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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/14/2019

Board Meeting: 8/15/2019
Austin, Texas

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

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 8 - 10.

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, the highlights of which are set forth in the PowerPoint on the following pages and in the June Monthly Financial Report, which follows the PowerPoint. The reports represent the consolidated and individual operating detail of the U. T. institutions.

U. T. System Administration

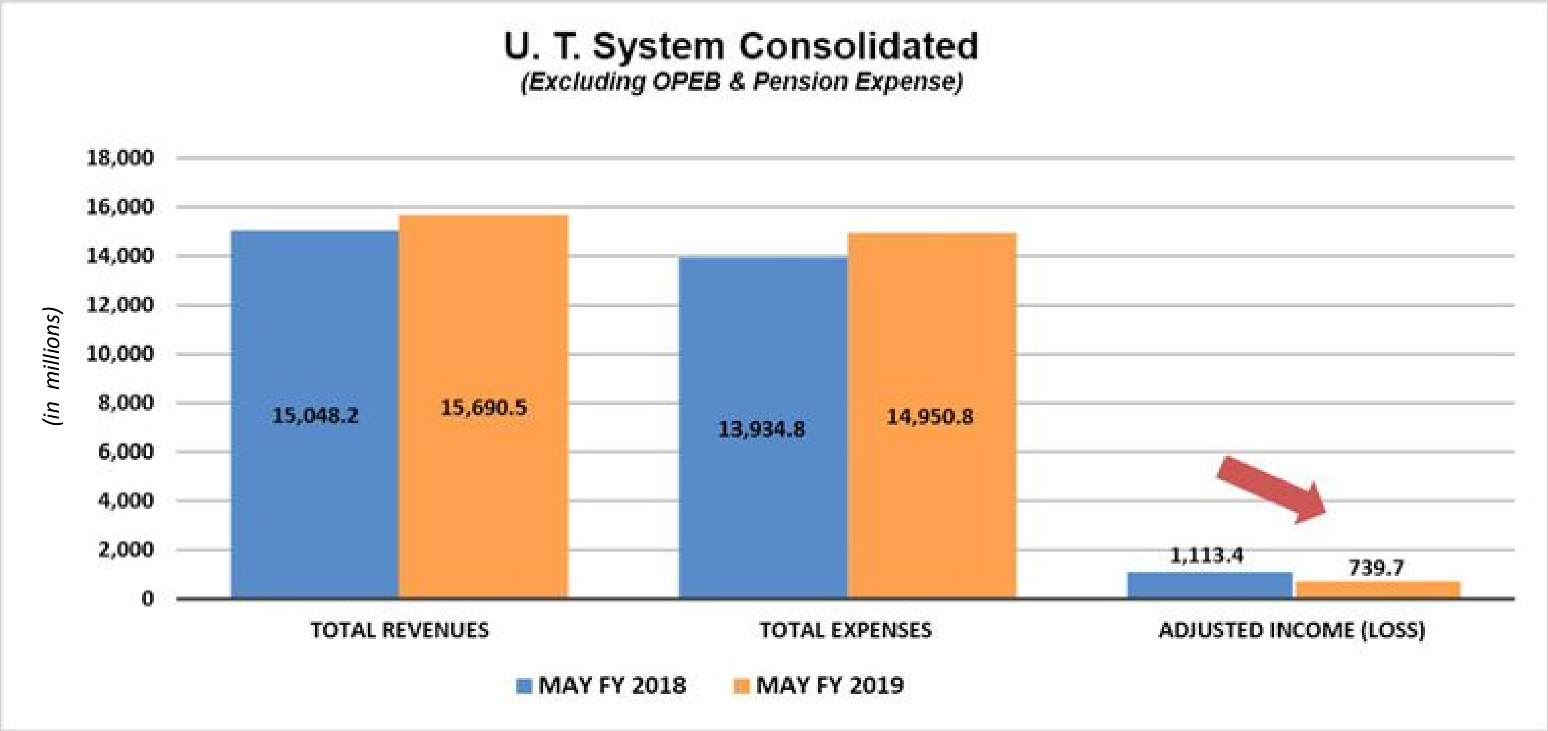
Budget Historical Analysis
and
Fiscal Year-to-Date Actuals thru May 2019

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

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

U. T. System Consolidated Landscape

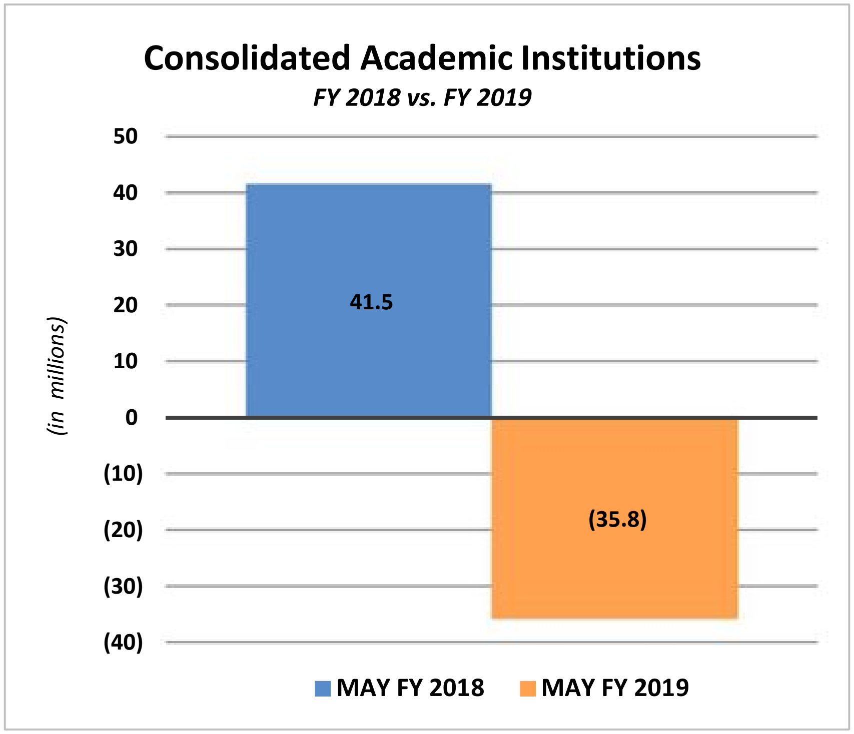
For the Period Ending May 31, 2019

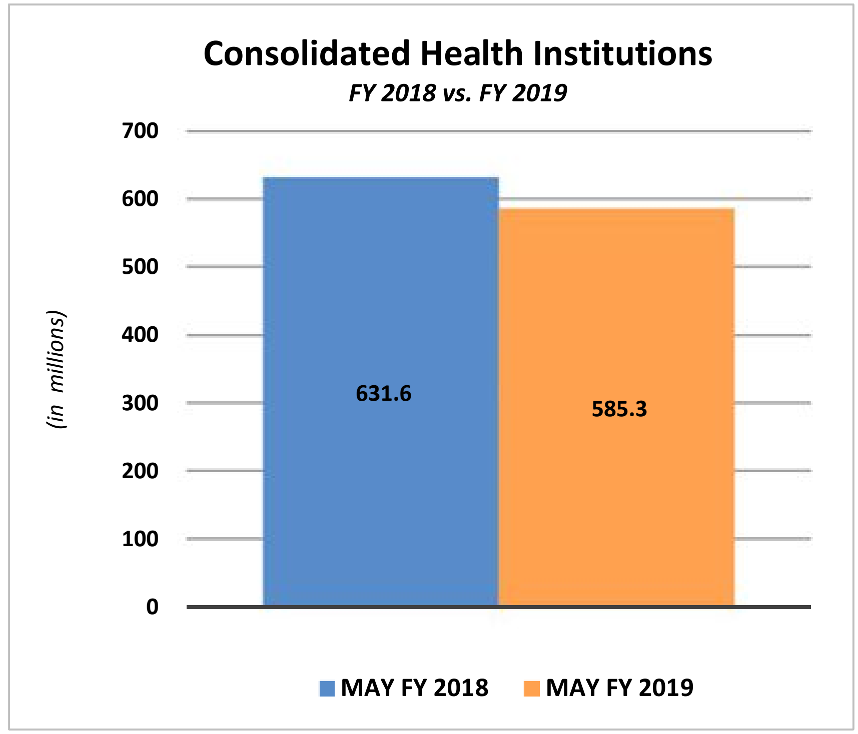


Source: May 2019 Monthly Financial Report

Consolidated Adjusted Income (Loss) Comparison

For the Period Ending May 31, 2019





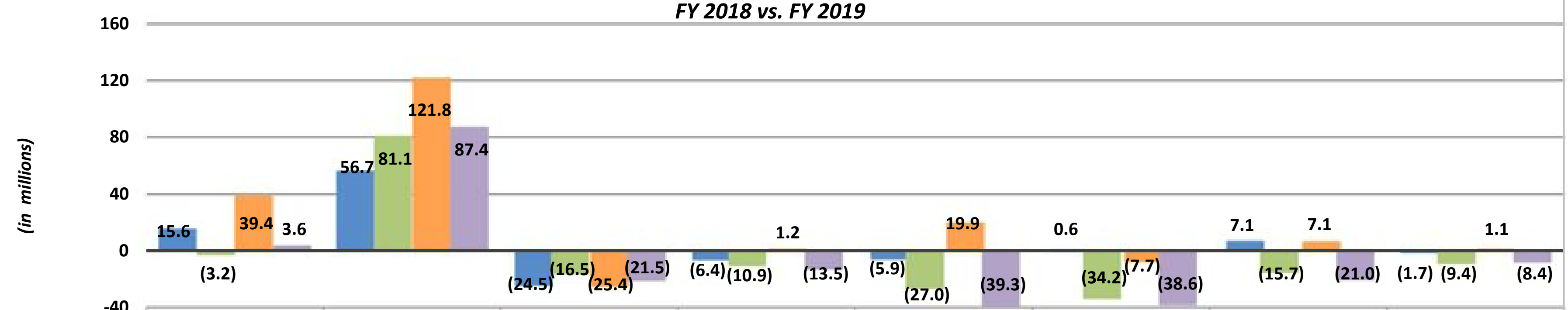
Source: May 2019 Monthly Financial Report

Academic Adjusted Income (Loss) Comparison

For the Period Ending May 31, 2019

U. T. Academic Institutions

FY 2018 vs. FY 2019



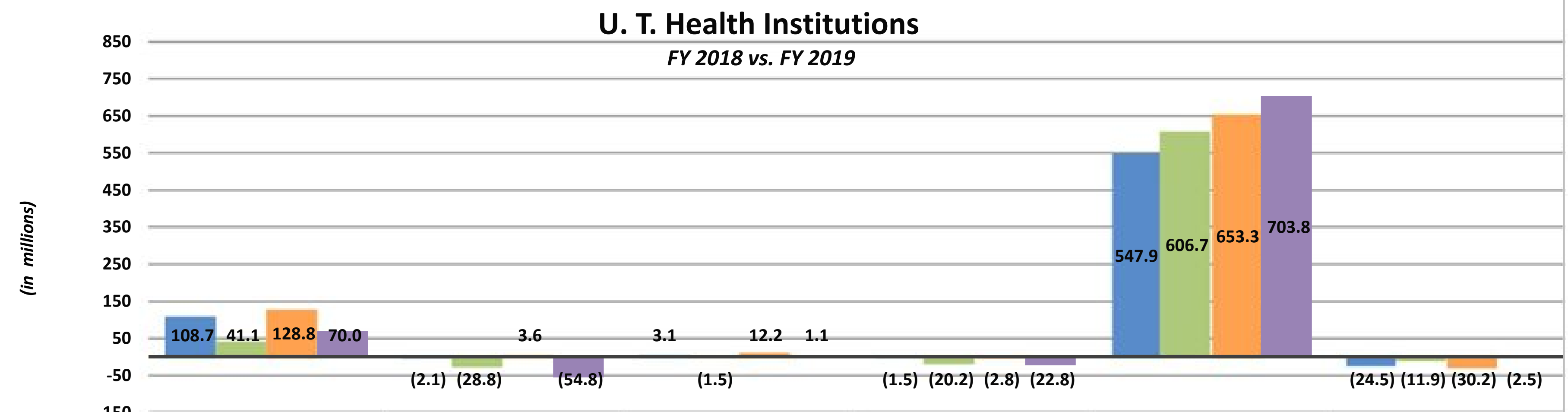
	UTA	UTAUS	UTD	UTEP	UTPB	UTRGV	UTSA	UTT
MAY FY 2018	15.6	56.7	(24.5)	(6.4)	(5.9)	0.6	7.1	(1.7)
MAY FY 2019	(3.2)	81.1	(16.5)	(10.9)	(27.0)	(34.2)	(15.7)	(9.4)
FYE 2018	39.4	121.8	(25.4)	1.2	19.9	(7.7)	7.1	1.1
Projected FY 2019	3.6	87.4	(21.5)	(13.5)	(39.3)	(38.6)	(21.0)	(8.4)

MAY FY 2018 MAY FY 2019 FYE 2018 Projected FY 2019

Source: May 2019 Monthly Financial Report

Health Adjusted Income (Loss) Comparison

For the Period Ending May 31, 2019



	UTSWMC	UTMB	UTHSC-H	UTHSC-SA	UTMDA	UTHSC-T
MAY FY 2018	108.7	(2.1)	3.1	(1.5)	547.9	(24.5)
MAY FY 2019	41.1	(28.8)	(1.5)	(20.2)	606.7	(11.9)
FYE 2018	128.8	3.6	12.2	(2.8)	653.3	(30.2)
Projected FY 2019	70.0	(54.8)	1.1	(22.8)	703.8	(2.5)

MAY FY 2018 MAY FY 2019 FYE 2018 Projected FY 2019

Source: May 2019 Monthly Financial Report

U.T. System Administration Financial Summary

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actual (May 2019)	% of Budget
U. T. System Administration (AUF)	$ 52,855,917	292.7	$ 69,017,661	318.6	$ 60,835,281	274.4	$ 57,678,597	264.8	$ 39,322,425	68%
Direct Campus Support (AUF)*	8,262,441	1.0	47,374,648	157.3	42,319,122	103.0	42,557,676	114.0	24,175,595	57%
Other Operations Funded with AUF Reserves	1,333,352	5.0	26,457,492	62.5	34,130,941	48.0	2,527,538	3.5	2,282,700	90%
Service Departments and Other Non-AUF**	46,529,184	328.2	63,033,968	326.6	56,475,973	255.3	70,792,193	291.7	46,562,438	66%
Total – U. T. System Administration and Campus Support	**$ 108,980,894**	**626.9**	**$ 205,883,769**	**865.0**	**$ 193,761,317**	**680.7**	**$ 173,556,004**	**674.0**	**$ 112,343,158**	**65%**

** Direct Campus Support for FY 2017 includes campus auditors (48.3 FTEs) which were shifted back to the campuses in FY 2018 following approval by the Board of Regents in May 2017. Direct Campus Support includes $2.3 million in FY 2014, $5.2 million in FY 2017, and $1.1 million in FY 2019 funded from AUF reserves.*

*** The Board of Regents has approved the budget and FTEs 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.*

NOTE: Historical budget data for FY 2014 – FY 2018 was not restated/adjusted for reclassifications made in FY 2019.

U. T. System Administration (AUF)

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actual (May 2019)	% of Budget
Board of Regents	$ 2,167,549	12.9	$ 2,238,493	12.9	$ 2,112,462	10.0	$ 2,222,456	10.0	$ 1,744,331	78%
System Audit	1,876,933	13.7	2,737,301	15.0	2,586,309	13.6	2,515,075	13.3	1,835,821	73%
Chancellor	901,026	7.2	1,522,734	6.9	1,399,565	5.9	1,386,436	5.9	691,591	50%
Police	2,061,328	13.0	2,549,818	15.0	2,830,101	15.0	2,958,834	15.0	2,373,752	80%
Information Security	1,325,905	13.0	2,358,898	13.0	2,326,656	12.0	2,163,100	12.0	1,450,867	67%
Compliance	963,622	4.0	1,234,507	5.5	1,495,962	6.8	1,098,415	5.3	642,685	59%
Human Resources	–	–	–	–	–	–	1,667,867	12.0	921,994	55%
Academic Affairs	7,229,975	41.3	9,801,558	48.4	8,708,300	40.3	8,809,355	41.3	6,409,817	73%
Health Affairs	2,790,691	11.3	3,539,317	13.9	3,175,875	11.5	3,114,460	12.0	2,016,237	65%
Business Affairs	12,261,837	88.7	15,156,803	91.5	15,223,176	83.7	12,711,998	70.2	9,166,103	72%
External Relations	3,675,409	31.2	3,953,338	29.6	3,739,232	25.1	3,172,191	20.1	2,115,685	67%
General Counsel	4,715,468	34.3	5,301,860	33.4	4,723,183	27.1	4,591,358	26.2	3,367,743	73%
Governmental Relations	1,587,353	12.1	1,700,157	12.0	1,569,771	10.5	1,558,254	10.5	1,073,664	69%

NOTE: Historical budget data for FY 2014 – FY 2018 was not restated/adjusted for reclassifications made in FY 2019.

U. T. System Administration (AUF)

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actual (May 2019)	% of Budget
Talent & Innovation (Tech Commercialization)*	–	–	–	–	–	–	1,892,992	6.0	1,173,935	62%
External Audit	–	–	–	–	–	–	1,933,408	–	1,141,737	59%
Center for Enhancing Philanthropy	–	–	–	–	–	–	755,092	3.0	151,030	20%
Organizational Effectiveness	–	–	–	–	–	–	405,297	2.0	279,592	69%
OTIS Assessment to AUF	–	–	–	–	–	–	2,276,102	–	2,288,345	101%
Merit/Staffing Adjustment	–	–	–	–	–	–	1,718,590	–	–	N/A
Contracted Professional Services	–	–	–	–	–	–	727,317	–	477,496	66%
Other	11,298,821	10.0	16,922,877	21.5	10,944,689	12.9	–	–	–	–
Total	**$ 52,855,917**	**292.7**	**$ 69,017,661**	**318.6**	**$ 60,835,281**	**274.4**	**$ 57,678,597**	**264.8**	**$ 39,322,425**	**68%**

** Includes management of the Horizon Fund*

NOTE: Historical budget data for FY 2014 – FY 2018 was not restated/adjusted for reclassifications made in FY 2019.

Direct Campus Support (AUF)

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actuals (May 2019)	% of Budget
Shared Information Services *	$ 2,529,429	1.0	$ 24,654,001	109.0	$ 24,447,186	103.0	$ 24,708,332	114.0	$ 15,908,561	64%
Digital Library Services	–	–	8,267,034	–	8,267,034	–	8,267,034	–	8,267,034	100%
Campus Insurance and IT	5,733,012	–	9,604,902	–	9,604,902	–	9,582,310	–	–	0%
Total **	**$ 8,262,441**	**1.0**	**$ 47,374,648**	**157.3**	**$ 42,319,122**	**103.0**	**$ 42,557,676**	**114.0**	**$ 24,175,595**	**57%**

** Shared Information Services includes $2.3 million in FY 2014, $5.2 million in FY 2017, and $1.1 million in FY 2019 funded from AUF reserves.*
*** Detail above omits $4.8 million and 48.3 FTEs in FY 2017 related to campus audit functions that were returned to the campuses in FY 2018 following May 2017 approval by the Board of Regents.*

Other Operations (AUF Reserves)

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actuals (May 2019)	% of Budget
Buffalo Point	$ –	–	$ –	–	$ –	–	$ 360,000	–	$ 313,364	87%
QL Healthcare Enterprise Collaboration	–	–	–	–	662,400	–	662,400	–	488,181	74%
Public Health	–	–	83,743	0.5	–	–	309,375	0.5	558,429	181%
Other Quantum Leaps	–	–	1,605,220	10.0	11,818,877	8.0	1,195,763	3.0	922,726	77%
Institute for Transformational Learning*	1,333,352	5.0	24,561,529	50.0	21,649,664	40.0	–	–	–	–
Research Experts Data Warehouse	–	–	207,000	2.0	–	–	–	–	–	–
Total	**$ 1,333,352**	**5.0**	**$ 26,457,492**	**62.5**	**$ 34,130,941**	**48.0**	**$ 2,527,538**	**3.5**	**$ 2,282,700**	**90%**

**The Institute for Transformational Learning was funded by prior year allocations from the Board of Regents.*

U. T. System Administration and Service Departments (Non-AUF)

(Excluding Self-Insurance Funds)

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actuals (May 2019)	% of Budget
University Lands*	$ 7,629,843	29.4	$ 18,585,302	48.8	$ 21,770,855	47.1	$ 16,418,777	43.4	$ 9,601,197	58%
OCP/OFPC/Facilities	19,160,219	135.9	23,893,535	134.7	16,594,224	78.8	17,985,834	79.3	10,451,063	58%
Employee Benefits	4,371,470	38.8	5,026,408	43.2	4,469,516	38.0	4,612,038	38.3	3,463,820	75%
Technology and Information Services	3,782,290	29.0	5,109,359	29.0	3,679,037	25.5	4,363,024	27.5	2,989,053	69%
Office of Risk Management	5,079,230	49.8	3,631,822	29.5	3,394,013	27.2	3,626,207	27.8	2,653,573	73%
External Relations	1,727,110	8.5	1,489,479	7.5	1,417,390	6.0	1,633,931	6.9	1,106,022	68%
Office of General Counsel	4,236,675	31.9	4,627,066	29.0	4,453,129	27.8	4,833,631	31.4	2,959,959	61%
TMDSAS/JAMP	–	–	–	–	–	–	6,864,087	15.0	4,515,713	66%
External Audit	–	–	–	–	–	–	816,679	–	581,644	71%
Chancellor	–	–	–	–	–	–	1,977,200	1.0	886,631	45%
Systemwide Compliance	–	–	–	–	–	–	1,510,300	1.0	1,280,162	85%
Other**	542,347	4.9	670,997	4.9	697,809	4.9	6,150,485	20.1	6,073,601	99%
Total	**$ 46,529,184**	**328.2**	**$ 63,033,968**	**326.6**	**$ 56,475,973**	**255.3**	**$ 70,792,193**	**291.7**	**$ 46,562,438**	**66%**

* *The budget and May YTD actuals shown represent 2/3 of the overall University Lands budget (the portion that is attributable to the University of Texas System support). Historical budget information includes the Texas Oil and Gas Institute which was closed in FY 2018.*

** *Other primarily includes the non-AUF costs of various System departments such as Finance, Information Security, Controller, etc. Excluded are self-insurance funds, federal Medicare Part D reimbursements, systemwide software which is centrally negotiated and reimbursed by campuses (e.g. licenses for Microsoft, Incommon, Oracle and Verisign), and the debt service on the U. T. System Building.*

U. T. System Administration Financial Summary

	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Budget	FTEs	FY 2019 Budget	FTEs	FYTD Actuals (May 2019)	% of Budget
U. T. System Administrations and Direct Campus Support - Operations	**$ 108,980,894**	**626.9**	**$ 205,883,769**	**865.0**	**$ 193,761,317**	**680.7**	**$ 173,556,004**	**674.0**	**$ 112,343,158**	**65%**
Lone Star Stroke (GR appropriation)	–	–	–	–	1,645,390	–	1,645,390	–	1,645,390	100%
Systemwide Software Licenses*	18,549,015	0.2	20,077,756	–	19,057,053	–	18,937,053	–	14,981,312	79%
Medicare Part D Federal Support**	12,500,000	–	5,000,000	–	20,000,000	–	14,260,000	–	19,776,518	139%
UTSB Debt Interest	–	–	–	–	4,381,799	–	3,506,000	–	2,238,860	64%
PUF Debt Interest (All campuses)	68,658,553	–	107,504,300	–	124,099,572	–	125,650,000	–	81,853,244	65%
Depreciation***	4,844,528	–	14,548,354	–	10,605,316	–	19,500,536	–	19,463,134	100%
U.T. Systemwide Operations****	**$ 213,532,990**	**627.1**	**$ 353,014,179**	**865.0**	**$ 373,550,447**	**680.7**	**$ 357,054,983**	**674.0**	**$ 252,301,616**	**71%**

* *Includes systemwide software licenses such as those for Microsoft, Incommon, Oracle and Verisign along with campus assessments supporting the UT Austin Digital Library.*

** *Federal support to partially offset claims activity associated with offering retiree prescription drug coverage.*

*** *Depreciation budget is net of the capital outlay budget adjustment. Depreciation is added and capital deducted to better align budget with actual entity-wide financial performance.*

**** *Excludes budgeted self-insurance claims activity.*

NOTE: The Board of Regents has approved the budget and FTEs 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.

THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

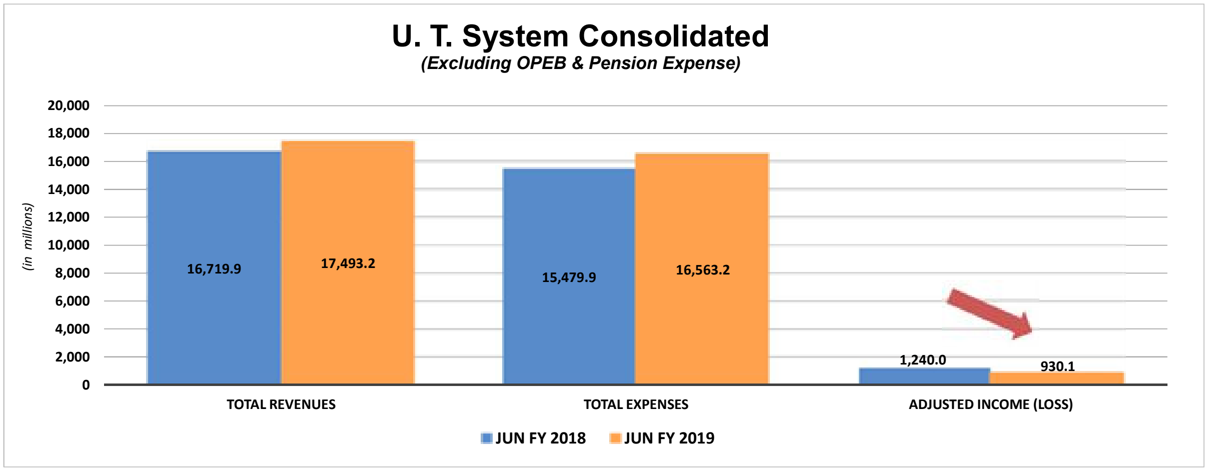
MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2019

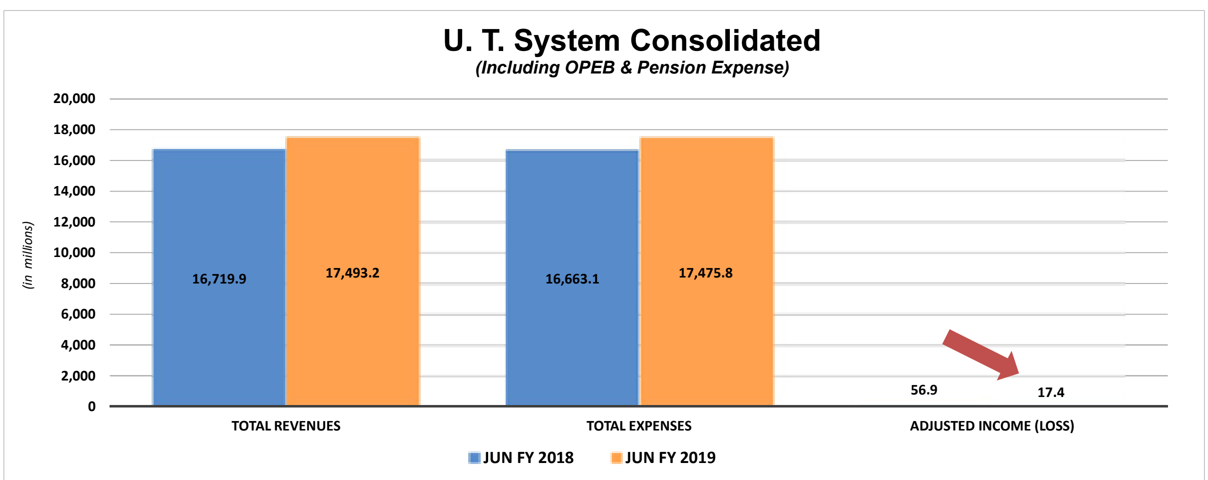
210 West Seventh Street
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



Excluding other postemployment benefits (OPEB) and pension expense, *U. T. System Consolidated* shows year-to-date adjusted income of $930.1 million, a decrease of $309.9 million (25.0%) from the prior year. The decrease was primarily due to the following: 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; and a change in methodology to exclude $115.5 million of Tuition Revenue Bond (TRB) appropriations and the related interest expense from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019.

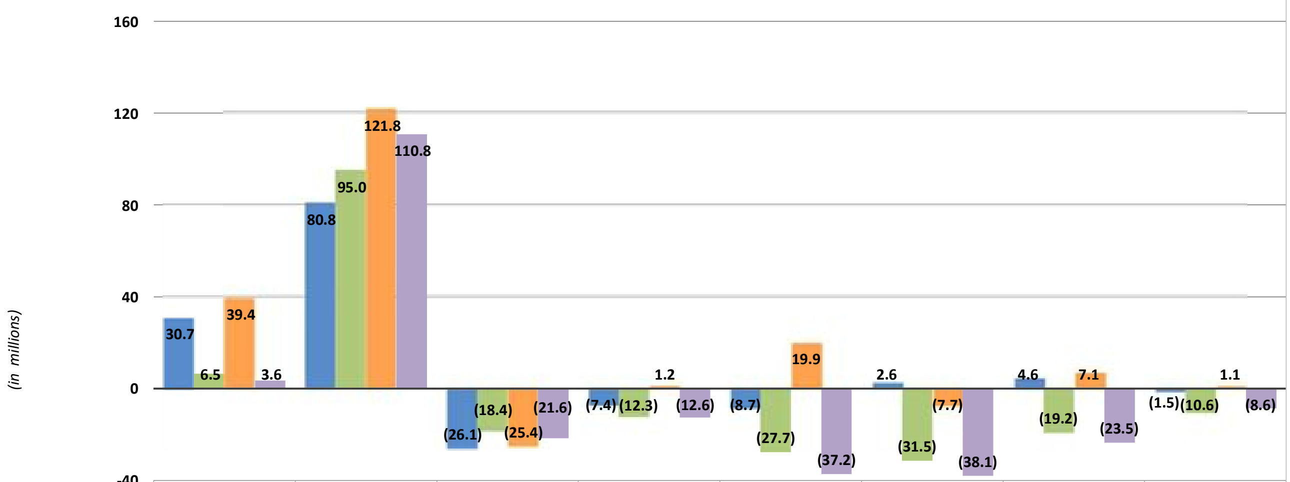
(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	6,805.4	7,436.4	631.0	8,946.3
Sponsored Programs/Nonexchange Sponsored Programs		3,048.7	3,173.6	124.9	3,954.4
State Appropriations		1,921.1	1,759.4	(161.7)	2,100.9
Net Tuition and Fees		1,502.1	1,541.7	39.5	1,843.0
Auxiliary Revenues/Sales & Services of Educational Activities		1,133.7	1,157.1	23.5	1,150.3
Net Investment Income		1,573.3	1,677.6	104.3	1,982.4
Other Operating Revenues/Gift Contributions for Operations		735.7	747.4	11.7	918.1
Total Revenues		16,719.9	17,493.2	773.3	20,895.4
Salaries and Wages/Payroll Related Costs		9,299.8	9,851.0	551.2	11,288.6
Materials and Supplies/Cost of Goods Sold		1,860.1	2,127.1	266.9	2,520.3
Depreciation and Amortization		1,195.4	1,241.9	46.5	1,498.8
Other Contracted Services/Professional Fees & Services		1,109.6	1,210.8	101.2	1,619.0
All Other Operating Expenses		2,015.1	2,132.4	117.4	2,617.0
Total Expenses (Excluding OPEB & Pension Exp)	$	15,479.9	16,563.2	1,083.2	19,543.7
Adjusted Income (Loss) Excluding OPEB & Pension Exp		1,240.0	930.1	(309.9)	1,351.7
OPEB Expense		876.7	702.7	(174.0)	843.2
Pension Expense		306.4	210.0	(96.5)	252.0
Adjusted Income (Loss) Excluding TRBs		56.9	17.4	(39.5)	256.5
Adjusted Income (Loss) Including TRBs		56.9	132.9	76.1	395.2
Adjusted Income (Loss) Excluding Depr & Amort Exp		1,252.2	1,259.3	7.0	1,755.3



Monthly Financial Report
Comparison of Adjusted Income (Loss)
For the Period Ending June 30, 2019

U. T. Academic Institutions

FY 2018 vs. FY 2019

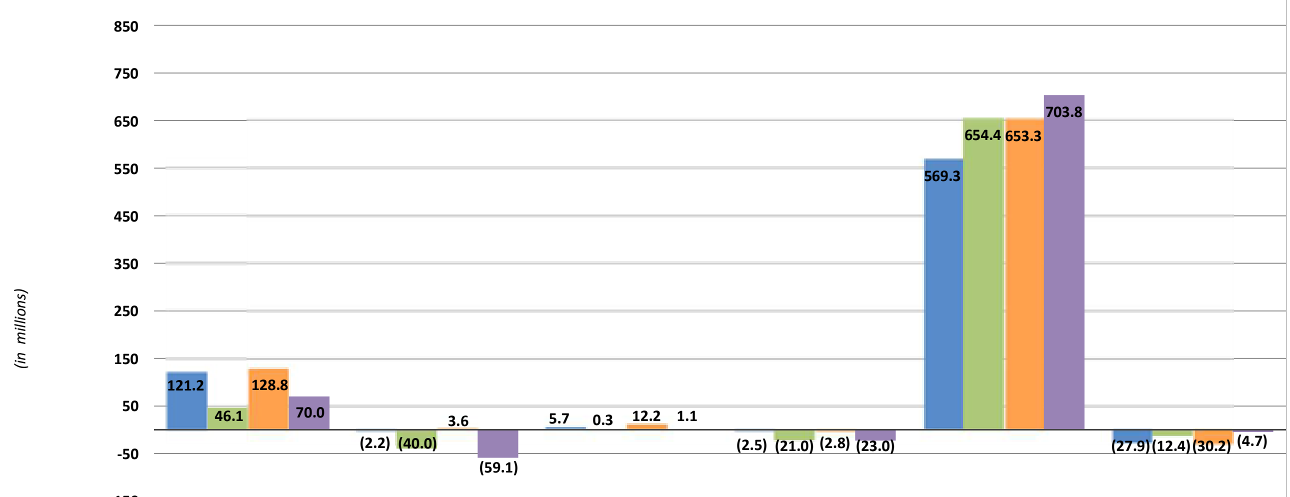


	UTA	UTAUS	UTD	UTEP	UTPB	UTRGV	UTSA	UTT
JUN FY 2018	30.7	80.8	(26.1)	(7.4)	(8.7)	2.6	4.6	(1.5)
JUN FY 2019	6.5	95.0	(18.4)	(12.3)	(27.7)	(31.5)	(19.2)	(10.6)
FYE 2018	39.4	121.8	(25.4)	1.2	19.9	(7.7)	7.1	1.1
Projected FY 2019	3.6	110.8	(21.6)	(12.6)	(37.2)	(38.1)	(23.5)	(8.6)

JUN FY 2018 JUN FY 2019 FYE 2018 Projected FY 2019

U. T. Health Institutions

FY 2018 vs. FY 2019



	UTSWMC	UTMB	UTHSC-H	UTHSC-SA	UTMDA	UTHSC-T
JUN FY 2018	121.2	(2.2)	5.7	(2.5)	569.3	(27.9)
JUN FY 2019	46.1	(40.0)	0.3	(21.0)	654.4	(12.4)
FYE 2018	128.8	3.6	12.2	(2.8)	653.3	(30.2)
Projected FY 2019	70.0	(59.1)	1.1	(23.0)	703.8	(4.7)

JUN FY 2018 JUN FY 2019 FYE 2018 Projected FY 2019

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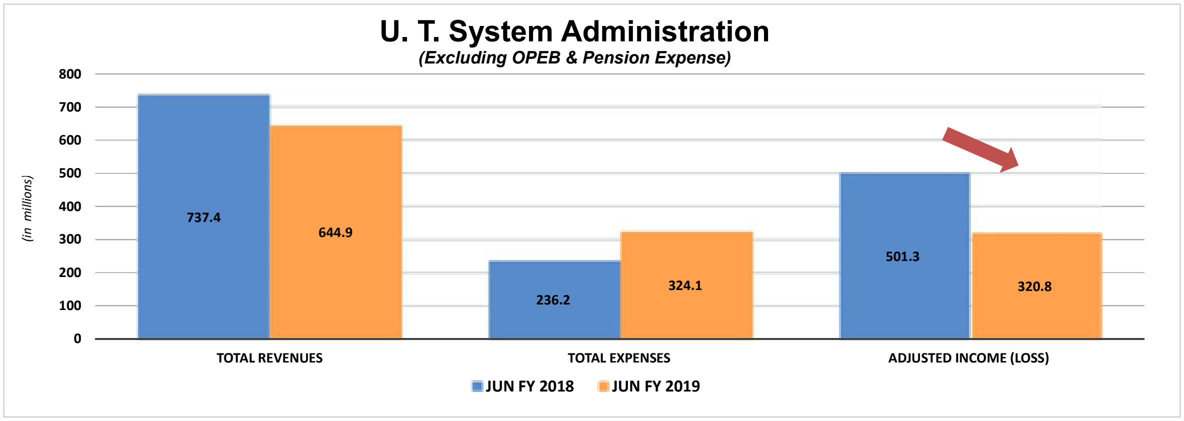
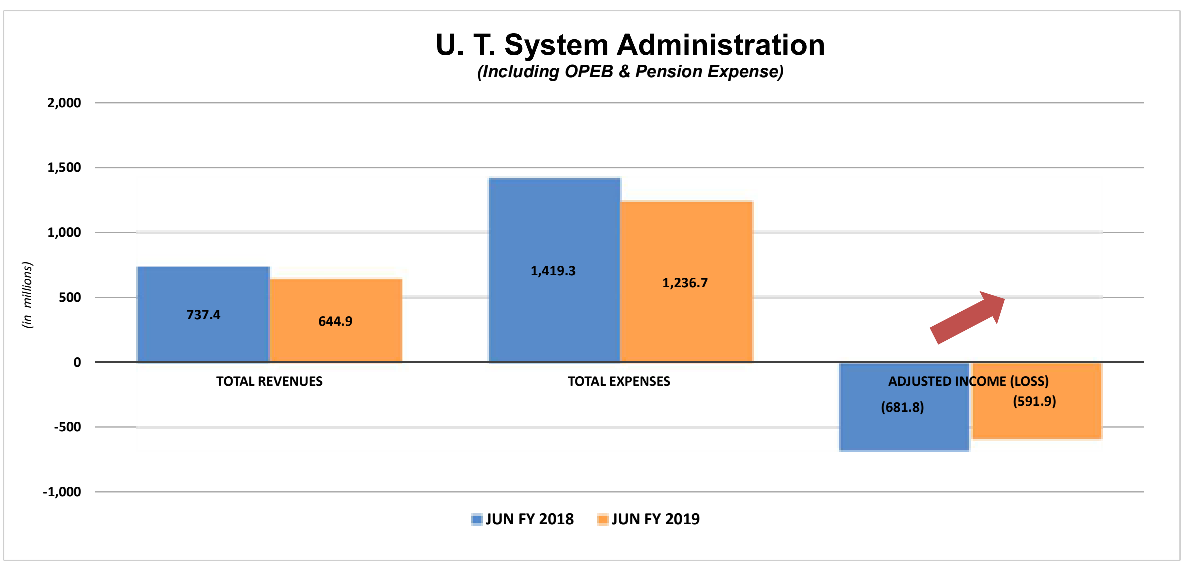


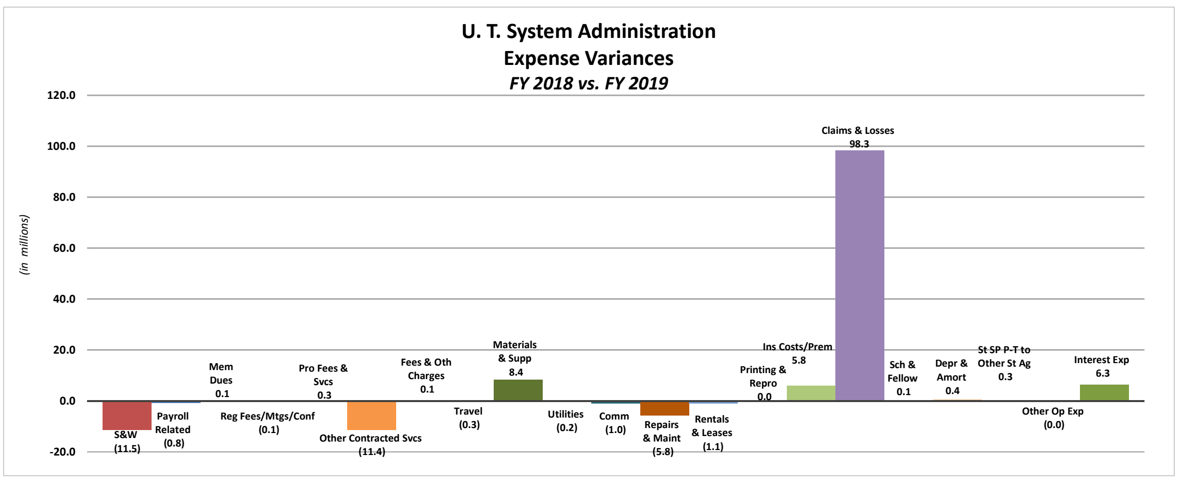
Excluding OPEB and pension expense, *U. T. System Administration* reported year-to-date adjusted income of $320.8 million, a decrease of $180.5 million (36.0%) from the prior year. The decrease was primarily due to the following: a decrease in mineral lease bonus sales in the Permanent University Fund; and an increase in claims and losses in the Medical/Dental Self-Insurance Plan. The most current projection, excluding OPEB and pension expense, reflects income of $690.8 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	40.3	35.5	(4.8)	50.9
State Appropriations		2.8	2.8	-	3.3
Auxiliary Revenues/Sales & Services of Educational Activities		38.1	11.3	(26.8)	13.6
Net Investment Income/Available University Fund (AUF)		620.3	570.9	(49.4)	685.0
Other Operating Revenues/Gift Contributions for Operations		35.9	24.4	(11.5)	29.1
Total Revenues		737.4	644.9	(92.6)	782.0
Salaries and Wages/Payroll Related Costs		73.1	60.9	(12.2)	(209.8)
Materials and Supplies/Cost of Goods Sold		17.1	25.4	8.4	19.3
Depreciation and Amortization		20.7	21.0	0.4	24.2
Other Contracted Services/Professional Fees & Services		41.8	30.7	(11.1)	35.2
All Other Operating Expenses		83.5	186.0	102.6	222.3
Total Expenses (Excluding OPEB & Pension Exp)	$	236.2	324.1	87.9	91.2
Adjusted Income (Loss) Excluding OPEB & Pension Exp		501.3	320.8	(180.5)	690.8
OPEB Expense		876.7	702.7	(174.0)	843.2
Pension Expense		306.4	210.0	(96.5)	252.0
Adjusted Income (Loss)		(681.8)	(591.9)	90.0	(404.4)
Adjusted Income (Loss) Excluding Depr & Amort Exp		(661.2)	(570.8)	90.3	(380.2)



Monthly Financial Report
Detailed Expense Break-out for U. T. System Administration
For the Period Ending June 30, 2019

(in millions)		June YTD FY 2018	June YTD FY 2019	Actual Year-End FY 2018	Annual Projected FY 2019
Salaries and Wages	$	60.5	49.0	59.0	58.8
Payroll Related Costs		12.7	11.9	(270.0) *	(268.5) *
Membership Dues		0.4	0.5	0.3	0.6
Registration Fees, Meetings, Conferences		0.4	0.3	0.4	0.4
Professional Fees and Services		10.7	11.1	11.8	13.3
Other Contracted Services		31.1	19.6	31.1	21.9
Fees and Other Charges		(0.0)	0.1	(0.0)	0.1
Travel		1.5	1.1	1.6	1.4
Materials and Supplies		17.1	25.4	10.7	19.3
Utilities		0.5	0.3	0.6	0.4
Communications		4.5	3.5	4.0	3.5
Repairs and Maintenance		8.9	3.1	6.7	3.8
Rentals and Leases		3.7	2.6	3.4	3.1
Printing and Reproduction		0.2	0.3	0.4	0.3
Insurance Costs/Premiums		19.4	25.3	7.1	30.3
Claims and Losses		16.2	114.5	65.5	137.4
Scholarships and Fellowships		1.0	1.0	2.3	1.3
Depreciation and Amortization		20.7	21.0	25.2	24.2
State Sponsored Program Pass-Through to Other State Agencies		3.3	3.6	3.2	4.0
Other Operating Expenses		1.4	1.3	0.3	1.6
Interest Expense		22.2	28.5	32.2	34.2
Total Expenses (Excluding OPEB & Pension Expense)		236.2	324.1	(4.0)	91.2
OPEB Expense		876.7	702.7	843.2	843.2
Pension Expense		306.4	210.0	252.0	252.0
Total Expenses (Including OPEB & Pension Expense)	$	1,419.3	1,236.7	1,091.1	1,186.4



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

Salaries & Wages – decrease of $11.5 million due to a change in methodology for PUF salaries, and decreases in the Chancellor's Office, Competency Based Education, and Texas Oil and Gas Institute.

Other Contracted Services - decrease of $11.4 million due to decreases in University Lands Engineering Services, National Lab Exploration, Competency Based Education, and South Texas Biomedical Research Program.

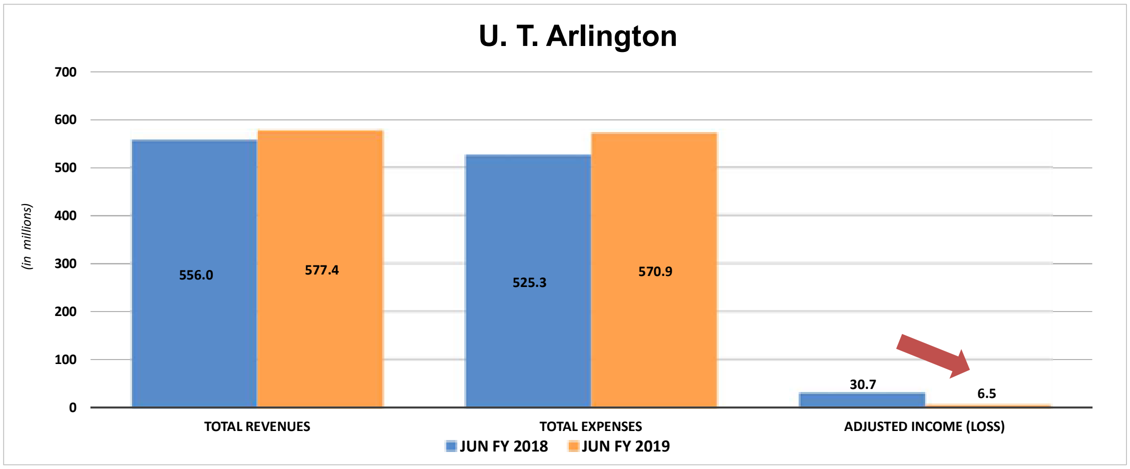
Materials and Supplies - increase of $8.4 million due to increased expenses for Compliance Software, Alcohol and Assault Prevention, Information Security Compliance, Project DOC, and the Oracle and Microsoft system-wide campus licenses which will be reimbursed from the institutions.

Claims and Losses - increase of $98.3 million due to increased claims for the Medical/Dental Self-Insurance Plan.

