# SCHEDULE OF EVENTS
# FOR
# BOARD OF REGENTS' MEETING

**February 8-9, 2017**
Austin, Texas

*U. T. System Administration, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street*
*Office of the Board of Regents: 512.499.4402*

**Wednesday, February 8, 2017**

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| Health Affairs Committee ........................................ | *9:30 a.m.* |
| Academic Affairs Committee ........................................ | *10:15 a.m.* |
| Technology Transfer and Research Committee ........................................ | *11:15 a.m.* |
| Meeting of the Board - Executive Session (Working Lunch) ........................................ | *11:45 a.m.* |
| Finance and Planning Committee ........................................ | *1:30 p.m.* |
| Joint Finance and Audit Committees ........................................ | *2:15 p.m.* |
| Audit, Compliance, and Management Review Committee ........................................ | *2:45 p.m.* |
| Facilities Planning and Construction Committee ........................................ | *3:30 p.m.* |
| Recess ........................................ | *4:30 p.m. approximately* |

**Thursday, February 9, 2017**

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| Meeting of the Board - Open Session ........................................ | *9:00 a.m.* |
| Meeting of the Board - Executive Session ........................................ | *10:20 a.m. approximately* |
| Meeting of the Board - Open Session ........................................ | *12:00 p.m. approximately* |
| Adjourn ........................................ | *12:15 p.m. approximately* |

**AGENDA**
**FOR MEETING OF**
**THE UNIVERSITY OF TEXAS SYSTEM**
**BOARD OF REGENTS**

**February 8-9, 2017**
Austin, Texas

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| **Wednesday, February 8, 2017** | | |
| COMMITTEE MEETINGS | *9:30 a.m. - 11:45 a.m.* | |
| CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (Working lunch at noon) | *11:45 a.m.* | |

1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

   **U. T. Health Science Center - Tyler: Periodic comprehensive performance review of institutional president (Regents' *Rules and Regulations*, Rule 20201, Section 5, regarding Evaluation of Presidents)**

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   **U. T. System: Discussion regarding legal issues related to funding mechanisms that can assist U. T. System institutions in building philanthropic capacity to support their respective missions**

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| RECONVENE THE BOARD IN OPEN SESSION | *1:30 p.m.* | |
| RECESS TO COMMITTEE MEETINGS | *1:30 p.m. – 4:30 p.m.* | |

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|---|---|---|
| **<u>Thursday, February 9, 2017</u>** | | |
| RECONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEMS | *9:00 a.m.* | |
| **1. U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board** | *9:05 a.m.*<br>**Action** | **6** |
| **2. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 10801 (Policy on Transparency, Accountability, and Access to Information) to add a new section regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board** | *9:10 a.m.*<br>**Action** | **7** |
| **3. U. T. System Board of Regents: Discussion and appropriate action related to proposed amendment to Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to provide an enhanced framework for implementation of state law** | *9:15 a.m.*<br>**Action** | **8** |
| **4. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools to the president** | *9:20 a.m.*<br>**Action** | **10** |
| **5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed replacement of Regents' *Rules and Regulations*, Rule 70301 (Matters Relating to Real Property)** | *9:25 a.m.*<br>**Action** | **12** |
| **6. U. T. System: Approval of a one-time allocation of $10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success** | *9:30 a.m.*<br>**Action**<br>*Deputy Chancellor Daniel*<br>*Dr. Karoff* | **24** |
| **7. U. T. System: Report on development performance for the U. T. System institutions** | *9:35 a.m.*<br>**Report**<br>*Dr. Safady* | **29** |
| **8. U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund and related policy issues** | *9:55 a.m.*<br>**Action**<br>*Dr. Safady*<br>*Dr. Kelley* | **48** |
| STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD | *10:10 a.m.* | |

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 *10:20 a.m.*

1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

   **U. T. Austin: Discussion regarding the lease or value of property related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas**

2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

   **a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

   **b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

3. Deliberation Regarding Security Devices or Security Audits – Section 551.076

   **U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices**

4. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   **a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues**

   **b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning pending legal claims by and against U. T. System**

   **c. U. T. Austin: Discussion regarding legal issues related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas**

5. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

   **a. U. T. Health Science Center - Houston: Discussion and appropriate action regarding proposed increase in compensation for Kenneth B. Mathis, M.D., Visiting Associate Professor, Department of Orthopedic Surgery (Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees)**

**b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees**

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS — *12:00 p.m.*

ADJOURN — *12:15 p.m.*

**1. <u>U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board</u>**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda items and will discuss any items referred for consideration by the full Board.

