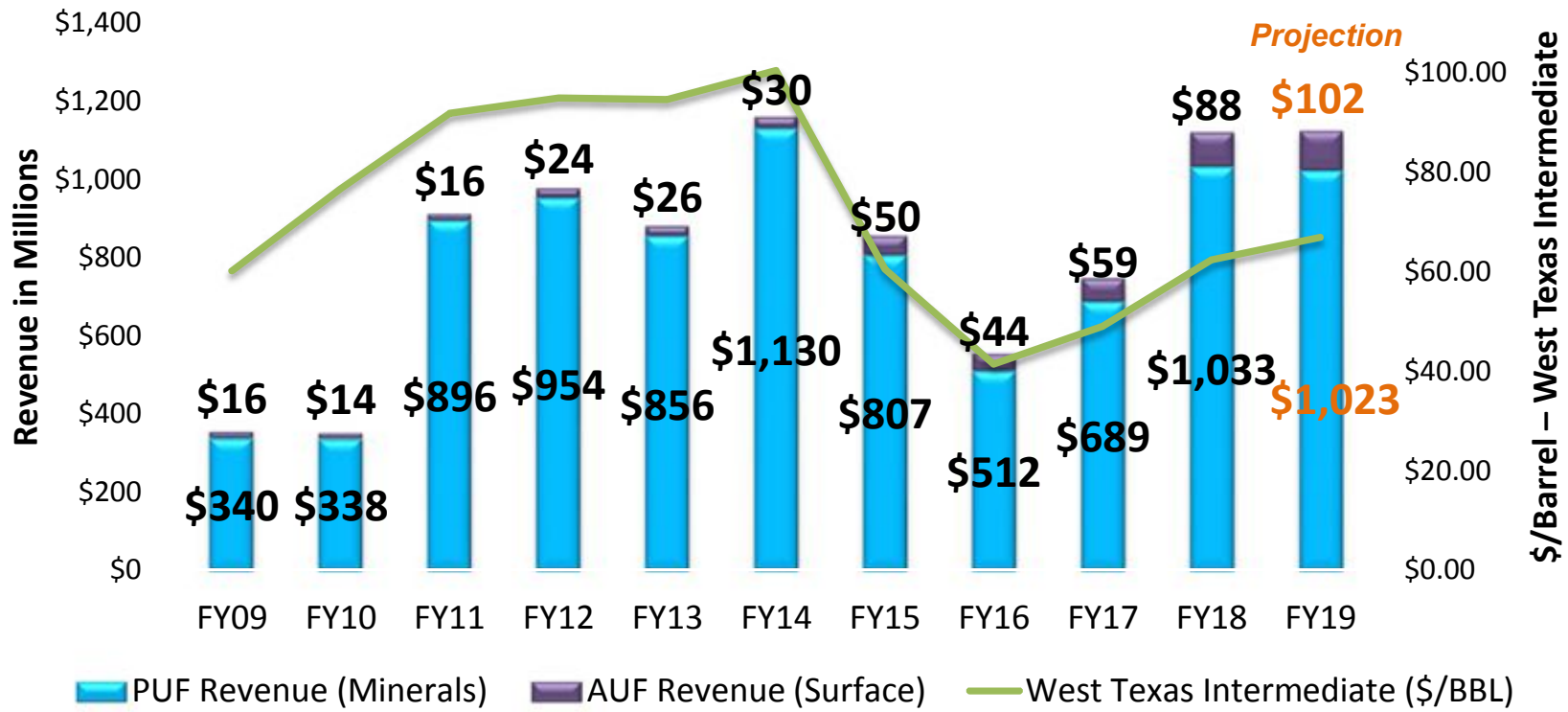


## Key Takeaways for Today (cont.)

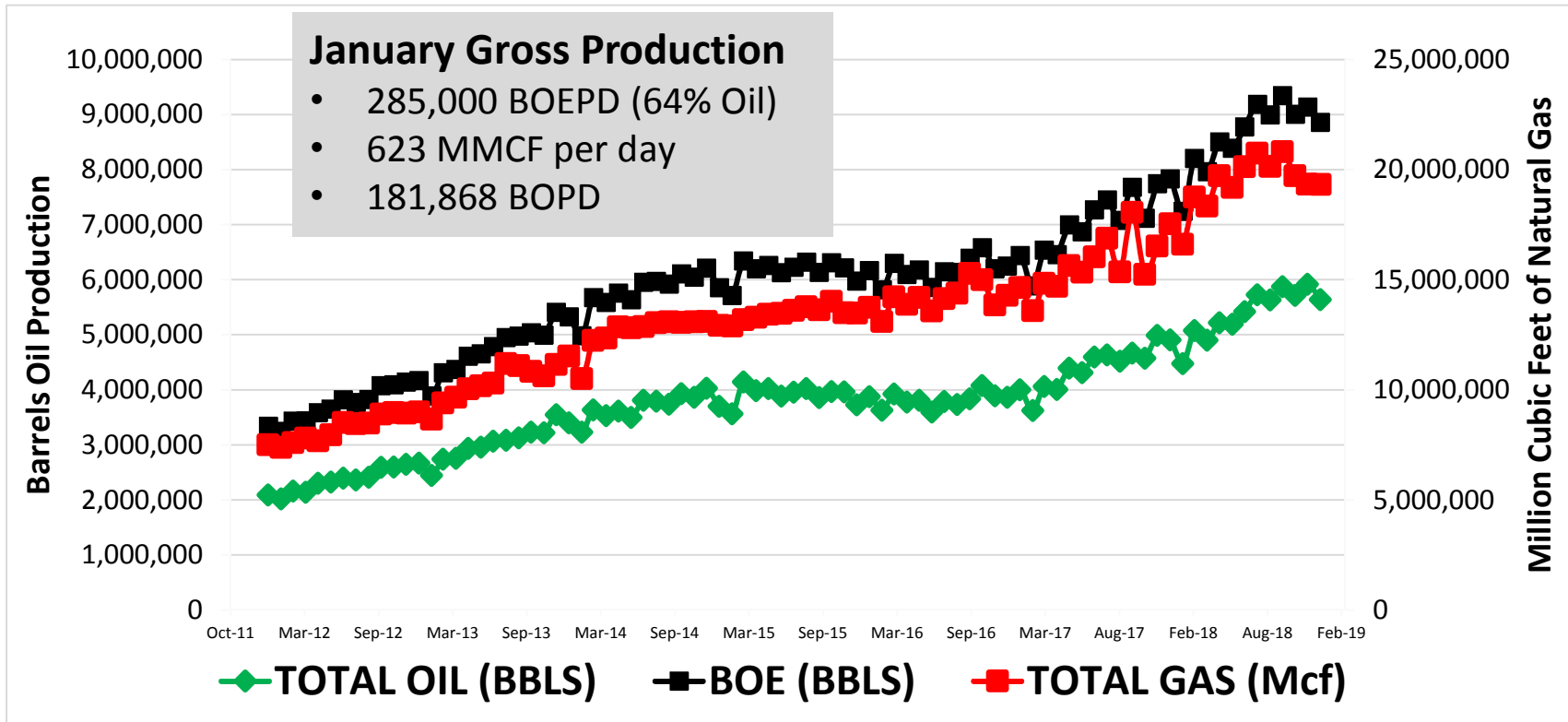
- **Oil prices averaging ~\$59/bbl in current fiscal year**
  - Takeaway (pipeline capacity) has increased in recent months as crude pipelines have come online; gas takeaway still a concern for short-term
- **Environmental stewardship continues to be a priority**
  - Increased focus on minimizing methane emissions
  - Promoting and incentivizing efficient use of infrastructure through various agreements
- **Focus on leasing for renewable energy continues**
  - 84,000 acres contracted for new wind and solar development, with another 40,000 acres currently being negotiated
- **Long-term planning a focus internally at University Lands to determine near-term strategy, priorities**
  - Assessment of industry, government and consultancy long-term market outlooks for energy



# UL: Historical AUF and PUF Revenue vs. Oil Price



# PUF Lands Gross Monthly Production (2012 - Jan. 2018)



# Energy Market Outlook – General Key Conclusions

- Strong demand for oil and gas remains beyond 2040
  - Exports of U.S. production increases over next decade
  - World’s growing middle classes requires more energy and goods, resulting in steady demand for oil and gas
  - In the U.S., renewables replace coal, but increased demand in India and China keep coal in play globally
  - Oil’s market share in the U.S. begins to decline slightly in a decade, as worldwide oil demand plateaus and demand for natural gas increases
- International and domestic environmental and regulatory pressures will move towards goals like Paris Agreement
- Consolidation in the domestic exploration and production space will continue, making access to capital difficult for both small and mid-sized companies

**Oil & Gas as Share of Global Energy Demand**

Source	2016	2025	2040/ 2050*
BP	55%	56%	51%
ExxonMobil	55%	54%	55%
Shell	55%	56%	55%
McKinsey & Co.	56%	56%	50%
International Energy Agency	54%	55%	48%