Interest Expense - increase of $6.3 million due to increase in PUF interest expense as well as no longer reducing interest expense by capitalized interest due to GASB 89.

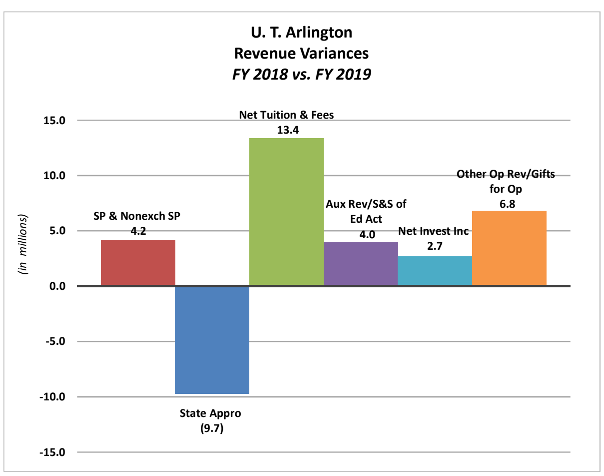
****Payroll Related Costs*** - The negative payroll related costs at year-end relate to the pension entry to defer contributions made after the measurement date.

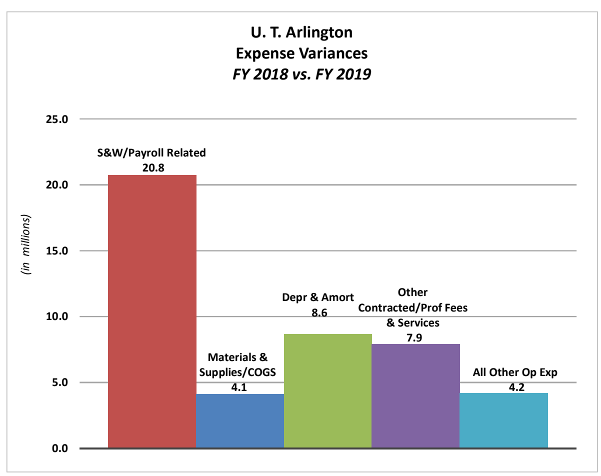
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



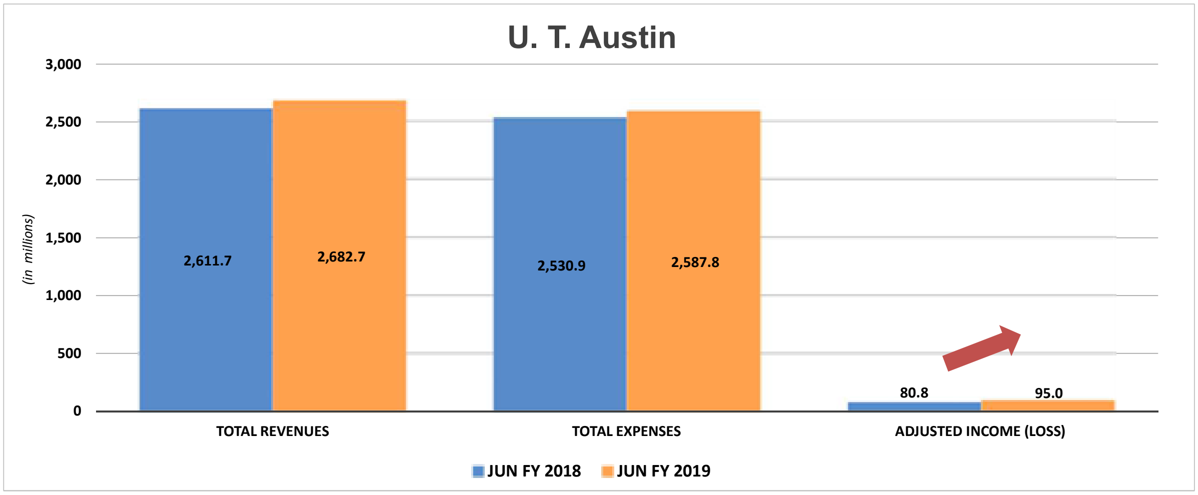
U. T. Arlington reported year-to-date adjusted income of $6.5 million, a decrease of $24.2 million (78.8%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increased faculty levels, faculty retention initiatives, and merit increases; a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; an increase in depreciation and amortization expense as a result of new buildings placed into service in 2018; and an increase in other contracted services due to an increase in accelerated online and Instructional Connections program expenses, temporary parking services, and contracted services for the University Center. Including TRBs, *U. T. Arlington's* adjusted income was $13.6 million. The most current projection received from *U. T. Arlington* reflects income of $3.6 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	116.4	120.6	4.2	138.4
State Appropriations		109.6	99.9	(9.7)	119.9
Net Tuition and Fees		250.3	263.7	13.4	321.9
Auxiliary Revenues/Sales & Services of Educational Activities		56.1	60.1	4.0	74.5
Net Investment Income		16.4	19.2	2.7	22.6
Other Operating Revenues/Gift Contributions for Operations		7.1	14.0	6.8	16.1
Total Revenues		556.0	577.4	21.3	693.3
Salaries and Wages/Payroll Related Costs		298.8	319.5	20.8	384.2
Materials and Supplies/Cost of Goods Sold		23.6	27.6	4.1	35.6
Depreciation and Amortization		37.1	45.8	8.6	54.9
Other Contracted Services/Professional Fees & Services		65.1	73.0	7.9	89.0
All Other Operating Expenses		100.7	104.9	4.2	125.9
Total Expenses	$	525.3	570.9	45.6	689.7
Adjusted Income (Loss) Excluding TRBs		30.7	6.5	(24.2)	3.6
Adjusted Income (Loss) Including TRBs		30.7	13.6	(17.1)	12.1
Adjusted Income (Loss) Excluding Depr & Amort Exp		67.9	52.3	(15.6)	58.5



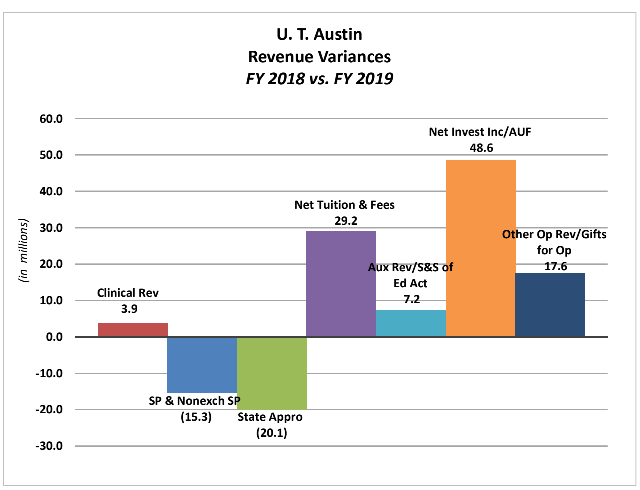


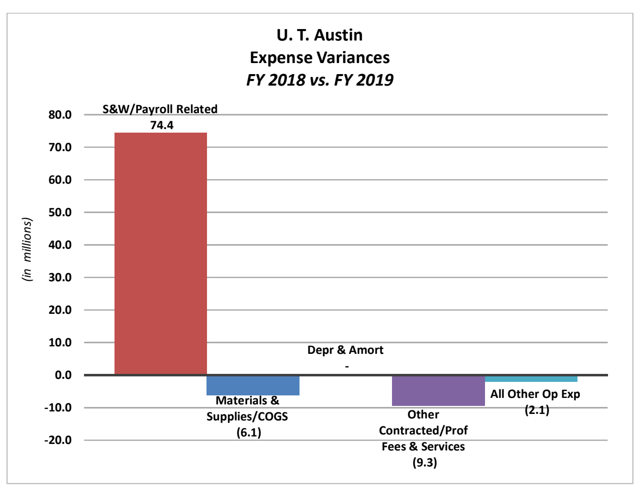
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



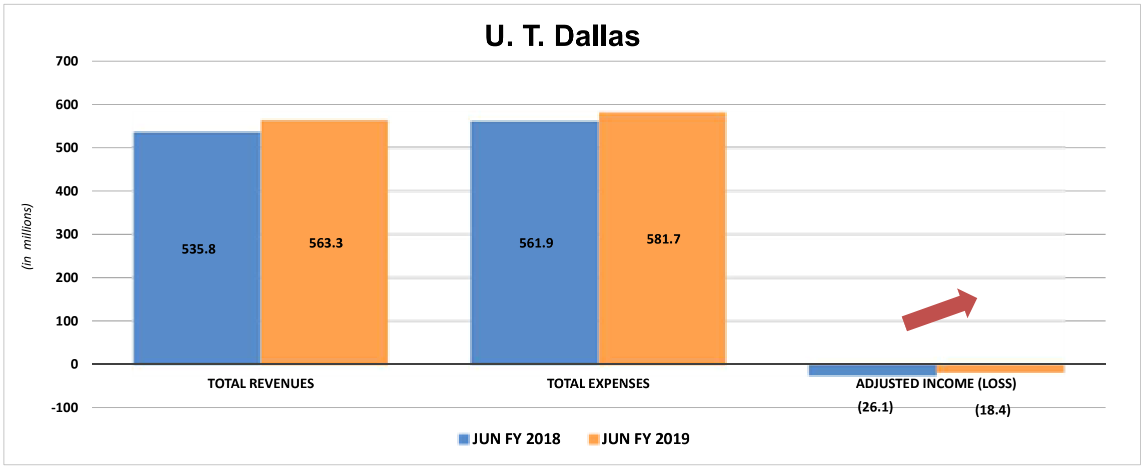
U. T. Austin reported year-to-date adjusted income of $95.0 million, an increase of $14.1 million (17.5%) from the prior year. The increase was primarily due to the following: an increase in the amount of the transfer from the Available University Fund; an increase in net student tuition and fees due to an increase in flat rate tuition, MBA and PharmD programs; and an increase in gift contributions for operations due to a large gift received from the Littlefield Estate. Including TRBs, *U. T. Austin's* adjusted income was $108.1 million. The most current projection received from *U. T. Austin* reflects income of $110.8 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	0.9	4.8	3.9	5.7
Sponsored Programs/Nonexchange Sponsored Programs		564.4	549.0	(15.3)	756.4
State Appropriations		300.5	280.4	(20.1)	336.5
Net Tuition and Fees		404.2	433.3	29.2	520.0
Auxiliary Revenues/Sales & Services of Educational Activities		685.1	692.3	7.2	597.6
Net Investment Income/Available University Fund (AUF)		515.0	563.6	48.6	672.4
Other Operating Revenues/Gift Contributions for Operations		141.6	159.2	17.6	177.6
Total Revenues		2,611.7	2,682.7	71.0	3,066.2
Salaries and Wages/Payroll Related Costs		1,414.2	1,488.6	74.4	1,689.5
Materials and Supplies/Cost of Goods Sold		146.5	140.3	(6.1)	138.7
Depreciation and Amortization		261.7	261.7	-	314.0
Other Contracted Services/Professional Fees & Services		181.4	172.0	(9.3)	208.7
All Other Operating Expenses		527.2	525.1	(2.1)	604.5
Total Expenses	$	2,530.9	2,587.8	56.9	2,955.4
Adjusted Income (Loss) Excluding TRBs		80.8	95.0	14.1	110.8
Adjusted Income (Loss) Including TRBs		80.8	108.1	27.2	126.5
Adjusted Income (Loss) Excluding Depr & Amort Exp		342.5	356.6	14.1	424.8



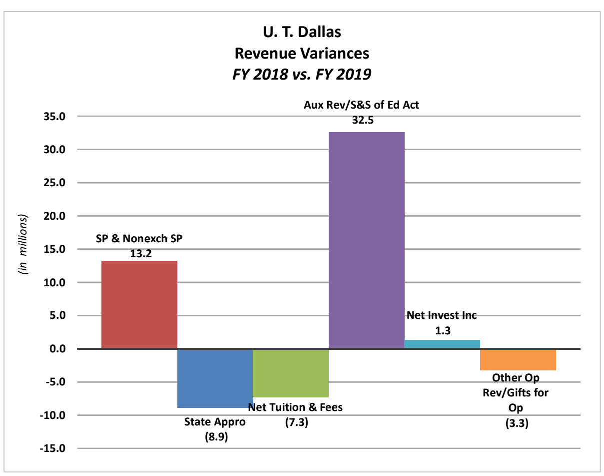


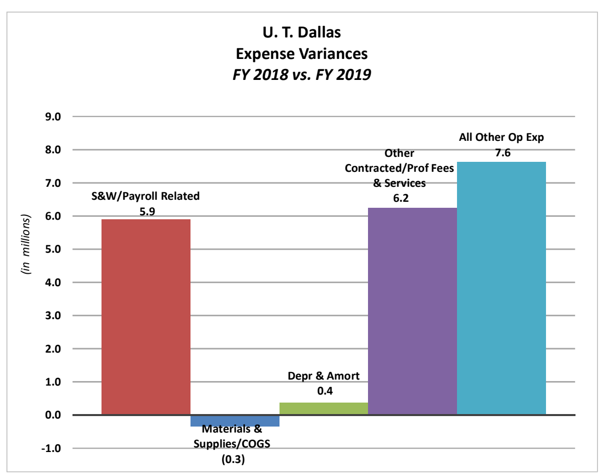
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



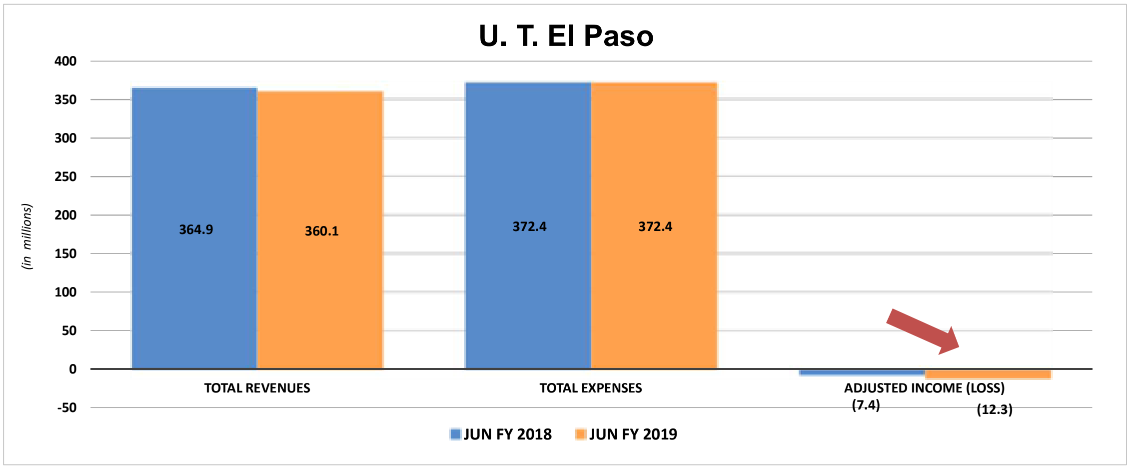
U. T. Dallas incurred a year-to-date adjusted loss of $18.4 million, a decrease in adjusted loss of $7.7 million (29.6%) from the prior year. This decrease was primarily attributable to an increase in net auxiliary enterprises revenue as a result of housing services being managed internally. Including TRBs, *U. T. Dallas'* adjusted loss was $13.8 million. The most current projection received from *U. T. Dallas* reflects a loss of $21.6 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	76.8	90.0	13.2	108.0
State Appropriations		104.2	95.3	(8.9)	114.4
Net Tuition and Fees		263.7	256.4	(7.3)	308.1
Auxiliary Revenues/Sales & Services of Educational Activities		48.7	81.3	32.5	97.5
Net Investment Income		25.4	26.6	1.3	32.0
Other Operating Revenues/Gift Contributions for Operations		17.0	13.8	(3.3)	16.5
Total Revenues		535.8	563.3	27.5	676.5
Salaries and Wages/Payroll Related Costs		327.1	333.0	5.9	399.6
Materials and Supplies/Cost of Goods Sold		27.1	26.8	(0.3)	32.1
Depreciation and Amortization		68.0	68.3	0.4	82.0
Other Contracted Services/Professional Fees & Services		22.6	28.8	6.2	34.6
All Other Operating Expenses		117.1	124.8	7.6	149.7
Total Expenses	$	561.9	581.7	19.8	698.1
Adjusted Income (Loss) Excluding TRBs		(26.1)	(18.4)	7.7	(21.6)
Adjusted Income (Loss) Including TRBs		(26.1)	(13.8)	12.3	(16.1)
Adjusted Income (Loss) Excluding Depr & Amort Exp		41.8	49.9	8.1	60.4



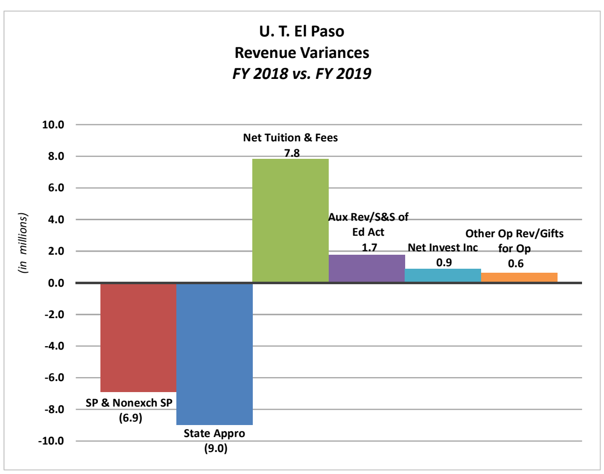


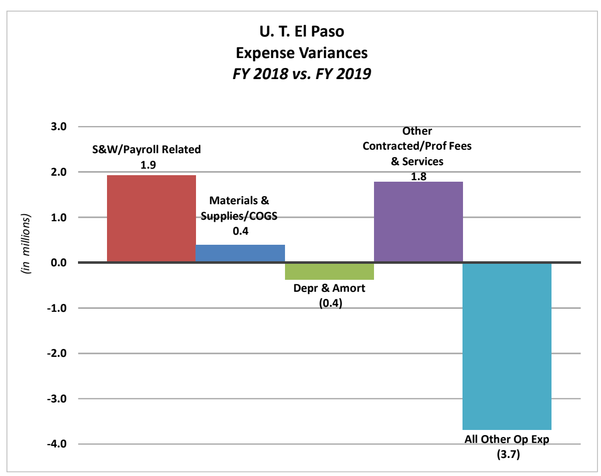
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



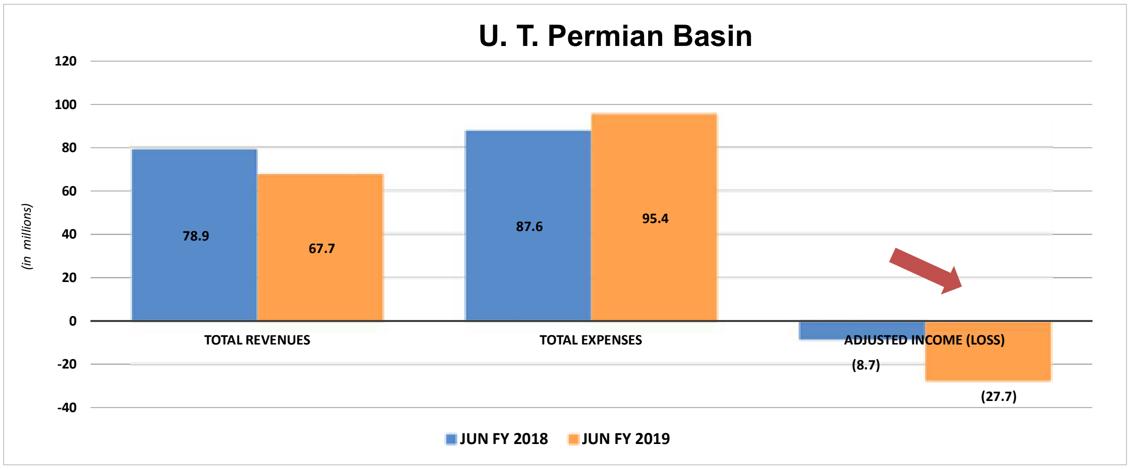
U. T. El Paso incurred a year-to-date adjusted loss of $12.3 million, an increase in adjusted loss of $4.9 million (65.4%) from the prior year. The increase was primarily due to a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019. Including TRBs, *U. T. El Paso's* adjusted loss was $5.1 million. The most current projection received from *U. T. El Paso* reflects a loss of $12.6 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	112.6	105.7	(6.9)	146.4
State Appropriations		90.1	81.1	(9.0)	94.9
Net Tuition and Fees		109.4	117.2	7.8	135.8
Auxiliary Revenues/Sales & Services of Educational Activities		36.0	37.7	1.7	43.6
Net Investment Income		12.7	13.6	0.9	16.2
Other Operating Revenues/Gift Contributions for Operations		4.2	4.8	0.6	6.6
Total Revenues		364.9	360.1	(4.8)	443.5
Salaries and Wages/Payroll Related Costs		211.9	213.9	1.9	252.6
Materials and Supplies/Cost of Goods Sold		15.1	15.4	0.4	20.4
Depreciation and Amortization		25.4	25.0	(0.4)	30.2
Other Contracted Services/Professional Fees & Services		24.8	26.6	1.8	29.2
All Other Operating Expenses		95.2	91.6	(3.7)	123.6
Total Expenses	$	372.4	372.4	0.0	456.0
Adjusted Income (Loss) Excluding TRBs		(7.4)	(12.3)	(4.9)	(12.6)
Adjusted Income (Loss) Including TRBs		(7.4)	(5.1)	2.3	(4.3)
Adjusted Income (Loss) Excluding Depr & Amort Exp		17.9	12.7	(5.2)	17.6



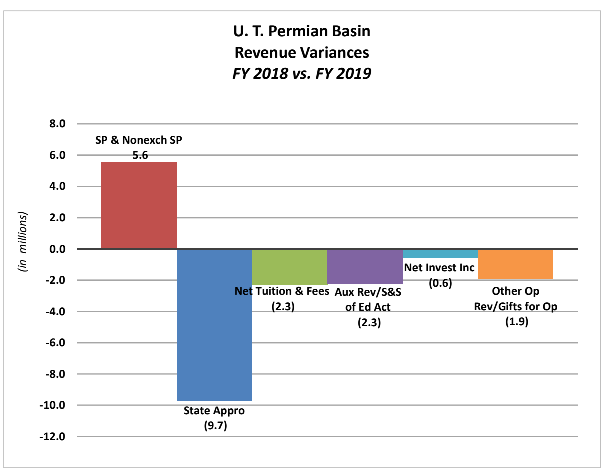


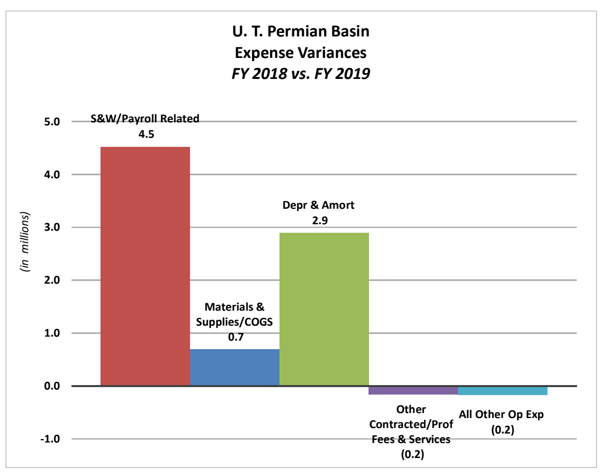
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