**2. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 10801 (Policy on Transparency, Accountability, and Access to Information) to add a new section regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board**

RECOMMENDATION

The Chancellor, the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the General Counsel to the Board of Regents that previous University of Texas System Administration Policy UTS178, *Required Reporting of Significant Events*, be replaced with a new section in Regents' *Rules and Regulations*, Rule 10801, as set forth below in congressional style, regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board.

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Sec. 3 Importance of Communication. To enhance and assist the Board of Regents in its duties and responsibilities, the Board and the Chancellor expect to be informed of significant matters within the U. T. System Administration and each U. T. System institution. Significant matters include those matters, which in the exercise of individual best judgment, have the potential to impact the reputation of the institution in a substantial manner and/or to generate substantial public interest or concern.

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Remaining sections of the Regents' Rule will be renumbered.

BACKGROUND INFORMATION

In 2012, the former Chancellor and the former Chairman of the Board led an effort to establish a Systemwide policy detailing expectations related to enhanced communications to assure that the Board was provided with timely information needed to discharge governance and oversight responsibilities. Such enhanced communication and reporting has become routine but the current policy language has led to burdensome over-reporting on occasion. The recommended replacement of the policy with guidance in the Regents' Rules is intended to maintain a structure and expectation surrounding the communication of significant matters to appropriate officials. In making determinations, it is suggested that only those matters that need personal notice to the Chancellor or President require reporting.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**3. U. T. System Board of Regents: Discussion and appropriate action related to proposed amendment to Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to provide an enhanced framework for implementation of State law**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) be amended as set forth below in congressional style to provide an enhanced framework for implementation of state law:

Sec. 1 Purpose. This Rule establishes policies required by state law concerning the acquisition of certain goods and services.

Sec. 2 Code of Ethics. As required by *Texas Education Code* Section 51.9337(b)(1), the Board has adopted a Code of Ethics found in Regents' Rule 30104 (Conflict of Interest, Conflict of Commitment, and Outside Activities) and implemented through associated U. T. Systemwide policies.

Sec. 3 Internal Investigations and Audit Protocols. As required by *Texas Education Code* Section 51.9337(b)(2), the Board has adopted policies for internal investigations and internal audit protocols, found in Regents' Rule 20401 (Audit and Compliance Programs).

Sec. ~~1~~4 Contract Management Handbook. As required by *Texas Education Code* Section 51.9337(b)(3), ~~Each~~ each institution and U. T. System Administration shall develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure.

4.1 The Contract Management Handbook shall establish contract review procedures and a contract review checklist approved by the Office of General Counsel. The review procedures and checklist must include:

(a) a description of each step of the procedure used to evaluate and process contracts;

(b) a checklist that describes each process that must be completed before contract execution; and

(c) a value threshold that initiates required review by legal counsel unless the contract is a standard contract previously approved by counsel.

4.2 Contract and Performance Monitoring. The Contract Management Handbook shall establish procedures to ensure the Board of Regents is notified of any serious issue or risk that is identified with respect to certain contracts as required under *Texas Government Code* Section 2261.253(c).

Contracts shall be monitored in accordance with the institution's policies and Contract Management Handbook.

4.3 Notice to the Board. As required by *Texas Government Code* Section 2261.255(2), the Contract Management Handbook shall establish a procedure to assure the submission to the Board of any information on any potential issue that may arise in the solicitation, purchasing, or contractor selection process for any contract with a value exceeding $5 million.

Sec. 5 Required Training. As required by *Texas Education Code* Section 51.9337(b)(5), each institution and U. T. System Administration shall develop training for officers and employees authorized to execute contracts for the institution or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies. Training shall be conducted in accordance with the institution's Contract Management Handbook.

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Remaining sections of the Regents' Rule will be renumbered.

## BACKGROUND INFORMATION

The proposed changes to Regents' Rule 20901 incorporate several requirements found in Senate Bill 20 from the 2015 Legislative Session, relating to state agency contracting. This Rule was initially revised in November 2015 to reference the required Contract Management Handbook. The current proposed amendments provide an enhanced framework for implementation of the new state laws added to the *Texas Government Code* and *Texas Education Code* by Senate Bill 20, and are intended to ensure robust oversight and compliance.