*\*Shell and McKinsey & Co. = 2050*





## Energy Market Outlook – Takeaways for UL

- The Permian Basin is now - and will remain - one of the world's lowest cost basins
- Prudent acceleration of oil and gas development in near-term should be a priority
  - Incentivize acceleration, optimal spacing, and optimal well completion techniques
  - Capital scarcity and consolidation may “de-prioritize” less economically attractive acreage
- Environmental programs and leadership must continue, with a focus on incorporating new technologies into processes to minimize impacts to air, water and soil
- Infrastructure challenges in West Texas (roads, education, healthcare) will constrain growth; how can University Lands be part of the solution?
- Full-cycle water infrastructure initiatives are important to long-term sustainability
- Renewable energy will play a key market role in the mid-term; leasing for wind, solar today should continue to be a business priority



**5. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs in the recommendation that

- a. the Fiscal Year 2020 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased from \$1,014,000,000 to \$1,061,390,000 effective September 1, 2019;
- b. the distribution rate for the Permanent Health Fund (PHF) be increased from \$0.0628 per unit to \$0.0641 per unit for Fiscal Year 2020 (effective with November 30, 2019 distribution);
- c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.3503 per unit to \$0.3574 per unit for Fiscal Year 2020 (effective with November 30, 2019 distribution); and
- d. the distribution rate for the U. T. System Intermediate Term Fund (ITF) remain at 3.0% per annum (paid monthly) for Fiscal Year 2020.

BACKGROUND INFORMATION

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The recommendation will increase PUF distributions by the average rate of inflation for the trailing 12 quarters plus 2.65%.

The Constitution further limits the Board of Regents' discretion to set annual PUF distributions to the satisfaction of three tests:

- 1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$1,061,390,000 is substantially greater than PUF bond debt service of \$408,700,000 projected for Fiscal Year 2020.

<u>System</u>	<u>Debt Service</u>
U. T.	\$ 264,900,000
TAMU	143,800,000
Total:	\$ 408,700,000

Sources: U. T. System Office of Finance  
Texas A&M University System Office of Treasury Services

2. The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2019, was 8.49%, which indicates that the purchasing power test was met.

<b>Average Annual</b>	<b>Percent</b>
Rate of Total Return, Net of Investment Manager Fees	9.90%
Mineral Interest Receipts	5.17%
Expense Rate	(0.19%) <sup>(1)</sup>
Inflation Rate	(1.77%)
Distribution Rate	(4.62%)
<b>Net Real Return</b>	<b>8.49%</b>

(1) The expense rate as shown is a 10-year annualized average and includes PUF Land Expenses and PUF investment management costs other than investment manager fees. Investment management fees are a reduction to the Rate of Total Return.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the Board of Regents (except as necessary to pay PUF bond debt service). The annual distribution rate calculated using the trailing 20-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

<b>Value of PUF Investments <sup>(1)</sup></b>	<b>Proposed Distribution</b>	<b>Proposed Distribution as a % of Value of PUF Investments</b>	<b>Maximum Allowed Rate</b>
\$19,102,668,747	\$ 1,061,390,000	5.56%	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and LTF are to:

- a. provide a predictable stable stream of distributions over time;
- b. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- c. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The increase in the consumer price index for the prior three years as of November 30, 2018, was 2.0%. The recommended 2.0% increase in the PHF distribution rate of \$0.0628 to \$0.0641 per unit will increase the distributions by the average rate of inflation for the trailing 12 quarters. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 4.67%.

On February 9, 2017, the Board of Regents authorized a maximum 0.60% allocation (60 basis points) from the market value of the LTF to provide more adequate funding for development operations at U. T. institutions to substantially increase philanthropic revenue. The recommended 2.0% increase in the LTF distribution rate from \$0.3503 to \$0.3574 per unit will increase the distributions by the average rate of inflation for the trailing 12 quarters. The proposed LTF distribution rate of \$0.3547 per unit or 4.87% of the market value of the LTF plus the previously approved 0.60% development allocation would result in a total LTF spending rate of 5.47% of the prior 12-quarter average value of the LTF.

The distribution rate for the ITF was originally set at 3.0% per annum for Fiscal Year 2007 by the U. T. Board on May 11, 2006, and has continued at that rate for each succeeding fiscal year. The recommendation for Fiscal Year 2020 is to continue a distribution rate of 3.0%.