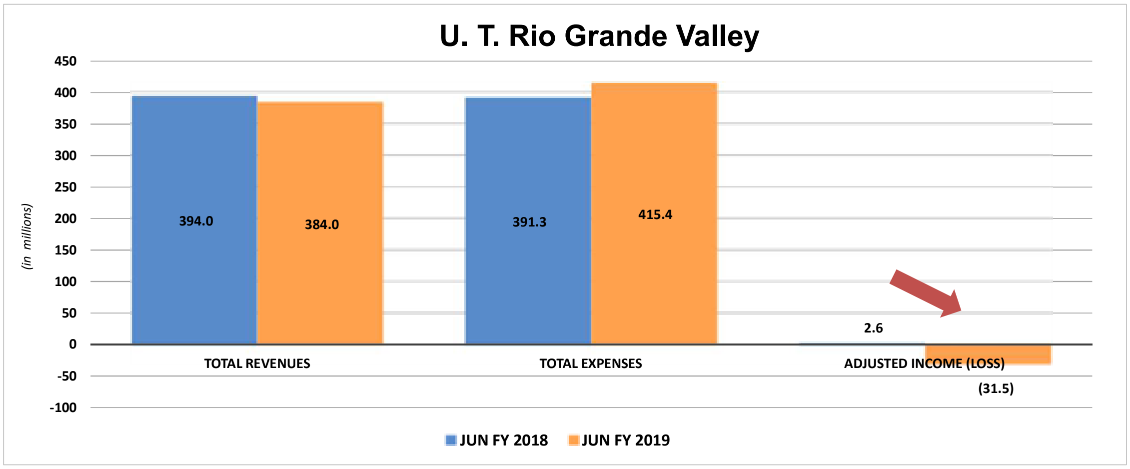
U. T. Permian Basin incurred a year-to-date adjusted loss of $27.7 million, an increase in adjusted loss of $19.0 million (218.5%) from the prior year. The increase was primarily attributable to the following: a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; an increase in salaries and wages as a result of vacant positions being filled; an increase in scholarships and fellowships due to an increase in athletic and institutional scholarships; an increase in depreciation and amortization expense as a result of a correction to the in service date related to the Center for Energy and Economic Diversification; a decrease in net auxiliary enterprises due to Fall 2018 revenue which was not properly deferred to 2019, as well as a decrease in enrollment; and a decrease in net student tuition and fees due to Fall 2018 tuition and fees which were not properly deferred to 2019. Including TRBs, *U. T. Permian Basin's* adjusted loss was $21.0 million. The most current projection received from *U. T. Permian Basin* reflects a loss of $37.2 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	10.0	15.5	5.6	18.6
State Appropriations		30.5	20.8	(9.7)	25.0
Net Tuition and Fees		20.8	18.5	(2.3)	16.1
Auxiliary Revenues/Sales & Services of Educational Activities		7.5	5.3	(2.3)	6.3
Net Investment Income		2.0	1.4	(0.6)	1.7
Other Operating Revenues/Gift Contributions for Operations		8.1	6.2	(1.9)	7.4
Total Revenues		78.9	67.7	(11.2)	75.2
Salaries and Wages/Payroll Related Costs		36.9	41.4	4.5	49.7
Materials and Supplies/Cost of Goods Sold		3.9	4.5	0.7	5.5
Depreciation and Amortization		13.2	16.1	2.9	19.3
Other Contracted Services/Professional Fees & Services		10.3	10.1	(0.2)	12.2
All Other Operating Expenses		23.3	23.2	(0.2)	25.8
Total Expenses	$	87.6	95.4	7.8	112.5
Adjusted Income (Loss) Excluding TRBs		(8.7)	(27.7)	(19.0)	(37.2)
Adjusted Income (Loss) Including TRBs		(8.7)	(21.0)	(12.3)	(28.9)
Adjusted Income (Loss) Excluding Depr & Amort Exp		4.5	(11.6)	(16.1)	(17.9)



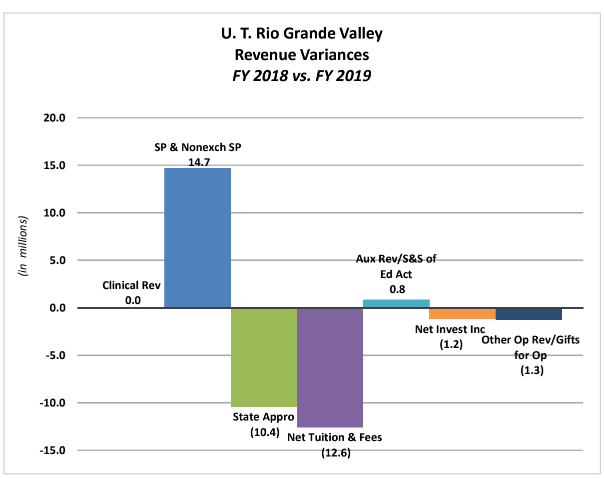


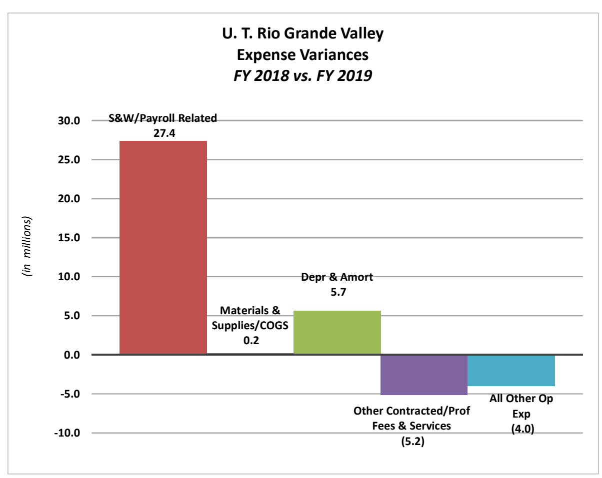
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



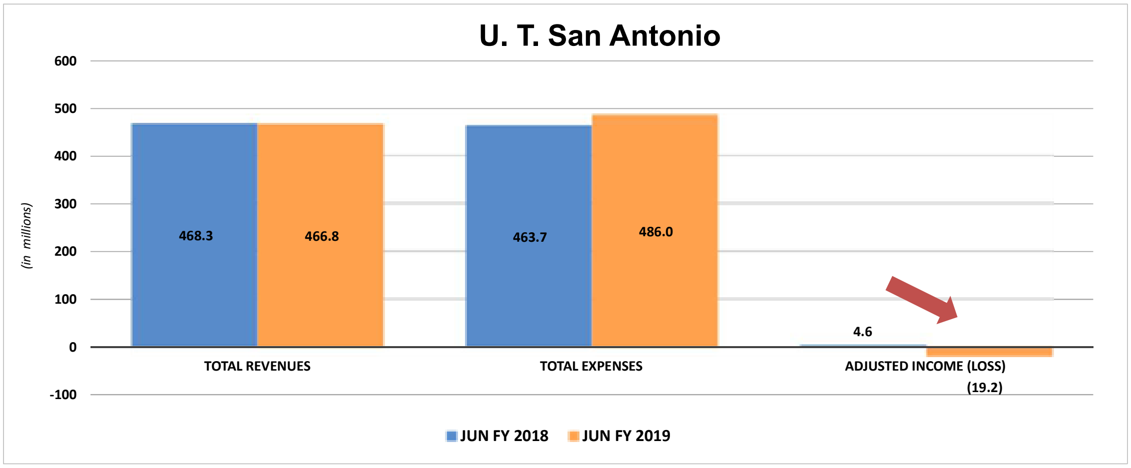
U. T. Rio Grande Valley incurred a year-to-date adjusted loss of $31.5 million, a decrease of $34.1 million (1,287.7%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increases in staff and faculty positions; a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; an increase in depreciation and amortization expense as a result of two new buildings placed into service in 2018; and a decrease in other operating revenues as a result of a decline in Delivery System Reform Incentive Payment (DSRIP) revenues. Including TRBs, *U. T. Rio Grande Valley's* adjusted loss was $20.5 million. The most current projection received from *U. T. Rio Grande Valley* reflects a loss of $38.1 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	3.1	3.1	0.0	4.7
Sponsored Programs/Nonexchange Sponsored Programs		136.6	151.3	14.7	209.5
State Appropriations		122.3	111.9	(10.4)	127.8
Net Tuition and Fees		94.6	82.0	(12.6)	98.4
Auxiliary Revenues/Sales & Services of Educational Activities		14.1	15.0	0.8	17.3
Net Investment Income		10.0	8.8	(1.2)	8.4
Other Operating Revenues/Gift Contributions for Operations		13.2	11.9	(1.3)	16.7
Total Revenues		394.0	384.0	(10.0)	482.8
Salaries and Wages/Payroll Related Costs		250.1	277.5	27.4	327.3
Materials and Supplies/Cost of Goods Sold		15.9	16.1	0.2	20.6
Depreciation and Amortization		32.4	38.0	5.7	47.7
Other Contracted Services/Professional Fees & Services		18.7	13.5	(5.2)	15.7
All Other Operating Expenses		74.3	70.3	(4.0)	109.5
Total Expenses	$	391.3	415.4	24.1	520.9
Adjusted Income (Loss) Excluding TRBs		2.6	(31.5)	(34.1)	(38.1)
Adjusted Income (Loss) Including TRBs		2.6	(20.5)	(23.2)	(24.9)
Adjusted Income (Loss) Excluding Depr & Amort Exp		35.0	6.6	(28.5)	9.7



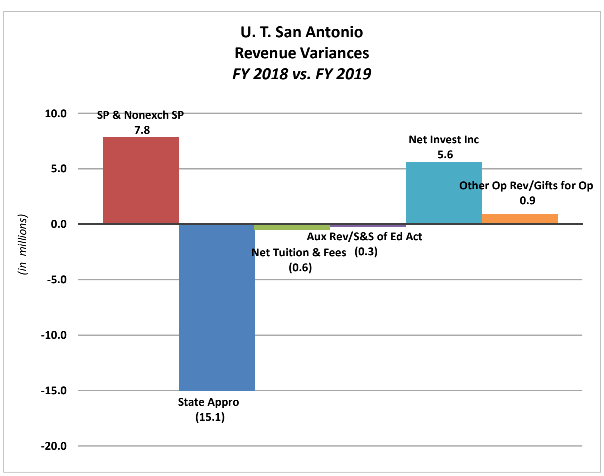


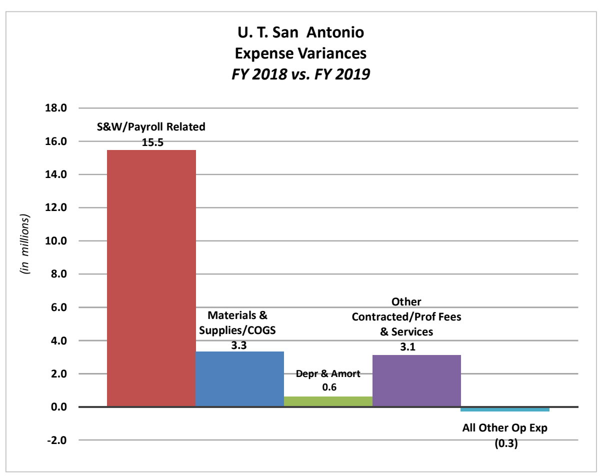
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



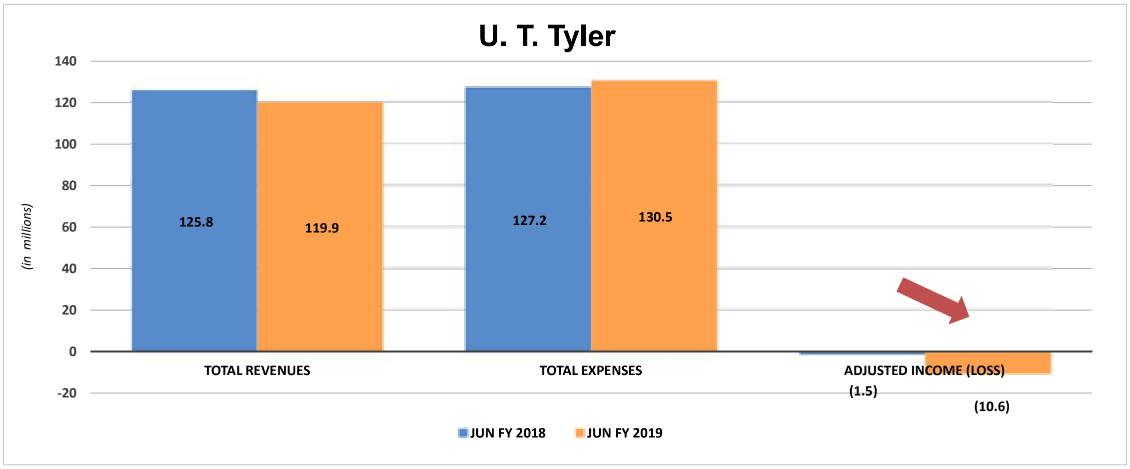
U. T. San Antonio incurred a year-to-date adjusted loss of $19.2 million, a decrease of $23.8 million (518.2%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to merit increases and vacant positions being filled; a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; an increase in materials and supplies due to an increase in software expenses and non-capitalized expenses for furniture and equipment; and an increase in professional fees and services due to various new Presidential strategic initiatives. Including TRBs, *U. T. San Antonio's* adjusted loss was $9.5 million. The most current projection received from *U. T. San Antonio* reflects a loss of $23.5 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$	109.2	117.0	7.8	140.4
State Appropriations		112.1	97.0	(15.1)	116.4
Net Tuition and Fees		174.7	174.2	(0.6)	209.0
Auxiliary Revenues/Sales & Services of Educational Activities		51.2	51.0	(0.3)	61.2
Net Investment Income		13.1	18.7	5.6	21.9
Other Operating Revenues/Gift Contributions for Operations		8.0	8.9	0.9	10.7
Total Revenues		468.3	466.8	(1.5)	559.7
Salaries and Wages/Payroll Related Costs		261.4	276.8	15.5	332.2
Materials and Supplies/Cost of Goods Sold		21.0	24.3	3.3	29.2
Depreciation and Amortization		40.9	41.5	0.6	49.8
Other Contracted Services/Professional Fees & Services		23.4	26.5	3.1	31.9
All Other Operating Expenses		117.1	116.8	(0.3)	140.2
Total Expenses	$	463.7	486.0	22.3	583.2
Adjusted Income (Loss) Excluding TRBs		4.6	(19.2)	(23.8)	(23.5)
Adjusted Income (Loss) Including TRBs		4.6	(9.5)	(14.1)	(11.9)
Adjusted Income (Loss) Excluding Depr & Amort Exp		45.5	22.3	(23.2)	26.2



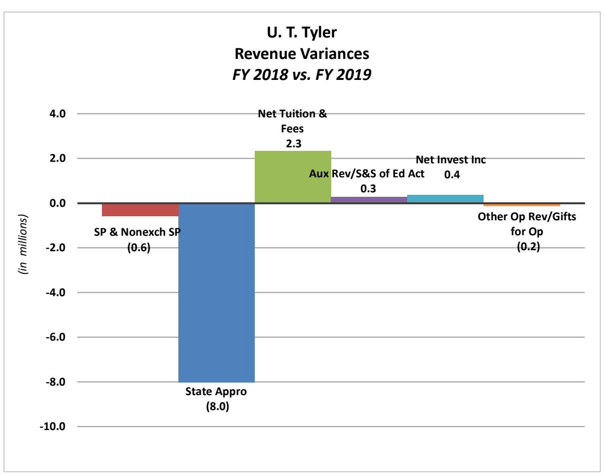


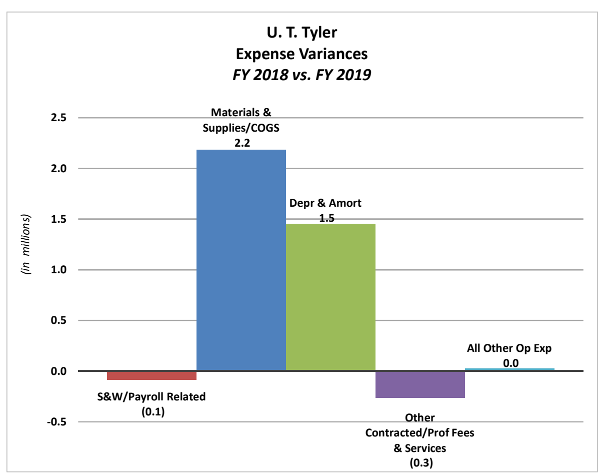
Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



U. T. Tyler incurred a year-to-date adjusted loss of $10.6 million, an increase in adjusted loss of $9.1 million (621.2%) from the prior year. The increase was primarily a result of the following: a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; an increase in materials and supplies for non-capitalized furnishings and equipment for the STEM Business building; and an increase in depreciation and amortization expense due to the STEM Business building which was placed into service in 2018. Including TRBs, *U. T. Tyler's* adjusted loss was $5.2 million. The most current projection received from *U. T. Tyler* reflects a loss of $8.6 million for the year.

(in millions)	June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Sponsored Programs/Nonexchange Sponsored Programs	$ 20.4	19.8	(0.6)	25.3
State Appropriations	36.6	28.6	(8.0)	34.3
Net Tuition and Fees	43.0	45.4	2.3	54.4
Auxiliary Revenues/Sales & Services of Educational Activities	19.7	20.0	0.3	23.1
Net Investment Income	4.6	5.0	0.4	7.3
Other Operating Revenues/Gift Contributions for Operations	1.4	1.3	(0.2)	1.7
Total Revenues	125.8	119.9	(5.8)	146.2
Salaries and Wages/Payroll Related Costs	76.9	76.8	(0.1)	90.2
Materials and Supplies/Cost of Goods Sold	5.3	7.5	2.2	8.1
Depreciation and Amortization	13.0	14.5	1.5	17.3
Other Contracted Services/Professional Fees & Services	9.4	9.2	(0.3)	12.0
All Other Operating Expenses	22.6	22.7	0.0	27.0
Total Expenses	$ 127.2	130.5	3.3	154.7
Adjusted Income (Loss) Excluding TRBs	(1.5)	(10.6)	(9.1)	(8.6)
Adjusted Income (Loss) Including TRBs	(1.5)	(5.2)	(3.7)	(2.1)
Adjusted Income (Loss) Excluding Depr & Amort Exp	11.5	3.9	(7.7)	8.8





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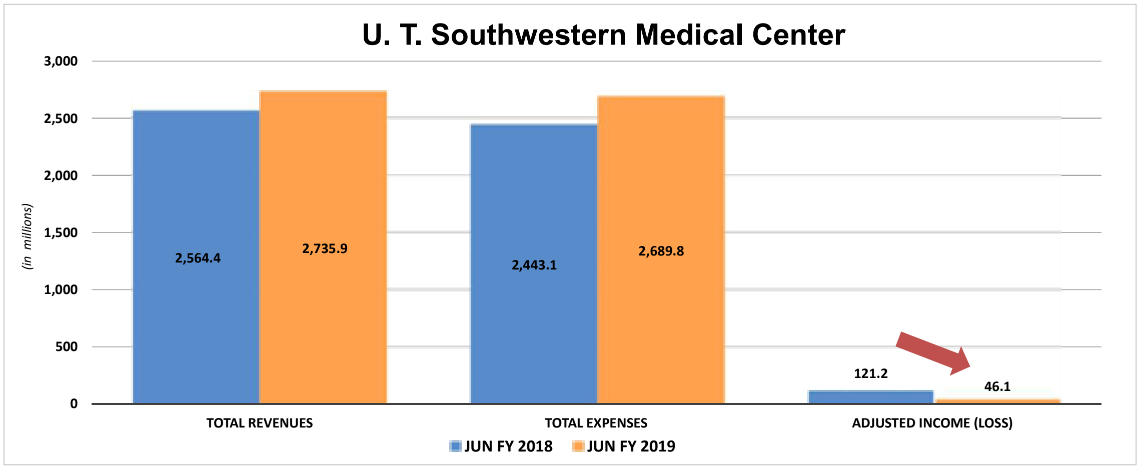
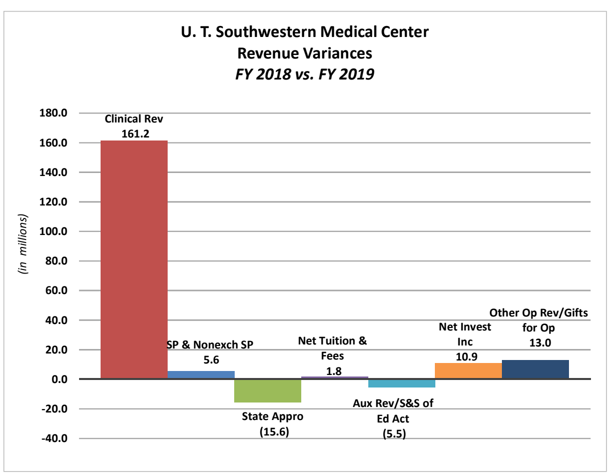
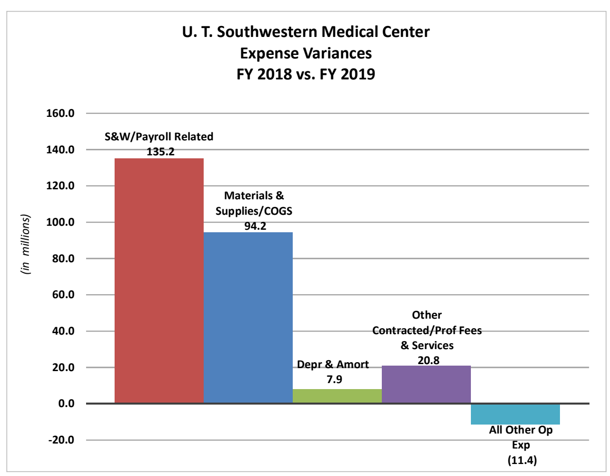
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending June 30, 2019



U. T. Southwestern Medical Center reported year-to-date adjusted income of $46.1 million, a decrease of $75.1 million (62.0%) from the prior year. 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; an increase in materials and supplies as a result of increased drugs and medical supplies driven by patient volumes and patient acuity; and a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019. Including TRBs, *U. T. Southwestern Medical Center's* adjusted income was $57.3 million. The most current projection received from *U. T. Southwestern Medical Center* reflects income of $70.0 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	1,634.9	1,796.1	161.2	2,161.5
Sponsored Programs/Nonexchange Sponsored Programs		489.1	494.7	5.6	589.7
State Appropriations		161.1	145.5	(15.6)	175.4
Net Tuition and Fees		20.7	22.5	1.8	27.0
Auxiliary Revenues/Sales & Services of Educational Activities		33.2	27.7	(5.5)	33.4
Net Investment Income		97.2	108.1	10.9	119.1
Other Operating Revenues/Gift Contributions for Operations		128.2	141.2	13.0	188.7
Total Revenues		2,564.4	2,735.9	171.5	3,294.9
Salaries and Wages/Payroll Related Costs		1,529.5	1,664.7	135.2	1,988.1
Materials and Supplies/Cost of Goods Sold		411.1	505.3	94.2	607.4
Depreciation and Amortization		142.3	150.2	7.9	177.0
Other Contracted Services/Professional Fees & Services		176.6	197.4	20.8	256.8
All Other Operating Expenses		183.5	172.1	(11.4)	195.7
Total Expenses	$	2,443.1	2,689.8	246.6	3,224.9
Adjusted Income (Loss) Excluding TRBs		121.2	46.1	(75.1)	70.0
Adjusted Income (Loss) Including TRBs		121.2	57.3	(63.9)	83.5
Adjusted Income (Loss) Excluding Depr & Amort Exp		263.6	196.4	(67.2)	247.0





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Comparison of Operating Results, Margin and Projected Year-End
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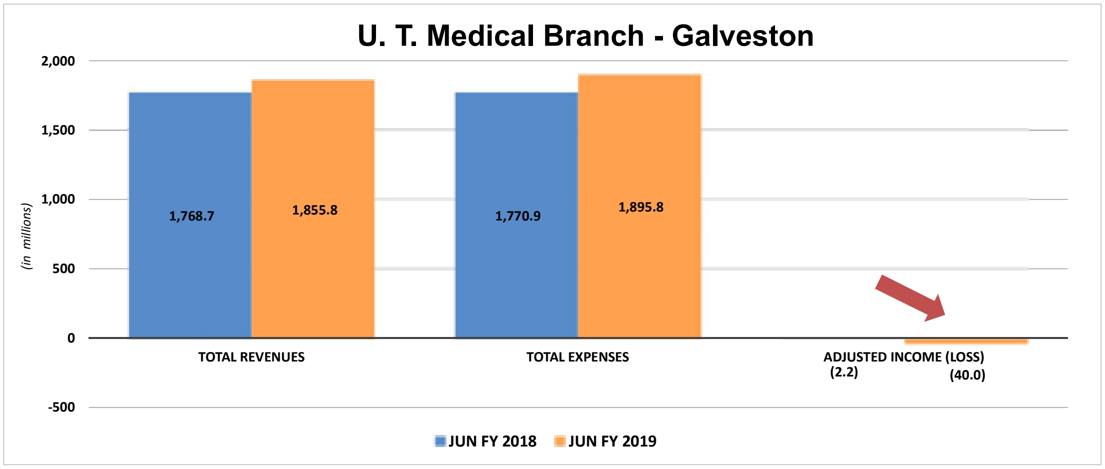
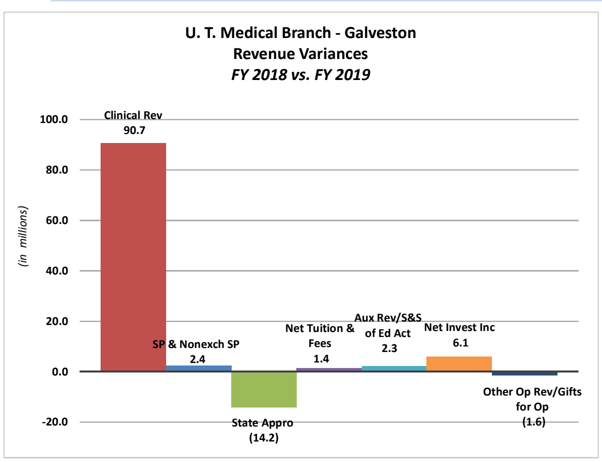
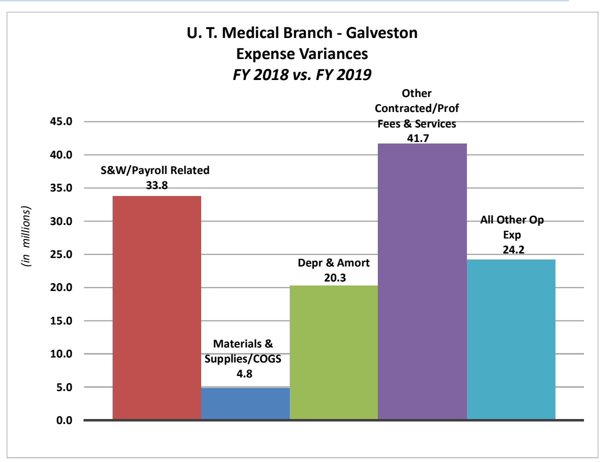


U. T. Medical Branch - Galveston incurred a year-to-date adjusted loss of $40.0 million, an increase in adjusted loss of $37.8 million (1,706.5%) from the prior year. The increase was primarily due to the following: an increase in salaries and wages and payroll related costs as a result of increases in staff and faculty positions associated with the opening of the Clear Lake hospital and merit increases; 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 depreciation and amortization expense due to various projects placed into service; and a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019. Including TRBs, *U. T. Medical Branch - Galveston's* adjusted loss was $28.1 million. The most current projection received from *U. T. Medical Branch - Galveston* reflects a loss of $59.1 million for the year primarily as a result of startup costs related to the opening of the Clear Lake hospital in March and the exclusion of TRB appropriations.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	1,140.6	1,231.3	90.7	1,494.1
Sponsored Programs/Nonexchange Sponsored Programs		164.7	167.0	2.4	201.9
State Appropriations		308.7	294.5	(14.2)	351.9
Net Tuition and Fees		34.2	35.6	1.4	43.4
Auxiliary Revenues/Sales & Services of Educational Activities		22.2	24.5	2.3	29.5
Net Investment Income		47.4	53.6	6.1	64.9
Other Operating Revenues/Gift Contributions for Operations		50.9	49.3	(1.6)	54.4
Total Revenues		1,768.7	1,855.8	87.1	2,240.1
Salaries and Wages/Payroll Related Costs		1,122.1	1,155.8	33.8	1,266.9
Materials and Supplies/Cost of Goods Sold		226.9	231.8	4.8	284.4
Depreciation and Amortization		128.8	149.1	20.3	180.4
Other Contracted Services/Professional Fees & Services		128.0	169.7	41.7	277.9
All Other Operating Expenses		165.1	189.4	24.2	289.6
Total Expenses	$	1,770.9	1,895.8	124.9	2,299.2
Adjusted Income (Loss) Excluding TRBs		(2.2)	(40.0)	(37.8)	(59.1)
Adjusted Income (Loss) Including TRBs		(2.2)	(28.1)	(25.9)	(44.9)
Adjusted Income (Loss) Excluding Depr & Amort Exp		126.5	109.1	(17.4)	121.4





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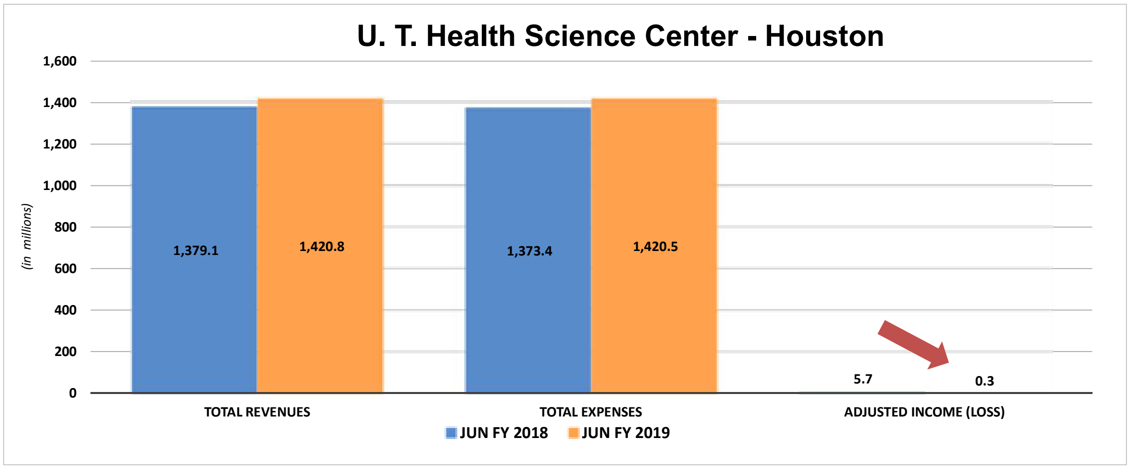
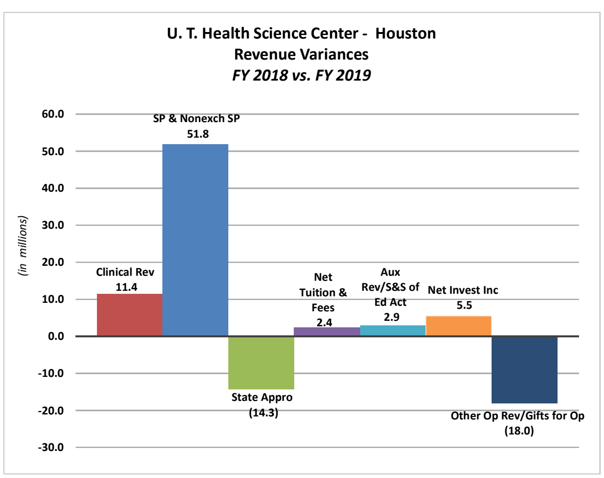
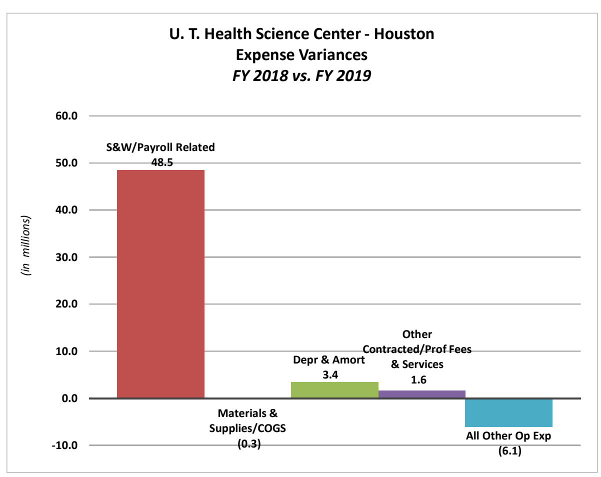


U. T. Health Science Center - Houston reported year-to-date adjusted income of $0.3 million, a decrease of $5.4 million (94.8%) from the prior year. The decrease was attributable to the following: an increase in salaries and wages and payroll related costs as a result of growth in the physician practice plan; a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; a decrease in gift contributions for operations as a result of a decline in pledges as compared to the prior year; and a decrease in other operating revenues as a result of a decline in DSRIP revenues. Including TRBs, *U. T. Health Science Center - Houston's* adjusted income was $11.0 million. The most current projection received from *U. T. Health Science Center - Houston* reflects income of $1.1 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	365.4	376.8	11.4	456.9
Sponsored Programs/Nonexchange Sponsored Programs		613.5	665.4	51.8	801.9
State Appropriations		179.4	165.1	(14.3)	197.4
Net Tuition and Fees		48.3	50.7	2.4	59.8
Auxiliary Revenues/Sales & Services of Educational Activities		57.0	59.9	2.9	67.8
Net Investment Income		37.1	42.6	5.5	59.0
Other Operating Revenues/Gift Contributions for Operations		78.3	60.3	(18.0)	80.3
Total Revenues		1,379.1	1,420.8	41.7	1,723.2
Salaries and Wages/Payroll Related Costs		995.6	1,044.0	48.5	1,254.2
Materials and Supplies/Cost of Goods Sold		74.0	73.7	(0.3)	94.8
Depreciation and Amortization		52.7	56.1	3.4	67.1
Other Contracted Services/Professional Fees & Services		111.5	113.1	1.6	145.8
All Other Operating Expenses		139.6	133.5	(6.1)	160.2
Total Expenses	$	1,373.4	1,420.5	47.1	1,722.1
Adjusted Income (Loss) Excluding TRBs		5.7	0.3	(5.4)	1.1
Adjusted Income (Loss) Including TRBs		5.7	11.0	5.3	13.9
Adjusted Income (Loss) Excluding Depr & Amort Exp		58.4	56.4	(2.0)	68.2





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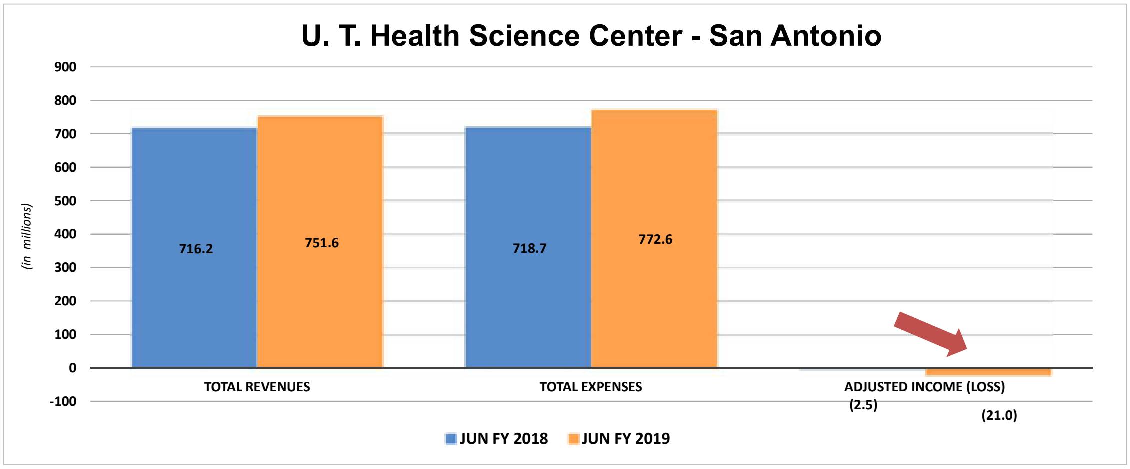
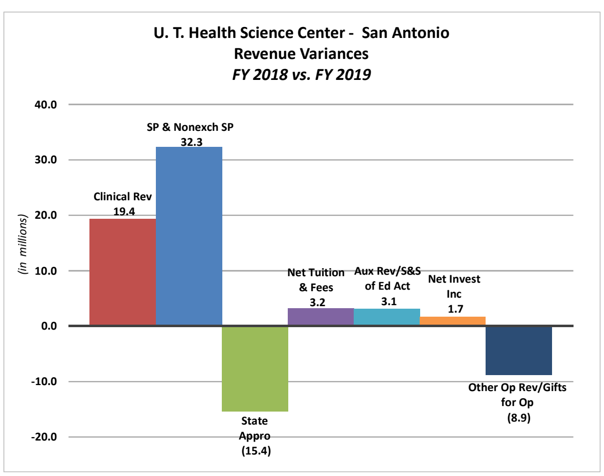
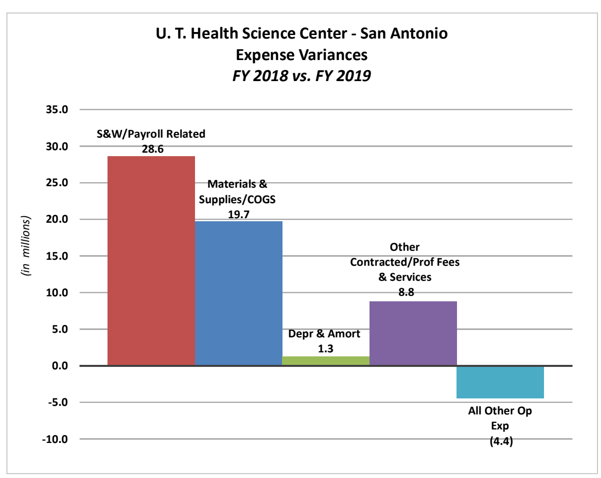


U. T. Health Science Center - San Antonio incurred a year-to-date loss of $21.0 million, an increase in adjusted loss of $18.5 million (741.7%) from the prior year. The increase was primarily due to the following: an increase in salaries and wages attributable to increased clinical faculty and staff positions as a result of growth associated with expanded clinical facilities; an increase in materials and supplies due to an increase in drug and medication supplies among the Cancer Center Pharmacy and the UT Health Physicians clinics; a change in methodology to exclude TRB appropriations from adjusted income (loss) to more accurately reflect revenues that can be used for operations beginning May 2019; and a decline in DSRIP revenues. Including TRBs, *U. T. Health Science Center - San Antonio's* adjusted loss was $12.1 million. The most current projection received from *U. T. Health Science Center - San Antonio* reflects a loss of $23.0 million for the year due to expansion of the clinical enterprise and strengthening of the research mission combined with the exclusion of TRB appropriations.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	175.9	195.3	19.4	240.3
Sponsored Programs/Nonexchange Sponsored Programs		259.0	291.3	32.3	344.3
State Appropriations		146.4	131.0	(15.4)	157.2
Net Tuition and Fees		37.1	40.4	3.2	47.0
Auxiliary Revenues/Sales & Services of Educational Activities		23.1	26.2	3.1	31.3
Net Investment Income		36.3	38.0	1.7	45.6
Other Operating Revenues/Gift Contributions for Operations		38.4	29.5	(8.9)	41.0
Total Revenues		716.2	751.6	35.4	906.7
Salaries and Wages/Payroll Related Costs		489.1	517.8	28.6	630.6
Materials and Supplies/Cost of Goods Sold		53.0	72.7	19.7	86.8
Depreciation and Amortization		46.3	47.5	1.3	57.0
Other Contracted Services/Professional Fees & Services		38.4	47.2	8.8	54.1
All Other Operating Expenses		91.9	87.5	(4.4)	101.2
Total Expenses	$	718.7	772.6	53.9	929.7
Adjusted Income (Loss) Excluding TRBs		(2.5)	(21.0)	(18.5)	(23.0)
Adjusted Income (Loss) Including TRBs		(2.5)	(12.1)	(9.6)	(12.3)
Adjusted Income (Loss) Excluding Depr & Amort Exp		43.8	26.5	(17.3)	34.0





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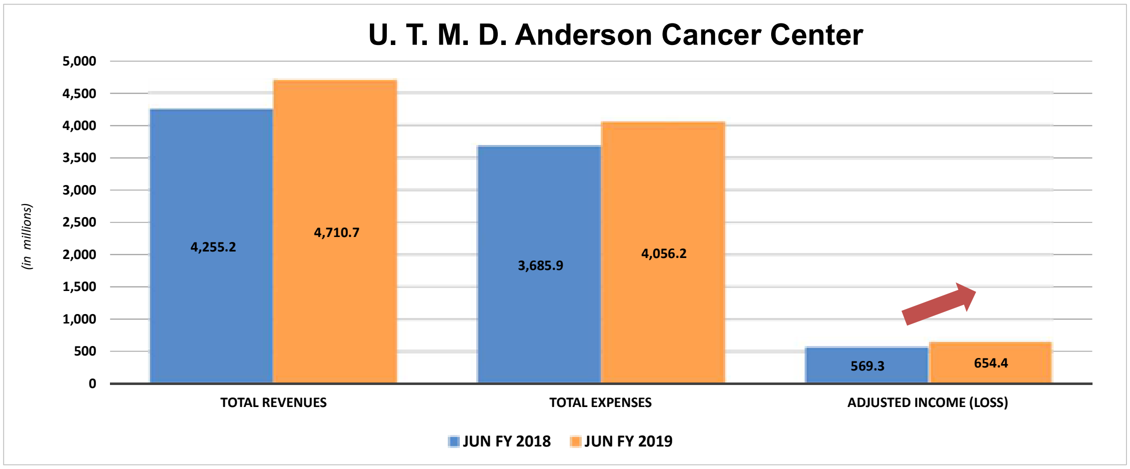
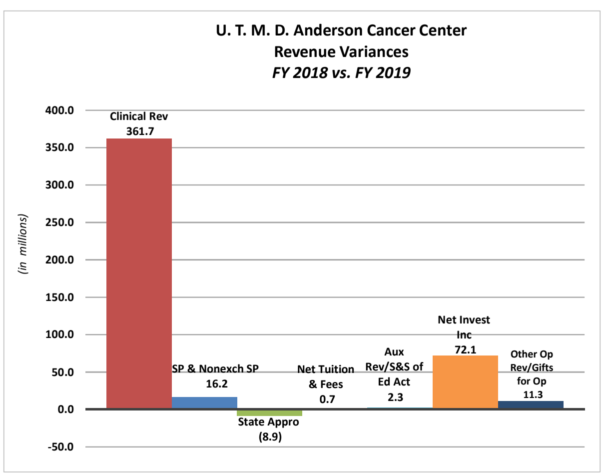
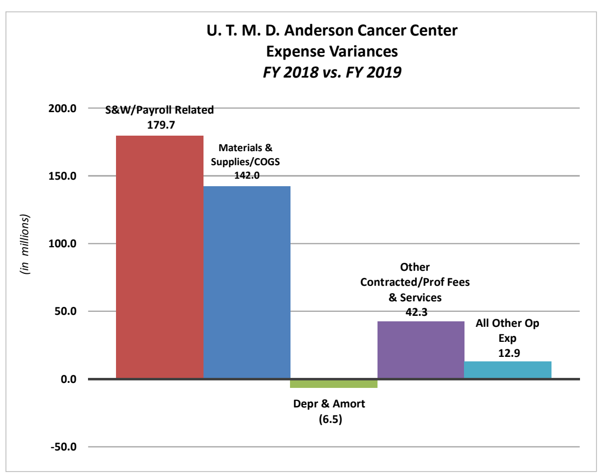


U. T. M. D. Anderson Cancer Center reported year-to-date adjusted income of $654.4 million, an increase of $85.2 million (15.0%) from the prior year. The increase was primarily attributable to an increase in net sales and services of hospitals due to an increase in admissions, patient days, and outpatient visits. An increase in net investment income due to improved market conditions also contributed to the favorable variance. Including TRBs, *U. T. M. D. Anderson Cancer Center's* adjusted income was $660.6 million. The most current projection received from *U. T. M. D. Anderson Cancer Center* reflects income of $703.8 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019	Variance	Annual Projected FY 2019
Clinical Revenues	$	3,417.2	3,778.9	361.7	4,521.0
Sponsored Programs/Nonexchange Sponsored Programs		308.3	324.5	16.2	390.4
State Appropriations		174.1	165.1	(8.9)	198.1
Net Tuition and Fees		1.0	1.8	0.7	1.8
Auxiliary Revenues/Sales & Services of Educational Activities		38.4	40.7	2.3	48.1
Net Investment Income		132.3	204.4	72.1	222.5
Other Operating Revenues/Gift Contributions for Operations		183.8	195.1	11.3	236.1
Total Revenues		4,255.2	4,710.7	455.5	5,618.0
Salaries and Wages/Payroll Related Costs		2,098.7	2,278.4	179.7	2,716.0
Materials and Supplies/Cost of Goods Sold		795.7	937.6	142.0	1,116.1
Depreciation and Amortization		301.5	295.0	(6.5)	363.2
Other Contracted Services/Professional Fees & Services		230.7	273.1	42.3	392.2
All Other Operating Expenses		259.3	272.2	12.9	326.7
Total Expenses	$	3,685.9	4,056.2	370.3	4,914.2
Adjusted Income (Loss) Excluding TRBs		569.3	654.4	85.2	703.8
Adjusted Income (Loss) Including TRBs		569.3	660.6	91.3	711.2
Adjusted Income (Loss) Excluding Depr & Amort Exp		870.8	949.4	78.6	1,067.1





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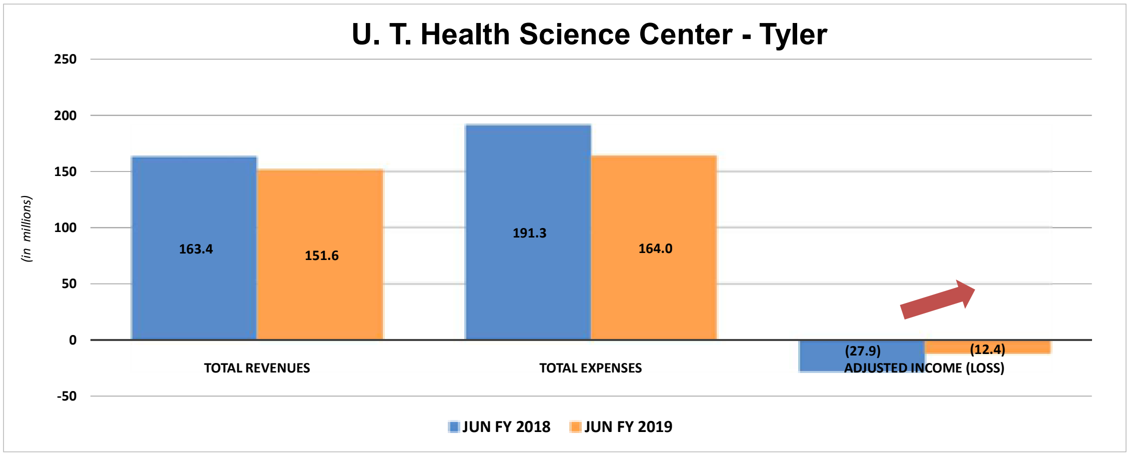
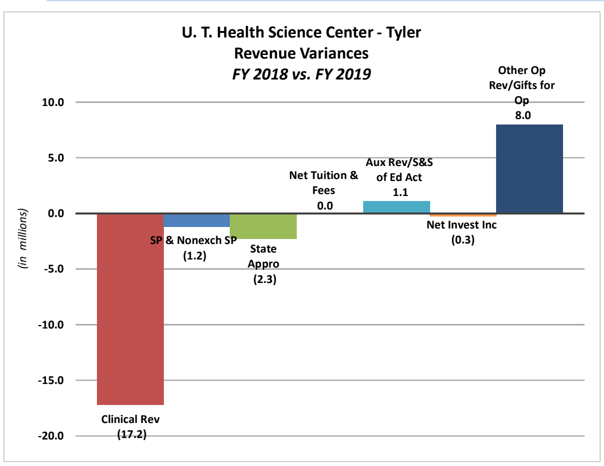
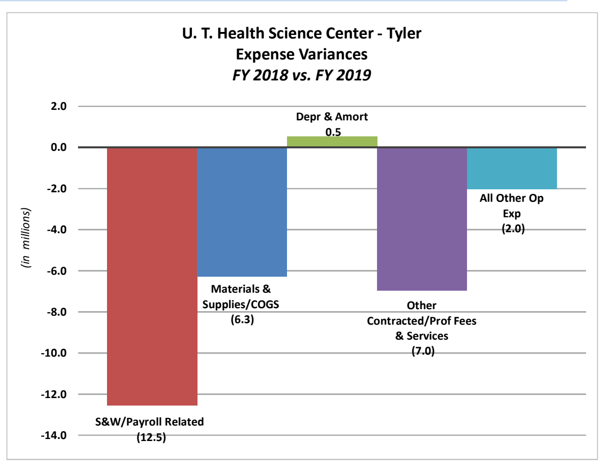


U. T. Health Science Center - Tyler incurred a year-to-date loss of $12.4 million, a decrease in adjusted loss of $15.5 million (55.5%) from the prior year. The decrease was primarily due to the following: lower salaries and wages and payroll related costs attributable to workforce restructuring initiatives; a decrease in professional fees as a result of lower medical services expenses and one-time consulting and legal expenses associated with entry into the UT Health East Texas (UTHET) joint venture in 2018; an increase in other operating income from the UTHET joint venture; and a decrease in medical supplies corresponding with lower direct hospital revenue associated with entry into the UTHET joint venture. Including TRBs, *U. T. Health Science Center - Tyler's* adjusted loss was $10.3 million. The most current projection received from *U. T. Health Science Center - Tyler* reflects a loss of $4.7 million for the year.

(in millions)		June YTD FY 2018	June YTD FY 2019		Variance	Annual Projected FY 2019	
Clinical Revenues	$	67.3	50.1		(17.2)	61.9	
Sponsored Programs/Nonexchange Sponsored Programs		27.5	26.3		(1.2)	32.4	
State Appropriations		42.6	40.3		(2.3)	48.4	
Net Tuition and Fees		0.2	0.2		0.0	0.3	
Auxiliary Revenues/Sales & Services of Educational Activities		3.1	4.2		1.1	5.5	
Net Investment Income		3.4	3.1		(0.3)	3.7	
Other Operating Revenues/Gift Contributions for Operations		19.4	27.4	*	8.0	35.0	*
Total Revenues		163.4	151.6		(11.8)	187.2	
Salaries and Wages/Payroll Related Costs		114.4	101.9		(12.5)	117.4	
Materials and Supplies/Cost of Goods Sold		24.1	17.8		(6.3)	21.3	
Depreciation and Amortization		11.6	12.1		0.5	14.5	
Other Contracted Services/Professional Fees & Services		26.7	19.8		(7.0)	23.7	
All Other Operating Expenses		14.5	12.5		(2.0)	15.0	
Total Expenses	$	191.3	164.0		(27.3)	191.9	
Adjusted Income (Loss) Excluding TRBs		(27.9)	(12.4)		15.5	(4.7)	
Adjusted Income (Loss) Including TRBs		(27.9)	(10.3)		17.6	(2.2)	
Adjusted Income (Loss) Excluding Depr & Amort Exp		(16.3)	(0.3)		16.0	9.8	





*Other Operating Income includes 30% of UTHET's net adjusted income which was $6.8 million through June. The projected loss of $4.7 million includes $8.3 million of UTHET's net adjusted income for the year.

3. **U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2020 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 $247,565,000 of Revenue Financing System Equipment Financing for FY 2020 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 $247,565,000 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 $247,565,000 for equipment financing for Fiscal Year 2020. On August 10, 2018, the U. T. System Board of Regents approved a total of $196,780,000 of equipment financing for Fiscal Year 2019. On February 13, 2019, the Board approved an additional $7,000,000 of equipment financing for Fiscal Year 2019, resulting in a total amount of $203,780,000 of equipment financing for Fiscal Year 2019. Through July 31, 2019, $113,576,000 of equipment financing has been utilized for Fiscal Year 2019.

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

U. T. SYSTEM EQUIPMENT FINANCING - INSTITUTION REQUESTS
FY 2020

Institution	$ Amount of Request	Description of Expected Capital Equipment	Spendable Cash & Inv. to Total Debt *
U. T. Dallas	10,000,000	General purpose equipment supporting University's instruction, research & business operations	0.9x
U. T. El Paso	2,850,000	Campus telecommunications infrastructure, floor coverings, swimming pool filtration, vehicles	1.1x
U. T. Rio Grande Valley	100,000	Fitness equipment	1.4x
U. T. San Antonio	7,080,000	Facilities plant, public safety, theater, new faculty start-up, and telecommunications equipment	1.2x
U. T. Southwestern Medical Center	37,500,000	Information resources projects; clinical and hospital equipment	2.1x
U. T. Medical Branch - Galveston	50,000,000	Clinical, IT infrastructure, research-related, and facility-related equipment	1.1x
U. T. Health Science Center - Houston	20,000,000	EPIC Project	3.4x
U. T. Health Science Center - San Antonio	25,000,000	Core research, clinical transformation and/or infrastructure equipment	3.1x
U. T. M. D. Anderson Cancer Center	70,000,000	Medical, diagnostic, research, vehicles, information systems and technology equipment	6.3x
U. T. Health Science Center - Tyler	25,035,000	Clinical/laboratory and IT equipment	0.4x
Total	**$247,565,000**		

* Spendable Cash & Inv. to Total Debt ratios are based on FY2018 Analysis of Financial Condition (Feb 2019). The calculation includes TRB debt service.

U. T. System Office of Finance, July 10, 2019

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 $600 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 10, 2018, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed $600 million for Fiscal Year 2019. Adoption of this Resolution would provide a similar authorized amount and purposes for Fiscal Year 2020. 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 http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2019-08-14.

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 $750 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 August 10, 2018, the Board of Regents adopted the 33rd Supplemental Resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $975 million. Adoption of this 34th Supplemental Resolution would provide 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 http://www.utsystem.edu/board-of-regents/meetings/board-meeting-2019-08-14.

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, including ratification of U. T. System Interest Rate Swap Policy

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt resolutions substantially in the form set out on the following pages (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.

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.

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 subsequently amended on August 23, 2007. Section 1371.056(I) 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.

On August 10, 2018, the Board approved bond enhancement agreement resolutions for FY 2019. 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 FY 2020 and will ratify the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B, as required by *Texas Government Code* Section 1371.056. 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.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 15, 2019

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas; and

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution or as set forth in Exhibit A hereto; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Board has adopted Supplemental Resolutions to the Master Resolution authorizing the issuance of Parity Debt thereunder as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed or to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify and approve the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy (except to the extent provided for in

Section 2(h) hereof) and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2020.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code,* as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Maximum Term. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same Parity Debt may exceed the principal amount of the related Parity Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. Except as provided in the following sentence, no Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. With respect to a Bond Enhancement Agreement described in Section 4(a)(4), each Authorized Representative is hereby severally authorized to include early termination provisions at the option of the counterparty in a Confirmation for such a transaction if, in his or her judgment, such provisions are in the best interests of the Board given the market conditions at that time. In addition to subsections (a) and (b) of Section 6 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

(h) Deutsche Bank Credit Rating. Notwithstanding anything else in this Resolution or the System's Interest Rate Swap Policy to the contrary, an Authorized Representative is authorized specifically to execute a Bond Enhancement Agreement described in Section 4(a)(4) with Deutsche Bank AG, New York Branch ("Deutsche Bank"), provided that if Deutsche Bank does not have a long term rating of at least A/A2, any new Bond Enhancement Agreements executed with Deutsche Bank AG shall require Deutsche Bank to post collateral for the benefit of the Board at a zero threshold as security for Deutsche Bank's obligations under such Bond Enhancement Agreement. The Board hereby finds that entering into a Bond Enhancement Agreement contemplated by this subsection would constitute a beneficial transaction for the System and would be in the best interest of the Board, and upon the execution of such a Bond Enhancement Agreement, the Board hereby deems the System's Interest Rate Swap Policy to be amended to permit such a Bond Enhancement Agreement.

SECTION 3. BOND ENHANCEMENT AGREEMENTS AS PARITY DEBT. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of the Bond Enhancement Agreements authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf such Bond Enhancement Agreements are entered into possess the financial capacity to satisfy their Direct Obligations after taking such Bond Enhancement Agreements into account.

SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.

(a) In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(1) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as

applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(2) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(4) Basis swap transactions that are a combination of authority granted under subsections (1) and (2) above under which the Board would pay a variable rate of interest computed on one basis, such as LIBOR, and the counterparty would pay a fixed rate of interest ("Fixed Rate #1"), combined with a swap under which the Board would receive the same variable rate of interest, and the counterparty would receive a fixed rate of interest different than Fixed Rate #1, with respect to a given principal amount of Parity Debt then outstanding or Parity Debt anticipated to be issued in the future. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, or (ii) lowering the anticipated net interest cost on the related Parity Debt.

(5) Interest rate locks, caps, options, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

(b) The foregoing is not intended to be a comprehensive list of permissible types of transactions, but rather to specify additional conditions necessary to enter into the specified types of transactions. The requirements of Section 2(a) above shall apply to any transaction not specified in subsection (a) hereof.

SECTION 5. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.

(a) General. Except as further limited by subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 6. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PARITY DEBT.

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated Parity Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Parity Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event to (i) delay the effective date of such Bond Enhancement Agreement; or (ii) replace such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated Parity Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated Parity Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement to (i) reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated Parity Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable Parity Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including, but not limited to, a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed or refinanced by such anticipated issuance of debt and the amount of such debt to be issued or the Board's other approval of such projects for financing or (iii) the Board's action pursuant to subsection (e) hereof with respect to Parity Debt anticipated to be issued to refund outstanding Parity Debt.

(d) Required Description of Anticipated Parity Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such Parity Debt in the Board's then current Capital Improvement Program; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with Parity Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with Parity Debt anticipated to be issued for the purpose of advance refunding any existing Parity Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of Parity Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in a supplemental resolution approved by the Board authorizing the issuance of additional Parity Debt), and in such event, the Board hereby declares its intention to cause such Parity Debt to be issued. No such certification or declaration shall be applicable in connection with Parity Debt anticipated to be issued for the purpose of currently refunding any existing Parity Debt within ninety (90) days of the date of issuance of such anticipated Parity Debt.

SECTION 7. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement

Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof. If a New Master Agreement entered into pursuant to this subsection replaces a then effective Master Agreement with the same or a related counterparty, each Authorized Representative is hereby severally authorized to terminate such existing Master Agreement upon the New Master Agreement becoming effective and to take and all actions necessary to transfer any Confirmations thereunder to such New Master Agreement.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 8. ADDITIONAL AUTHORIZATION; RATIFICATION AND APPROVAL OF SWAP POLICY.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions, credit support documents and any documentation pursuant to an ISDA DF Protocol, and the execution of any certificates and the filing of any returns with the Internal Revenue Service as may be necessary in the judgment of Bond Counsel with respect to a Bond Enhancement Agreement or the related Parity Debt. Any such actions heretofore taken are hereby ratified, approved and affirmed in all respects.

(b) Further Actions. Each Authorized Representative and all officers of the Board are severally authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies, approves and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

As used in this Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" – As defined in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Board" – The Board of Regents of The University of Texas System.

"Bond Enhancement Agreement" – Collectively, each Confirmation and the applicable Master Agreement.

"Chapter 1371" – Chapter 1371 of the *Texas Government Code*, as amended.

"Confirmation" – Each confirmation entered into by an Authorized Representative on behalf of the Board pursuant to this Resolution.

"Executed Master Agreements" – The following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 6, 2005;

(ii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of May 2, 2006;

(iii) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of May 1, 2006;

(iv) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 6, 2005;

(v) ISDA Master Agreement with UBS AG, dated as of November 1, 2007;

(vi) ISDA Master Agreement with Goldman Sachs Bank USA, dated as of August 1, 2009;

(vii) ISDA Master Agreement with Wells Fargo Bank, National Association, dated as of August 21, 2009;

(viii) ISDA Master Agreement with Barclays Bank PLC, dated as of November 4, 2010;

(ix) ISDA Master Agreement with Deutsche Bank AG, New York Branch, dated as of May 1, 2011;

(x) ISDA Master Agreement with Royal Bank of Canada, dated as of June 8, 2011; and

(xi) ISDA Master Agreement with Citibank, N.A., dated as of October 26, 2011.

"ISDA" – The International Swaps and Derivatives Association, Inc.

"ISDA DF Protocol" – Any protocol developed by ISDA in response to provisions of the Dodd Frank Wall Street Reform and Consumer Protection Act relating to derivatives.

"LIBOR" – London Interbank Offered Rate.

"Master Agreements" – Collectively, the Executed Master Agreements and any New Master Agreements.

"Master Resolution" – The First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993, and August 14, 1997.

"New Master Agreements" – Any ISDA Master Agreements entered into by an Authorized Representative pursuant to Section 7(a) of this Resolution.

"Section 65.461" – Section 65.461 of the *Texas Education Code,* as amended.

"System" – The University of Texas System.

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

[See Regents' *Rules and Regulations*, Rule 70202 titled Interest Rate Swap Policy]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the U. T. System Office of Business Affairs]

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO PERMANENT UNIVERSITY FUND DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 15, 2019

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the Texas Education Code and an agency of the State of Texas (the "State"); and

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended (the "Permanent University Fund"); and

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State, as amended (the "Available University Fund"); and

WHEREAS, Section 18 of Article VII of the Constitution of the State, as may hereafter be amended (the "Constitutional Provision"), authorizes the Board to issue bonds and notes ("PUF Debt") not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (the "Interest of the System") to secure the payment of the principal of and interest on PUF Debt, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System administration and institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the "Residual AUF") shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify and approve the U.T. System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. DEFINITIONS. Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given in Exhibit A attached hereto and made a part hereof.

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2020.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code*, as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative or is required to be submitted for such Bond Enhancement Agreement, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Costs; Maximum Term. The costs of any Bond Enhancement Agreement and the amounts payable thereunder, including but not limited to any amounts payable by the Board as a result of terminating a Bond Enhancement Agreement, shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments.

The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same PUF Debt may exceed the principal amount of the related PUF Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 5 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.

(a) In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(1) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(2) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(4) Basis swap transactions that are a combination of authority granted under subsections (1) and (2) above under which the Board would pay a variable rate of interest computed on one basis, such as LIBOR, and the counterparty would pay a fixed rate of interest

("Fixed Rate #1"), combined with a swap under which the Board would receive the same variable rate of interest, and the counterparty would receive a fixed rate of interest different than Fixed Rate #1, with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, or (ii) lower the anticipated net interest cost on the related PUF Debt.

(5) Interest rate locks, caps, options, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

(b) The foregoing is not intended to be a comprehensive list of permissible types of transactions, but rather to specify additional conditions necessary to enter into the specified types of transactions. The requirements of Section 2(a) above shall apply to any transaction not specified in Section 3(a) above.

SECTION 4. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.

(a) General. Except as provided in subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 5. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PUF DEBT.

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated PUF Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such PUF Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event (i) to delay the effective date of such Bond Enhancement Agreement; or (ii) to replace such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated PUF Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated PUF Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement (i) to reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated PUF Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable PUF Debt.

(c) Board Recognition of Anticipated PUF Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including but not limited to a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to PUF Debt anticipated to be issued to refund outstanding PUF Debt.

(d) Required Description of Anticipated PUF Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such PUF Debt in the Board's then current Capital Improvement Program; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with PUF Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Advance Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with PUF Debt anticipated to be issued for the purpose of advance refunding any existing PUF Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of PUF Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in the resolution approved by the Board authorizing the issuance of such anticipated issue of PUF Debt), and in such event, the Board hereby declares its intention to cause such anticipated PUF Debt to be issued. No such certification or declaration shall be applicable in connection with PUF Debt anticipated to be issued for the purpose of currently refunding any existing PUF Debt within ninety (90) days of the date of issuance of such anticipated PUF Debt.

SECTION 6. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof. If a New Master Agreement entered into pursuant to this subsection replaces a then effective Master Agreement with the same or a related counterparty, each Authorized Representative is hereby severally authorized to terminate such existing Master Agreement upon the New Master Agreement becoming effective and to take any and all actions necessary to transfer any Confirmations thereunder to such New Master Agreement.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and

Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 7. ADDITIONAL AUTHORIZATION; RATIFICATION AND APPROVAL OF SWAP POLICY.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions, credit support documents and any documentation pursuant to an ISDA DF Protocol, and the execution of any certificates and the filing of any returns with the Internal Revenue Service as may be necessary in the judgment of Bond Counsel with respect to a Bond Enhancement Agreement or the related PUF Debt. Any such actions heretofore taken are hereby ratified, approved and affirmed in all respects.

(b) Further Actions. Each Authorized Representative and all officers of the Board are severally authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies, approves and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" shall have the meaning given to such term in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Available University Fund" shall have the meaning given to such term in the recitals to this Resolution.

"Board" shall have the meaning given to such term in the recitals to this Resolution.

"Bond Enhancement Agreement" shall have the meaning given to such term in Section 2(a) hereof.

"Chapter 1371" shall have the meaning given to such term in Section 2(b) hereof.

"Confirmation" shall have the meaning given to such term in Section 2(a) hereof.

"Constitutional Provision" shall have the meaning given to such term in the recitals to this Resolution.

"Executed Master Agreements" shall mean the following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 1, 2007;

(ii) ISDA Master Agreement with Goldman Sachs Capital Markets, L.P., dated as of December 1, 2007;

(iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of December 1, 2007;

(iv) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of December 1, 2007;

(v) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 1, 2007;

(vi) ISDA Master Agreement with UBS AG, dated as of April 1, 2008;

(vii) ISDA Master Agreement with Barclays Bank PLC, dated as of February 3, 2011;

(viii) ISDA Master Agreement with Deutsche Bank AG, New York Branch, dated as of February 1, 2011;

(ix) ISDA Master Agreement with Royal Bank of Canada, dated as of June 8, 2011;

(x) ISDA Master Agreement with Wells Fargo Bank, National Association, dated as of January 15, 2010; and

(xi) ISDA Master Agreement with Citibank, N.A., dated as of May 15, 2017.

"Interest of the System" shall have the meaning given to such term in the recitals to this Resolution.

"ISDA" shall mean the International Swaps and Derivatives Association, Inc.

"ISDA DF Protocol" shall mean any protocol developed by ISDA in response to provisions of the Dodd Frank Wall Street Reform and Consumer Protection Act relating to derivatives.

"LIBOR" shall have the meaning given to such term in Section 3(a)(3) hereof.

"Master Agreements" shall mean, collectively, the Executed Master Agreements and any New Master Agreements.

"New Master Agreements" shall have the meaning given to such term in Section 6(a) hereof.

"Permanent University Fund" shall have the meaning given to such term in the recitals to this Resolution.

"PUF Debt" shall have the meaning given to such term in the recitals to this Resolution.

"Residual AUF" shall have the meaning given to such term in the recitals to this Resolution.

"Section 65.461" shall have the meaning given to such term in Section 2(b) hereof.

"State" shall have the meaning given to such term in the recitals to this Resolution.

"System" shall have the meaning given to such term in the recitals to this Resolution.

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

[See Regents' *Rules and Regulations*, Rule 70202 titled Interest Rate Swap Policy]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the U. T. System Office of Business Affairs]

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

INTRODUCTION

Mr. Britt Harris, President, Chief Executive Officer, and Chief Investment Officer, will present an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint presentation on the following pages.

The University of Texas/ Texas A&M Investment Management Company

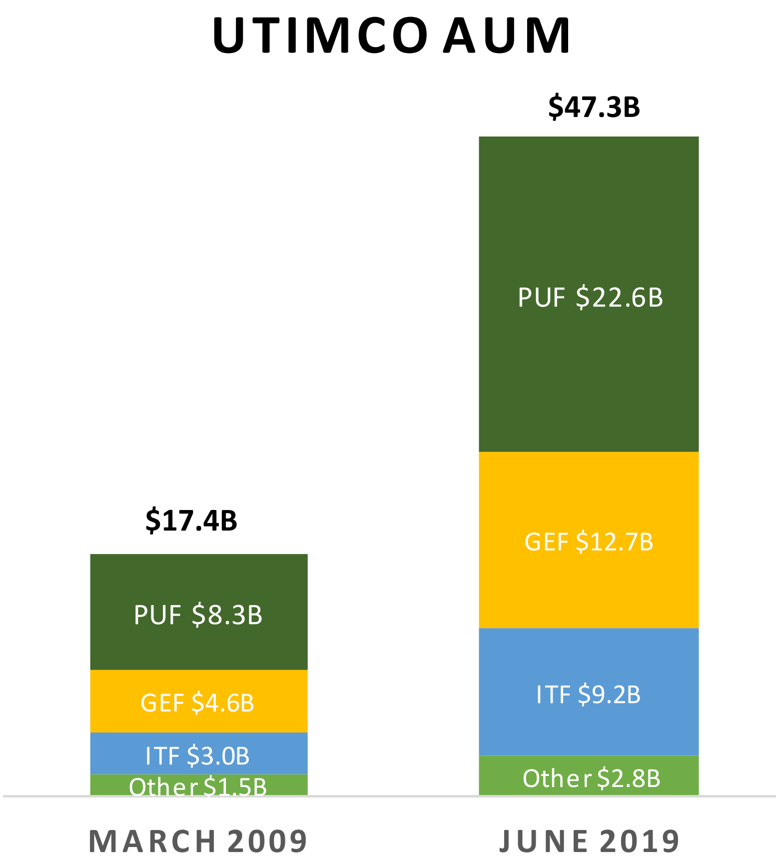
UTIMCO Update

Mr. Britt Harris
President, CEO and Chief Investment Officer

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

Asset Class Returns
Period from March 31, 2009 through June 30, 2019 (Annualized)

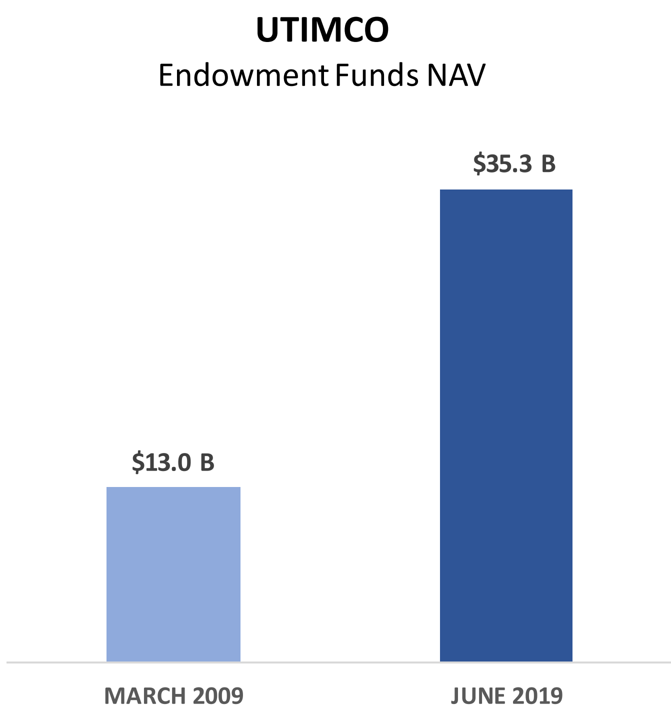
Growth in Assets Under Management
(Total Assets)



Contributions:	$16.7B
Distributions:	-$12.5B
Investment Return:	$19.5B
UTIMCO Value-Add:	$5.5B

Total Endowment Investment Results

Period from March 31, 2009 through June 30, 2019 (Annualized, Preliminary)



	UTIMCO	Benchmark	Alpha
Returns	9.9%	8.4%	1.5%
Standard Deviation	5.7%	6.4%	
Tracking Error	2.2%		
Information Ratio	0.67		
Beta	0.84		
Sharpe Ratio	1.65		

Contributions:	$12.7B
Distributions:	-$10.7B
Investment Return:	$16.6B
UTIMCO Value-Add:	$4.5B

UTIMCO Alpha

Period from April 1, 2009 through June 30, 2019 (Annualized, Preliminary)

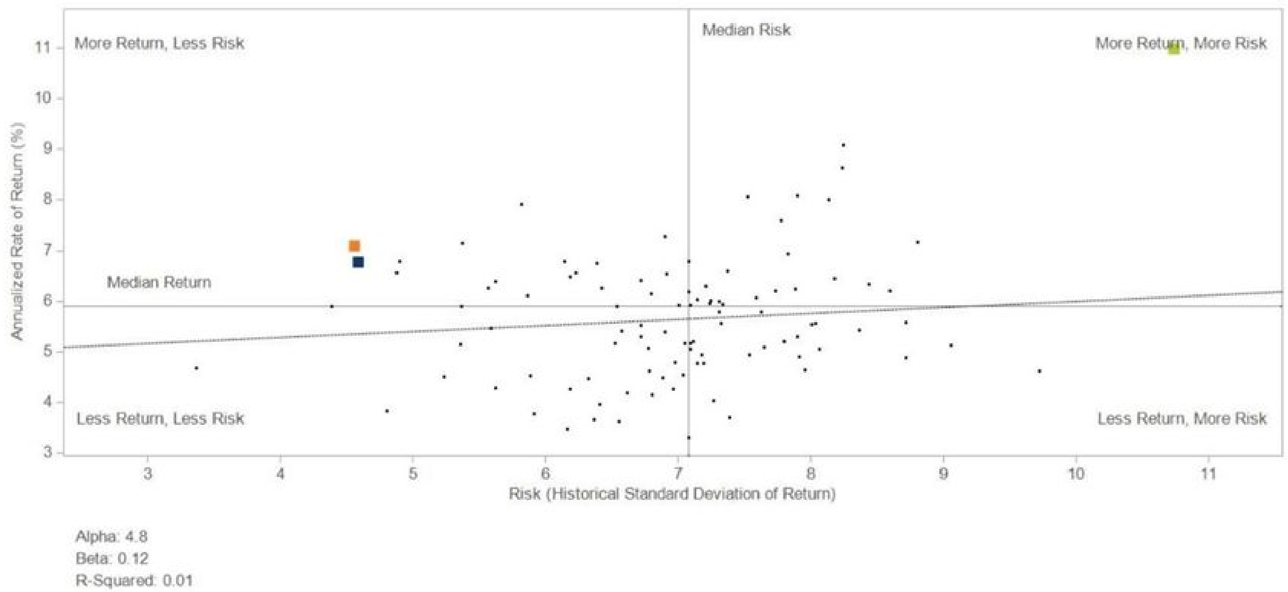
	Return	Alpha
Infrastructure	17.2%	5.9%
Directional Hedge Funds	7.8%	4.2%
Stable Value Hedge Funds	6.4%	2.7%
Emerging Markets	11.3%	2.5%
Private Equity	13.8%	2.5%
Non-US Equity (EAFE)	11.4%	2.4%
UTIMCO	9.9%	1.5%
Real Estate	15.5%	1.3%
Global Equity	13.6%	1.1%
Fixed Income	4.8%	0.9%
Natural Resources	10.2%	0.0%
US Equity	14.1%	(1.2%)

Note: Asset Class returns reflect performance in the PUF

Risk / Return

Period Ending March 31, 2019

For past five years, PUF and GEF have generated more returns for less risk



	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	4.59	96	7.01	17
PUF TOTAL FUND	4.62	94	6.70	24
S&P 500	10.77	1	10.91	1
Median	7.08		5.90	

Source: Wilshire Trust Universe Comparison Services

Summary

- Exceptional decade
  - High equity returns
  - Low portfolio volatility
  - High Sharpe Ratio
- Global Equity regime
- Alpha generation almost everywhere

8. U. T. System Board of Regents: Approval of amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the proposed amendments to the following Investment Policy Statements, including asset allocation, as set forth in congressional style on the following pages.

a. Permanent University Fund (PUF) (See Exhibit A - PUF and GEF)

b. General Endowment Fund (GEF) (See Exhibit A - PUF and GEF)

c. Permanent Health Fund (PHF) (See Exhibit B - PHF and LTF)

d. Long Term Fund (LTF) (See Exhibit B - PHF and LTF)

e. Intermediate Term Fund (ITF) (See Exhibit A - ITF)

BACKGROUND INFORMATION

The Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO requires that UTIMCO review the current Investment Polices for each Fund at least annually. The review includes long-term investment return expectations and expected risk levels, strategic asset allocation targets and ranges, expected returns for each fund, designated performance benchmarks for each Asset Class and such other matters as the U. T. System Board or its staff designees may request.

The amended Exhibits A of the PUF, GEF, and ITF, and Exhibits B in the PHF and LTF Investment Policy Statements, set forth the revised Asset Class targets and ranges for FYE 2020. In addition, the one-year downside volatility has been adjusted to reflect the revised Asset Class targets for FYE 2020. Finally, the Expected 10-Year Annual Real Return (Benchmark) target for FYE 2020 was updated.

The amended exhibits for the PUF, GEF, PHF, LTF and ITF Investment Policy Statements were approved by the UTIMCO Board on June 27, 2019.

The effective date for these amended Investment Policy Statements is September 1, 2019.

The Short Term Fund Investment Policy Statement, Separately Invested Funds Investment Policy Statement, Liquidity Policy, and Derivative Investment Policy were reviewed but no changes were made.

EXHIBIT A - PUF and GEF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2018~~2019

Asset Class	Min	FYE ~~2019~~2020 Target*	Max	Benchmark
Global Equity:				
U.S. Public Equity	2.0%	~~7.0~~ 7.5%	12.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	0.0%	~~4.0~~ 4.5%	10.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	3.0%	~~8.0~~ 10.0%	13.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	12.0%	~~19.0~~ 22.0%	26.0%	
Emerging Markets Public Equity	5.0%	~~10.0~~ 9.0%	15.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	22.0%	~~29.0~~ 31.0%	36.0%	
Directional Hedge Funds	7.0%	~~12.0~~ 11.2%	17.0%	HFRI Fund of Funds Composite
Private Equity	18.0%	~~22.0~~ 20.8%	27.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	56.0%	63.0%	70.0%	
Stable Value:				
Investment Grade Fixed Income	2.0%	~~9.5~~ 7.0%	12.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	0.0%	0.0%	5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	2.0%	~~9.5~~ 7.0%	12.0%	
Cash	-5.0%	1.0%	6.0%	3 month T-Bills
Stable Value Hedge Funds	2.0%	~~7.0~~ 10.0%	12.0%	HFRI Fund of Funds Conservative
Total Stable Value	11.5%	~~17.5~~ 18.0%	23.5%	
Real Return:				
Inflation Linked Bonds	0.0%	~~0.0~~ 1.3%	5.0%	Bloomberg Barclays Global Inflation Linked TR Index
Gold	0.0%	~~1.5~~ 0.0%	5.0%	Gold Spot Price (XAU)
Commodities	0.0%	0.0%	6.0%	Bloomberg Commodity TRI
Total Commodities	0.0%	0.0%	6.0%	
Natural Resources	0.0%	~~8.0~~ 6.6%	12.0%	Cambridge Natural Resources
Infrastructure	0.0%	~~2.0~~ 2.9%	9.0%	Cambridge Infrastructure
Public Real Estate	0.0%	0.0%	5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	3.0%	~~8.0~~ 8.2%	13.0%	Cambridge Real Estate
Total Real Return	13.5%	~~19.5~~ 19.0%	25.5%	
Total All Asset Classes		100.0%		

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS*	FYE ~~2019~~2020
Expected 10-Year Annual Real Return (Benchmark)	~~4.30~~ 4.22%
One Year Downside Volatility	~~10.83~~ 11.05%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

*Asset Class Targets and Policy/Target Return/Risks reset monthly

EXHIBIT B - PHF and LTF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2018~~2019

Asset Class	Min	FYE ~~2019~~2020 Target*	Max	Benchmark
Global Equity:				
U.S. Public Equity	2.0%	~~7.0~~ 7.5%	12.0%	MSCI US with Net Dividends
Non-U.S. Developed Public Equity	0.0%	~~4.0~~ 4.5%	10.0%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	3.0%	~~8.0~~ 10.0%	13.0%	MSCI World Index with Net Dividends
Total Developed Public Equity	12.0%	~~19.0~~ 22.0%	26.0%	
Emerging Markets Public Equity	5.0%	~~10.0~~ 9.0%	15.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	22.0%	~~29.0~~ 31.0%	36.0%	
Directional Hedge Funds	7.0%	~~12.0~~ 11.2%	17.0%	HFRI Fund of Funds Composite
Private Equity	18.0%	~~22.0~~ 20.8%	27.0%	Blended Cambridge Buyouts, Emerging Markets Private Equity and Venture Capital, Credit Opportunities, and Venture Capital
Total Global Equity	56.0%	63.0%	70.0%	
Stable Value:				
Investment Grade Fixed Income	2.0%	~~9.5~~ 7.0%	12.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Credit-Related Fixed Income	0.0%	0.0%	5.0%	Bloomberg Barclays Capital Global High Yield Index
Total Fixed Income	2.0%	~~9.5~~ 7.0%	12.0%	
Cash	-5.0%	1.0%	6.0%	3 month T-Bills
Stable Value Hedge Funds	2.0%	~~7.0~~ 10.0%	12.0%	HFRI Fund of Funds Conservative
Total Stable Value	11.5%	~~17.5~~ 18.0%	23.5%	
Real Return:				
Inflation Linked Bonds	0.0%	~~0.0~~ 1.3%	5.0%	Bloomberg Barclays Global Inflation Linked TR Index
Gold	0.0%	~~1.5~~ 0.0%	5.0%	Gold Spot Price (XAU)
Commodities	0.0%	0.0%	6.0%	Bloomberg Commodity TRI
Total Commodities	0.0%	0.0%	6.0%	
Natural Resources	0.0%	~~8.0~~ 6.6%	12.0%	Cambridge Natural Resources
Infrastructure	0.0%	~~2.0~~ 2.9%	9.0%	Cambridge Infrastructure
Public Real Estate	0.0%	0.0%	5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Private Real Estate	3.0%	~~8.0~~ 8.2%	13.0%	Cambridge Real Estate
Total Real Return	13.5%	~~19.5~~ 19.0%	25.5%	
Total All Asset Classes		100.0%		

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS*	FYE ~~2019~~2020
Expected 10-Year Annual Real Return (Benchmark)	~~4.30~~ 4.22%
One Year Downside Volatility	~~10.83~~11.05%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

*Asset Class Targets and Policy/Target Return/Risks reset monthly

EXHIBIT A - ITF
ASSET CLASS TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, ~~2018~~2019

Asset Class	FYE ~~2019~~2020 Min	FYE ~~2019~~2020 Target*	FYE ~~2019~~2020 Max	Benchmark
Global Equity:				
U.S. Public Equity	~~0.7~~ 0.0%	~~5.7~~ 3.3%	~~10.7~~ 8.3%	MSCI U.S. with Net Dividends
Non-U.S. Developed Public Equity	0.0%	~~3.4~~ 1.9%	~~8.4~~ 6.9%	MSCI EAFE and Canada with Net Dividends
Global Developed Public Equity	~~1.6~~ 0.0%	~~6.6~~ 3.8%	~~11.6~~ 8.8%	MSCI World Index with Net Dividends
Total Developed Public Equity	~~7.5~~ 2.0%	~~15.7~~ 9.0%	~~22.5~~ 16.0%	
Emerging Markets Public Equity	~~2.1~~ 0.0%	~~7.1~~ 4.0%	~~12.1~~ 9.0%	MSCI Emerging Markets Index with Net Dividends
Total Public Equity	~~15.8~~ 6.0%	~~22.8~~ 13.0%	~~29.8~~ 20.0%	
Directional Hedge Funds	~~25.0~~ 32.0%	~~31.6~~ 43.0%	~~38.0~~ 50.0%	HFRI Fund of Funds Composite
Total Global Equity	45.0%	~~54.4~~ 56.0%	62.0%	
Stable Value:				
Investment Grade Fixed Income	~~20.0~~ 28.0%	~~28.7~~ 35.0%	~~35.0~~ 42.0%	Bloomberg Barclays Global Aggregate Index - Hedged
Cash	0.0%	~~3.0~~ 2.0%	8.0%	3 month Tbills
Stable Value Hedge Funds	~~5.0~~ 2.0%	~~10.2~~ 7.0%	~~15.0~~ 12.0%	HFRI Fund of Funds Conservative
Total Stable Value	36.0%	~~41.9~~ 44.0%	52.0%	
Real Return:				
Inflation Linked Bonds	0.0%	0.0%	5.0%	Bloomberg Barclays Global Inflation Linked TR Index
Gold	0.0%	~~2.4~~ 0.0%	~~7.5~~ 5.0%	Gold Spot Price (XAU)
Commodities	0.0%	~~1.2~~ 0.0%	~~6.0~~ 5.0%	Bloomberg Commodity TRI
Total Commodities	0.0%	~~3.6~~ 0.0%	~~8.5~~ 7.0%	
Public Real Estate	0.0%	~~0.1~~ 0.0%	5.0%	FTSE EPRA/NAREIT Developed Index Net TRIUSD
Total Real Return	0.0%	~~3.7~~ 0.0%	~~10.0~~ 7.0%	
Total All Asset Classes		100.0%		

The total Asset Class exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100% of the Asset Class exposure excluding the amount of derivatives exposure not collateralized by Cash.

POLICY/TARGET RETURN/RISKS*	FYE ~~2019~~2020
Expected 10-Year Annual Real Return (Benchmark)	~~2.10~~ 2.38%
One Year Downside Volatility	~~5.36~~ 3.81%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.00%
Upper: 1 Year Downside Volatility	115.00%

*Asset Class Targets and Policy/Target Return/Risks reset monthly

9. U. T. System Board of Regents: Discussion and appropriate action regarding amendments to Bylaws of The University of Texas/Texas A&M Investment Management Company (UTIMCO) related to the terms of the Chairman and Vice Chairman of the UTIMCO Board of Directors

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (UTIMCO) that the U. T. System Board of Regents authorize amendments to the UTIMCO Bylaws related to the terms of the Chairman and Vice Chairman of the UTIMCO Board as set forth below in congressional style:

ARTICLE V
OFFICERS

. . .

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. ~~No Director shall serve more than five (5) full one-year terms as Chairman.~~

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. ~~No Director shall serve more than five (5) full one-year terms as Vice Chairman.~~

. . . .

BACKGROUND INFORMATION

The Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO requires U. T. System Board approval of bylaws changes.

On June 27, 2019, the UTIMCO Board of Directors approved the above amendment to the UTIMCO Bylaws to remove the limitation on service by a director as Chairman or Vice Chairman rather than the current five-year limitation on service in these offices. The proposed changes would be effective August 15, 2019.

10. U. T. System Board of Regents: Approval of the Annual Budget for Fiscal Year 2020, 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, 2020, 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 $49.9 million (13.9% increase over FY 2019 budget) for UTIMCO services and $7.1 million (38.4% decrease from FY 2019 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 was approved by the UTIMCO Board on June 27, 2019.

The 13.9% increase in UTIMCO services is mostly attributable to an increase in employee-related expenses including new hires, promotions, merit increases and market adjustments. The 38.4% decrease in Fund Direct Costs is mostly attributable to a decrease in custodian related costs due to the new fee structure that resulted from the custodian review process conducted earlier this year.

The proposed capital expenditures budget totaling $0.5 million is included in the total Annual Budget. The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds in total.

U. T. System Office of Business Affairs will not direct UTIMCO to return any surplus cash reserves to the U. T. funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO as there are no reserves available for distribution.

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.

The University of Texas/Texas A&M Investment Management Company

UTIMCO Budget

Mr. Britt Harris
President, CEO and Chief Investment Officer
Mr. Rich Hall
Deputy Chief Investment Officer

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

UTIMCO Five-Year Strategic Plan

- Establish a long-term strategic plan that is fully supported by UTIMCO's Board of Directors and the U. T. System Board of Regents
  - Protect the UTIMCO organization
  - Prepare UTIMCO for the future
- Benchmark UTIMCO resource structure against peers and relevant industry participants
- Review factors driving resource requirements
- Outline management's assessment of anticipated resources required to maintain strong fiduciary stewardship of U. T. and TAMU Systems' assets

UTIMCO Five-Year Strategic Plan (cont.)

- Resource and cost benchmarking vs. peers and investment firms
  - UTIMCO budget at ~10 basis points (bps) of Assets Under Management (AUM) compares favorably vs. peers at 13 – 20 bps
  - Cambridge Associates notes average of 18 bps for endowments > $3 billion
  - $440k / FTE budget is well below major endowment peers ($630k - $750k)
  - $1 billion AUM / Investor is in middle of observed $0.5 - $1.3 billion range
- Operational benchmark recommendations
  - 10 General Partnership (GP) relationships / investor and ~20 – 40 funds per investor
    - Driven by engagement level (e.g., advisory board membership)
  - $1 - $2 billion AUM per investor depending on public vs private
  - 1.3 Operations FTEs per investor is below 1.5 – 1.7 industry rule of thumb
  - Slightly below recommended 7 to 1 ratio of FTEs to IT professionals

UTIMCO Five-Year Strategic Plan (cont.)

- Key factors contributing to need for resources:
  - Expected Growth
    - Base case AUM growth of $17 billion and $44 billion over 5 and10 year periods, respectively
  - Increased Complexity
    - Increased demands on operations team resulted in key team member departures
    - Addition of more intensive trading strategies related to Tactical Asset Allocation, increasing private funds and co-investments
    - Increased administrative burdens – compliance and tax
  - Succession Planning & Talent Retention
    - Critical for business continuity: transfer institutional knowledge
    - Significant potential for retirement of long-tenured team members in operations in next 3-5 years
    - Developing bench strength in investment functions: eliminate single points of failure
  - Prudent Oversight
    - Maintaining AUM, number of GP relationships and number of investments per team member near industry standard metrics
    - Enhancing security profile of IT resources

UTIMCO Five-Year Strategic Plan (cont.)

- Resources requested over next five years:
  - Original ask for 45 people
  - Scaled back by CEO / Deputy Chief Investment Officer to 30 – 33 people by 2024
    - 14 investors, 14 operations, up to 5 information technology
  - FY20 request – 15 FTE
    - 6 investors, 7 operations, 2 information technology
  - Leverage existing title structure more fully to support retention

UTIMCO Annual Budget

UTIMCO FY 2019 Budget v FY 2020 Budget	FY 2019 Budget	FY 2020 Budget	FY20 Budget v FY19 Budget Variance $	FY20 Budget v FY19 Budget Variance %	Description
UTIMCO Services					
Salaries	15,876,073	17,889,310	2,013,237	12.7%	15 new hires (50% of increase); 19 promotions (17% of increase)
Performance Compensation	12,907,738	15,592,053	2,684,315	20.8%	CEO/Deputy CIO plan deferrals; plan promotions; plan deferral period conversion
Employee Benefits & Payroll Taxes	3,884,425	4,486,765	602,340	15.5%	Impact of new employees and compensation increases
TOTAL EMPLOYEE RELATED EXPENSE	32,668,236	37,968,128	5,299,892	16.2%	
Hiring, Recruiting, Relocation & Consultants	543,000	474,000	(69,000)	-12.7%	
Travel & Meetings	1,313,020	1,333,956	20,936	1.6%	
On-Line Data & Subscriptions	3,279,505	3,712,008	432,503	13.2%	Adding new licenses to Factset and Bloomberg as well as expanding Factset capabilities
Contract Services & Maintenance Contracts	900,296	954,801	54,505	6.1%	
Lease Expense	2,630,324	2,663,724	33,400	1.3%	
Depreciation	1,600,000	1,675,000	75,000	4.7%	Includes depreciation on new equipment for new hires and build-out of office space
Professional Fees	305,604	310,604	5,000	1.6%	
Other	549,026	776,475	227,449	41.4%	New Excise Tax on Pay of Highly Compensated Employees
TOTAL NON-EMPLOYEE RELATED EXPENSE	11,120,775	11,900,568	779,793	7.0%	
Total UTIMCO Services	**$43,789,011**	**$49,868,696**	**$6,079,685**	**13.9%**	
Direct Costs to Funds					
Custodian Fees & Performance Measurement	8,947,724	4,100,000	(4,847,724)	-54.2%	New fee structure as a result of the Custodian review process
Risk Measurement	324,000	665,500	341,500	105.4%	New Risk System to run concurrently with legacy system for six months of fiscal year
Consultant Fees	327,500	307,500	(20,000)	-6.1%	
Legal and Background Checks	738,000	825,250	87,250	11.8%	More background checks anticipated
Auditing & Foreign Tax Consultants	956,750	983,919	27,169	2.8%	
Other	231,200	219,100	(12,100)	-5.2%	
Total Direct Costs to Funds	**$11,525,174**	**$7,101,269**	**($4,423,905)**	**-38.4%**	
Grand Total	**$55,314,185**	**$56,969,965**	**$1,655,780**	**3.0%**	

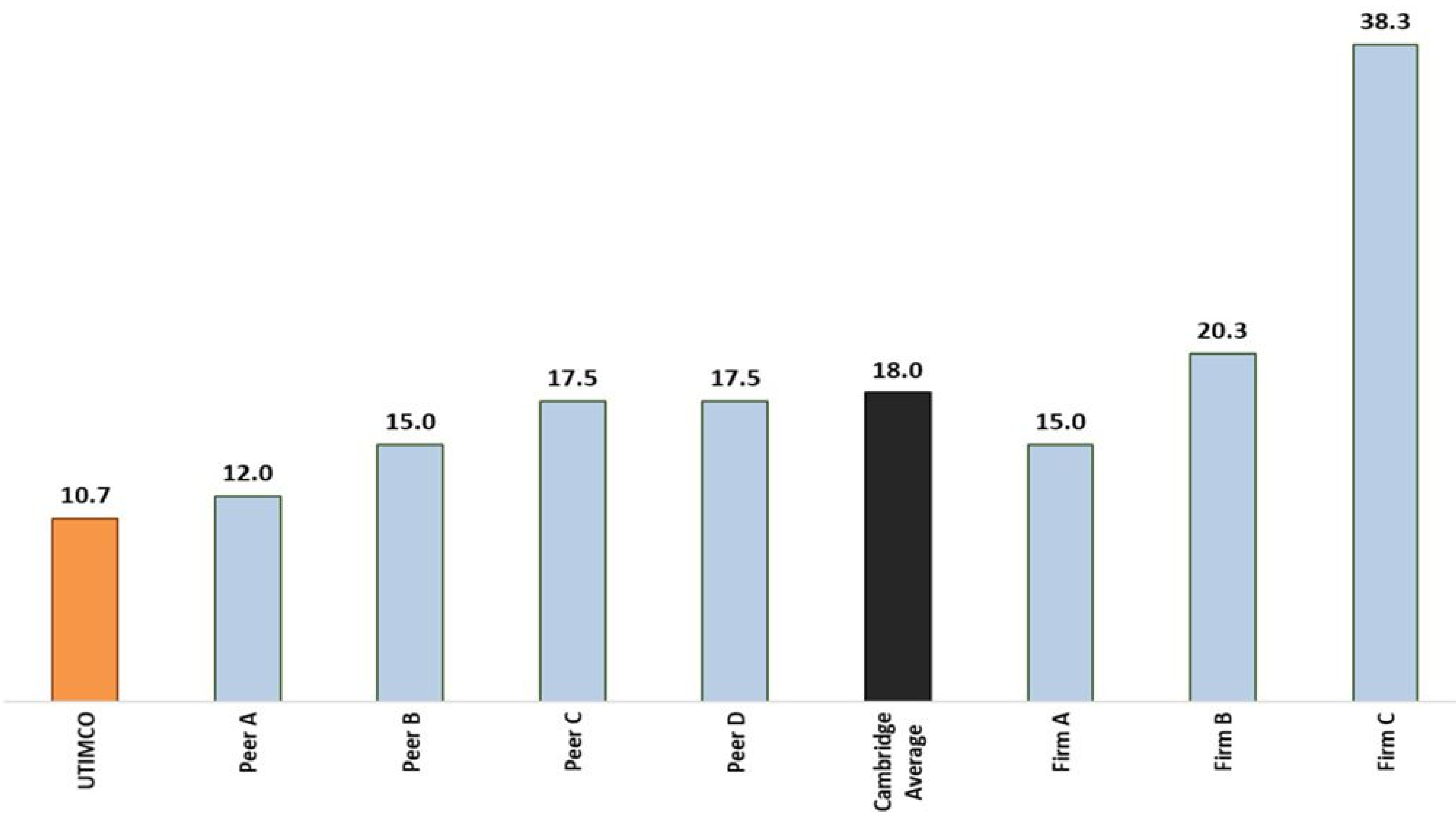
UTIMCO Annual Fee and Allocation Schedule

UTIMCO Management Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2020

Proposed Budget	Fund Name						Separate Funds	Debt Proceeds	Total
	PUF	PHF	LTF	GEF	ITF	STF			
Market Value 4/30/19 ($ millions)	**22,370**	**1,195**	**10,804**		**9,513**	**2,172**	**153**	**313**	**46,520**
UTIMCO Management Fee									
Dollars	25,421,875	1,358,030	12,277,959		10,810,831				49,868,696
Basis Points	11.4	11.4	11.4		11.4				10.7
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund									
Dollars	3,544,425	24,230	27,230	2,005,746	1,499,638				7,101,269
Basis Points	1.6	0.2	0.0	1.7	1.6				1.5

Benchmarking

Basis Points of Assets Under Management



Fiscal Year 2020

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 25, 2019

Based on UTIMCO Board approval on June 27, 2019

Fiscal Year 2020
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 2020 that the UTIMCO Board approved on June 27, 2019 and the U. T. System Board of Regents will consider at its August 14-15, 2019 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, risk measurement, and legal and audit costs related to funds. The proposed budget for FY20 is:

	FY20 ($ millions)
UTIMCO Services Budget	49.9
Direct Costs to Funds Budget	7.1
Total Budgeted Costs	$ 57.0

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:

- **Total Budgeted Costs for FY20**: The FY20 budget is $57.0 million, a 3.0% increase from the FY19 budget.
- **Total Forecast Costs for FY19**: Total costs for FY19 are forecast at $51.1 million, which is 7.7% lower than what was budgeted. This decrease is due primarily to the reduction in custodian-related costs because of a new fee structure that resulted from the operations team's custodian review process conducted earlier this year.
- **The UTIMCO Services Budget:** The FY20 budget includes $49.9 million for the "operating" budget of UTIMCO, a 14.0% increase from the FY19 budget. The increase is primarily due an increase in headcount of 15 new hires as a part of a five-year strategic plan.
- **The Total Direct Costs to Funds Budget**: The FY20 budget of $7.1 million for direct fund costs is down $4.4 million, a 38.4% decrease from the FY19 budget. The decrease is primarily due to a substantial reduction in custodian-related costs resulting from the custodian review process.
- **UTIMCO Reserves:** There are no reserves available to be distributed at fiscal year-end 2019 as the reserve balances are at the recommended levels to cover appropriate levels of the budget and capital expenditures.

Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY20 of $57.0 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget) as a percent of average Assets Under Management ("AUM") for FY20 and the Total Actual Costs as a percent of average AUM from FY15 to FY19.

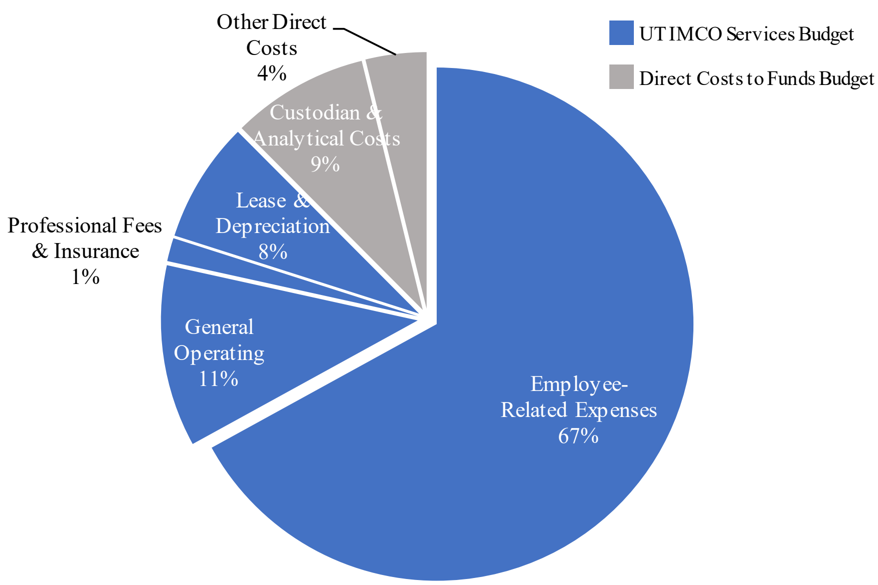
Table 1: Total Actual Costs Trend FY15-FY19 and Total Budgeted Costs FY20

($ millions)

	FY15	FY16	FY17	FY18	Forecast FY19	Budget FY20
Average Total AUM[1]	34,957	36,016	39,063	43,173	45,968	48,028
% Change in AUM	8%	3%	8%	11%	6%	4%
Direct Costs to Funds	8.1	8.2	8.4	10.6	8.4	7.1
% Change in Direct Costs to Funds	14.0%	1.7%	2.2%	27.1%	-21.3%	-15.2%
Direct Costs to Funds % of AUM	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%
UTIMCO Services	25.7	26.8	33.2	36.1	42.7	49.9
% Change in UTIMCO Services	3.2%	4.5%	23.6%	8.7%	18.2%	16.8%
UTIMCO Services % of AUM	0.07%	0.07%	0.08%	0.08%	0.09%	0.10%
Total Costs	33.7	35.0	41.6	46.7	51.1	57.0
% Change in Total Costs	5.6%	3.8%	18.6%	12.4%	9.3%	11.6%
Total Costs % of AUM	0.10%	0.10%	0.11%	0.11%	0.11%	0.12%

[1] FY19 and FY20 Average Total AUM assumes projected balances based on moderate returns, projected West Texas Land and gift income, and projected distributions.

FY 20 Total Budgeted Costs
$57.0 million



The UTIMCO Services Budget (blue shade in the pie chart above) represents 87% of the total budget, with employee-related expenses being the largest component at 77%. Direct Costs to Funds include Custodian & Analytical Costs (9%) 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 92% of the AUM, with UTIMCO staff directly managing approximately 8% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY19 and FY20. Refer to Exhibits A and B at the end of this memo for a detailed budget comparison for FY19-FY20 and actual trend history for FY15-FY19.

Table 2: FY19 Forecast and FY20 Budget Overview

($ millions)

	FY19 Forecast				FY20 Budget			
	$ Budget	$ Projected	$ Change vs FY19 Budget	% Change vs FY19 Budget	$ Budget	$ Change vs FY19 Projected	% Change vs FY19 Projected	% Change vs FY19 Budget
UTIMCO Services	43.8	42.7	-1.1	-2.5%	49.9	7.2	16.8%	13.9%
Direct Costs to Funds	11.5	8.4	-3.1	-27.3%	7.1	-1.3	-15.2%	-38.4%
Total Budgeted Costs	55.3	51.1	-4.2	-7.7%	57.0	5.9	11.6%	3.0%

UTIMCO Services Budget

During the current fiscal year, UTIMCO staff conducted a comprehensive review to establish a long-term strategic plan that would be fully supported by UTIMCO's Board of Directors and the U. T. System Board of Regents that would determine appropriate peer and industry benchmarks and appropriate resource requirements to maintain strong fiduciary stewardship of U. T. and Texas A&M assets. This plan requests increased resources as a result of expected growth in AUM, complexity, succession planning, and oversight responsibilities. The plan, presented at the June 27, 2019 UTIMCO Board meeting calls for an increase of 33 people by fiscal year 2024, of which 15 are expected to be hired in FY20.

It is expected that the increase in direct personnel costs under the plan will be at least partially offset by a proposed fee-saving initiative with external investment managers, reduced fees and carrying costs on increased co-investments, and lower custodian fees as a result of the custodian review process conducted earlier this year.

For FY20, total personnel-related expenses including employee benefits account for 77% of the UTIMCO Services Budget (or 67% 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:

- Staffing increased 4 budgeted positions to 98 positions during FY19. Actual positions at the end of FY19 are projected to be 99, and the FY20 budget includes an additional 15 positions for a total of 114 budgeted positions by the fiscal year-end.
    - o During FY19, there was some staff movement in the operations team with one director retiring and another resigning, so in preparation for these departures, a permanent position was added to provide

some overlap to aid in the transition, resulting in the increase from 98 to 99 positions by the current fiscal year-end.
  - The FY20 request for 15 FTE includes 6 positions for investment professionals, 7 positions for operations, and 2 for information technology.
- With the additional staffing, average AUM per employee in FY20 is expected to decrease to $421 million, which is the lowest it has been over the past 5 years, when it has ranged from $471 to $515 million.
- Total Compensation has grown by 12.5% annually from FY15 to FY19 primarily because of the addition of new positions. Total Compensation for FY20 is budgeted 16.6% above FY19 projected levels, which would equate to a 13.3% growth rate on an average annual basis over a five-year period.
- Since FY15, Total Compensation per employee has increased 3.9% (annualized) from $249k to $290k forecast in FY19 and is budgeted to be at $294k in FY20.

Table 3: UTIMCO Compensation and Headcount FY14-FY19 (excluding benefits)

	Actual				Forecast	% Change Since FY15	Budget	% Change From
	FY15	FY16	FY17	FY18	FY19	(annual)	FY20	FY19
Employees (as of year end)	72	70	83	94	99	8.3%	114	15.2%
Average Total AUM ($ millions)	34,957	36,016	39,063	43,173	45,968	7.1%	48,028	4.5%
Average AUM/Employee ($ millions)	486	515	471	459	464	-1.1%	421	-9.3%
Salaries ($ millions)	9.4	10.4	10.9	13.7	15.8	13.9%	17.9	13.1%
Performance Compensation ($ millions)	8.5	7.2	10.3	10.4	12.9	10.9%	15.6	20.8%
Total Compensation ($ millions)	17.9	17.6	21.2	24.1	28.7	12.5%	33.5	16.6%
Total Compensation per Employee ($)	248,920	251,857	255,552	256,204	290,119	3.9%	293,696	1.2%
Perf. Comp. as % of Salaries	91%	70%	94%	76%	82%		87%	
Perf. Comp. as % of Total Compensation	48%	41%	49%	43%	45%		47%	

<u>Lease and Depreciation Expenses</u>: Lease expenses are budgeted to increase 3% compared to FY19 forecasted amounts. UTIMCO moved into the new building in February 2018, leasing 68% more space than was being leased in the Frost Tower to accommodate future growth. Although the move to the UTS building resulted in significant savings on a per square foot basis due to both reduced operating expenses and property tax savings, overall lease expenses were higher in FY18 compared to FY17 due to the additional space leased. The City of Austin has seen tremendous growth since UTIMCO's original lease was executed and rent rates have increased accordingly. Table 4 shows the lease expense trends from FY15-FY20.

Table 4: UTIMCO Lease Expenses FY14-FY19

	Actual				Forecast	Budget
	FY15	FY16	FY17	FY18	FY19	FY20
Property Lease	$518,373	$518,373	$1,136,800	$1,762,827	2,047,589	$2,047,589
Operating Lease	632,036	661,948	860,630	523,826	578,846	640,000
Parking Expenses	149,819	154,348	169,335	197,847	213,580	240,000
Other Expenses	7,050	9,497	14,150	4,716	0	0
Amortization (Deferred Rent Credit)	(170,344)	(170,344)	(108,267)	(208,054)	(263,865)	(263,865)
Total Lease Expenses (net)	$1,136,934	$1,173,822	$2,072,648	$2,281,162	$2,576,150	$2,663,724

Depreciation Expense is budgeted to increase 2% to $1.7 million compared to the FY19 forecasted amount of $1.6 million as most of the new equipment, furniture, and leasehold improvement purchases related to the office move was purchased last year.

Other General Operating Expenses, Professional Fees, and Insurance (non-employee): Office expenses, insurance, travel, professional fees, contract services and maintenance costs fall in this category and are forecast to be $6.0 million in FY19, which is $0.65 million or 10% lower than the FY19 budget of $6.7 million. The decrease is due to lower than expected costs for online data providers and subscriptions as well as lower than expected travel expenses.

General operating expenses for FY20 are budgeted to increase by $0.68 million, or 10%, from $6.7 million in FY19 to $7.4 million. The increase is primarily attributable to increased costs related to staffing increases:

- several new online data providers and subscription additions along with additional license purchases ($535k);
- an increase in travel costs due to the new hires and more international travel ($283k).

Direct Costs to Funds

Direct Costs to Funds for FY20 are budgeted at $7.1 million, a $4.4 million or 38.4% decrease from the FY19 budget. This is primarily because of the reduction in custodian-related costs because of a new fee structure that resulted from the operations team's custodian review process conducted earlier this year. These savings are expected to continue through future years, resulting in substantially reduced direct costs to funds.

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY15-FY20 is summarized in Table 5 below. Capital expenditures in FY19 were primarily for technology upgrades. For FY20, capital expenditures are budgeted to return to historic levels due to reduced costs associated with the new building although there is $300k budgeted for the build-out of existing space to accommodate new hires.

Table 5: UTIMCO Capital Expenditures FY15-FY20

	Actual				Forecast	Budget
	FY15	FY16	FY17	FY18	FY19	FY20
Ongoing: Technology and Software Upgrades	$107,810	$179,345	$56,488	$17,758	$163,000	$140,000
Ongoing: Office Equipment and Fixtures	107,135	4,241	5,374	77,585	-	-
Expansion: Technology Initiatives / Video Conferencing	1,076,643	91,580	-	1,238,149	-	26,000
Expansion: Leasehold Buildout (net of TI allowance in FY18)	150,085	-	-	6,498,972	-	300,000
Expansion: Furniture and Fixtures	-	-	-	2,669,179	37,000	70,000
Total Capital Expenditures (net)	$1,441,673	$275,166	$61,862	$10,501,643	$200,000	$536,000

EXHIBIT A

Total Budgeted Costs FY19-FY20

	FY19	FY19	Change from FY19 Budget		FY20	Change from FY19 Forecast		Change from FY19 Budget
	Budget	Forecast	$	%	Budget	$	%	%
UTIMCO Services								
Salaries	15,876,073	15,814,080	-61,993	-0.4%	17,889,310	2,075,230	13.1%	12.7%
Performance Compensation + Earnings	12,907,738	12,907,738	0	0.0%	15,592,053	2,684,315	20.8%	20.8%
Total Compensation	28,783,811	28,721,817	-61,993	-0.2%	33,481,363	4,759,546	16.6%	16.3%
Total Payroll taxes	1,101,784	1,101,784	0	0.0%	1,337,347	235,562	21.4%	21.4%
403(b) Contributions	1,193,022	1,089,839	-103,184	-8.6%	1,345,928	256,089	23.5%	12.8%
Insurance & Cell Phone	1,425,603	1,348,520	-77,083	-5.4%	1,600,102	251,582	18.7%	12.2%
Employee Benefits	2,618,625	2,438,359	-180,266	-6.9%	2,946,030	507,671	20.8%	12.5%
Recruiting and Relocation Expenses	162,000	80,375	-81,625	-50.4%	162,000	81,625	101.6%	0.0%
Employee Education	215,706	108,480	-107,226	-49.7%	243,223	134,743	124.2%	12.8%
Other Employee Related Expenses	377,706	188,855	-188,851	-50.0%	405,223	216,368	114.6%	7.3%
Total Employee Related Expenses	32,881,926	32,450,816	-431,111	-1.3%	38,169,963	5,719,147	17.6%	16.1%
On-Line Data & Subscriptions	3,279,505	3,176,620	-102,885	-3.1%	3,712,008	535,388	16.9%	13.2%
Contract Services & Maintenance	900,296	850,920	-49,376	-5.5%	954,801	103,881	12.2%	6.1%
Travel & Meetings, Including BOD	1,313,020	1,051,346	-261,675	-19.9%	1,333,956	282,611	26.9%	1.6%
Phone and Telecommunications	56,412	40,020	-16,392	-29.1%	41,244	1,224	3.1%	-26.9%
Computer & Office Supplies	69,176	70,172	996	1.4%	66,368	-3,804	-5.4%	-4.1%
Other Office Expenses	156,228	165,009	8,781	5.6%	417,072	252,063	152.8%	167.0%
Total Office Expense	281,816	275,201	-6,615	-2.3%	524,684	249,483	90.7%	86.2%
Total Lease Expense	2,630,324	2,576,150	-54,174	-2.1%	2,663,724	87,574	3.4%	1.3%
Board, Comp., & Hiring Consultants	411,000	229,875	-181,125	-44.1%	342,000	112,125	48.8%	-16.8%
Legal Expenses	215,004	175,358	-39,647	-18.4%	215,004	39,647	22.6%	0.0%
Accounting fees	60,600	60,525	-75	-0.1%	65,600	5,075	8.4%	8.3%
Total Professional Fees	686,604	465,758	-220,847	-32.2%	622,604	156,847	33.7%	-9.3%
Total Insurance	215,520	202,271	-13,249	-6.1%	211,956	9,685	4.8%	-1.7%
Depreciation of Equipment	1,600,000	1,635,000	35,000	2.2%	1,675,000	40,000	2.4%	4.7%
Total Non-Employee Related Expenses	10,907,085	10,233,265	-673,820	-6.2%	11,698,733	1,465,468	14.3%	7.3%
Total UTIMCO Services	43,789,012	42,684,081	-1,104,931	-2.5%	49,868,696	7,184,615	16.8%	13.9%
Direct Costs to Funds								
Custodian Fees and Other Direct Costs	8,947,724	5,607,719	-3,340,006	-37.3%	4,100,000	-1,507,719	-26.9%	-54.2%
Analytical Tools	0	0	N/A	N/A	154,500	154,500	N/A	N/A
Risk Measurement	324,000	282,667	-41,333	-12.8%	665,500	382,833	135.4%	105.4%
Custodian and Analytical Costs	9,271,724	5,890,385	-3,381,339	-36.5%	4,920,000	-970,385	-16.5%	-46.9%
Consultant Fees	527,500	491,496	-36,004	-6.8%	307,500	-183,996	-37.4%	-41.7%
Auditing	811,750	811,750	0	0.0%	828,919	17,169	2.1%	2.1%
Legal Fees	250,000	244,738	-5,262	-2.1%	300,000	55,262	22.6%	20.0%
Background Searches & Other	664,200	935,561	271,361	40.9%	744,850	-190,711	-20.4%	12.1%
Other Direct Costs Total	2,253,450	2,483,544	230,094	10.2%	2,181,269	-302,275	-12.2%	-3.2%
Total Direct Costs to Funds	11,525,174	8,373,930	-3,151,245	-27.3%	7,101,269	-1,272,661	-15.2%	-38.4%
Total Budgeted Costs	55,314,186	51,058,011	-4,256,175	-7.7%	56,969,965	5,911,954	11.6%	3.0%

EXHIBIT B

Total Actual Costs FY15-FY19 and FY20 Budget

	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Forecast	FY20 Budget
UTIMCO Services						
Salaries	9,394,865	10,394,021	10,919,643	13,667,683	15,814,080	17,889,310
Performance Compensation + Earnings	8,527,380	7,235,982	10,291,209	10,415,478	12,907,738	15,592,053
Total Compensation	17,922,244	17,630,003	21,210,852	24,083,161	28,721,817	33,481,363
Total Payroll taxes	690,884	701,081	843,661	955,790	1,101,784	1,337,347
403(b) Contributions	696,658	748,756	749,882	941,512	1,089,839	1,345,928
Insurance & Cell Phone	861,002	891,694	1,126,193	1,234,563	1,348,520	1,600,102
Employee Benefits	1,557,659	1,640,450	1,876,075	2,176,075	2,438,359	2,946,030
Recruiting and Relocation Expenses	65,609	86,701	161,814	181,230	80,375	162,000
Employee Education	62,452	170,253	82,904	90,110	108,480	243,223
Other Employee-Related Expenses	128,061	256,954	244,718	271,340	188,855	405,223
Total Employee Related Expenses	20,298,848	20,228,487	24,175,306	27,486,366	32,450,816	38,169,963
On-Line Data & Subscriptions	1,118,283	1,285,682	1,935,118	2,688,550	3,176,620	3,712,008
Contract Services & Maintenance	414,417	572,156	425,494	813,342	850,920	954,801
Travel & Meetings, Including BOD	706,348	669,207	688,498	792,548	1,051,346	1,333,956
Phone and Telecommunications	44,263	38,233	40,540	46,616	40,020	41,244
Computer & Office Supplies	62,536	57,638	60,836	165,639	70,172	66,368
Other Office Expenses	108,060	151,632	147,974	149,779	165,009	417,072
Total Office Expense	214,860	247,503	249,349	362,034	275,201	524,684
Total Lease Expense	1,136,934	1,173,823	2,072,648	2,281,161	2,576,150	2,663,724
Board, Compensation, & Hiring Consultants	295,519	609,327	762,181	328,063	229,875	342,000
Legal Expenses	100,462	145,157	188,846	75,414	175,358	215,004
Accounting fees	60,045	53,520	56,950	58,910	60,525	65,600
Total Professional Fees	456,027	808,005	1,007,977	462,386	465,758	622,604
Total Insurance	213,576	204,428	187,348	195,114	202,271	211,956
Depreciation of Equipment	1,129,717	1,657,536	2,453,498	1,015,435	1,635,000	1,675,000
Total Non-Employee Related Expenses	5,390,160	6,618,339	9,019,930	8,610,569	10,233,265	11,698,733
Total UTIMCO Services	25,689,009	26,846,826	33,195,236	36,096,935	42,684,081	49,868,696
Direct Costs to Funds						
Custodian Fees and Other Direct Costs	5,766,874	5,686,948	6,221,234	8,501,722	5,607,719	4,100,000
Analytical Tools	395,581	412,156	399,568	0	0	154,500
Risk Measurement	292,000	292,000	286,501	297,499	282,667	665,500
Custodian and Analytical Costs	6,454,455	6,391,103	6,907,303	8,799,221	5,890,385	4,920,000
Consultant Fees	292,193	359,041	320,000	470,000	491,496	307,500
Auditing	718,663	789,873	770,000	790,000	811,750	828,919
Legal Fees	229,987	156,126	83,715	152,895	244,738	300,000
Background Searches & Other	357,264	489,539	287,165	425,515	935,561	744,850
Other Direct Costs Total	1,598,107	1,794,579	1,460,880	1,838,410	2,483,544	2,181,269
Total Direct Costs to Funds	8,052,562	8,185,683	8,368,183	10,637,631	8,373,930	7,101,269
Total Budgeted Costs	33,741,571	35,032,509	41,563,419	46,734,566	51,058,011	56,969,965

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2019

Projected Cash Reserves at August 31, 2019		
Cash		$ 24,800,000
Prepaid Expenses		1,200,000
Less: Accounts Payable (Includes incentive compensation & earnings payable)		(14,000,000)
Projected Cash Reserves at August 31, 2019		$ 12,000,000
FY20 Proposed Operating Budget	49,868,696	
Applicable Percentage	25%	12,467,174
Capital Budget Expenditures		536,000
Depreciation Expense		(1,675,000)
Required Cash Reserves at August 31, 2019		$ 11,328,174
Balance Available for Distribution		$ 671,826
Recommended Distribution		$ -