The changes identify existing and revised Regents' Rules and Systemwide policies that comply with Senate Bill 20 requirements relating to the establishment of a code of ethics, audit protocols, and a process for internal investigations. The proposed additions also codify the training required under new *Texas Education Code* Section 51.9337(b)(5) and the new requirement in *Texas Government Code* Section 2261.253(c) for each state agency to establish a procedure to identify contracts that require enhanced contract or performance monitoring, to submit information on those contracts to the governing board, and to notify the governing board of any serious issue or risk identified.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**4. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools to the president**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding oversight and supervision of charter schools, be amended as set forth below in congressional style:

Sec. 1 Conditions for Starting a Charter School. Upon a finding by the Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Academic Affairs that a proposed application to operate a charter school as authorized by *Texas Education Code*, Chapter 12 meets requirements of State law and furthers the institutional mission, an institution may apply to the State Board of Education to operate a charter school. Charter school operations will adhere to all applicable provisions of State law including the *Texas Public Information Act*.

Sec. 2 Oversight. The oversight and supervision of charter schools is delegated to the appropriate institutional president~~, with a report to the Board each year, detailing activities and performance of the charter school~~.

Sec. 3 Advisory Council. A board or council may be appointed by the president to advise him or her on operation of the charter school. The board or council will comply with all provisions of the *Texas Open Meetings Act* applicable to the Board of Regents.

## BACKGROUND INFORMATION

Regents' Rule 40901 allows for the creation of a charter school, as authorized by *Texas Education Code*, Chapter 12, if the proposal furthers the institutional mission. The oversight and supervision of charter schools are delegated to the appropriate institutional president, with a required report to the Board each year, detailing activities and performance of the charter school. Language related to charter schools was added to the Regents' *Rules and Regulations* on August 9, 2001.

Four charter schools currently exist at three U. T. System institutions: the U. T. Elementary School and the U. T. University Charter School at U. T. Austin; the University of Texas at Tyler Innovation Academy; and the U. T. Permian Basin STEM Academy.

Amendment to Regents' Rule 40901 is proposed in response to the Chancellor's charge to U. T. System Administration staff to streamline processes and eliminate unnecessary reporting, especially for those operating units where extensive oversight is already occurring as it does for U. T. charter schools. Each university charter school is approved to operate and funded by the Texas Education Agency (TEA). Operations are overseen by a board of trustees, the chief business officer of an institution, the institutional president, and, ultimately, the TEA.

A financial report, which includes a certified audit, is prepared each year. The TEA also conducts an annual assessment of each charter school's performance on various student-related measures.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed replacement of Regents' *Rules and Regulations*, Rule 70301 (Matters Relating to Real Property)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 70301 (Matters Relating to Real Property), be completely revised as set forth on the following pages.

BACKGROUND INFORMATION

Under current Regents' Rules, with the exception of The University of Texas Investment Management Company (UTIMCO) investments, Permanent University Fund (PUF) lands, and land used for institutional purposes, the Board of Regents delegates the management of real property under its ownership or control to the U. T. System Real Estate Office.

The primary purposes of the revisions are (i) to consolidate in one Rule those provisions of current Regents' Rules 10501 (Delegation to Act on Behalf of the Board) and 70301 and other policies governing real estate contracts; (ii) to grant greater authority to the institutions with regard to leasing and licensing; and (iii) to eliminate the review and approval of certain smaller real estate lease transactions. The revised Rule:

- Retains the requirement of Board approval and System Real Estate Office supervision of all contracts pertaining to the purchase/sale of real property or build-to-suit leases.

- Retains the separate authority of the University Lands Office over mineral interests and the PUF and of the Office of Development and Gift Planning Services over gifts and trusts.

- Memorializes the change from the current $1 million threshold for Board approval of real estate contracts applicable to all institutions to individual thresholds that match each institution's dollar threshold authority for goods and services contracts. That change was previously approved by the Vice Chancellor and General Counsel, after consultation with the General Counsel to the Board of Regents, as authorized in Regents' Rule 10501, Section 2.2.16 (Increase in Board Approval Threshold).

- Retains the existing structure for the delegation of signature authority to institution Presidents and System officers, and also broadens the signature authority of the institutions to enter into leases and licenses with a monetary value below the relevant contract authority threshold and with a term not exceeding 10 years (with minimized Real Estate Office review, but retained Office of General Counsel legal review).

- More clearly details the requirement under the Regents' Rules concerning the delegation of signature authority to various institution and System officers.

- Clarifies that Rule 70301 concerning real estate contracts prevails over any more general provisions in the Regents' Rules.

- Formalizes the role of the Real Estate Office as the central depository for copies of all real estate contracts.

In connection with this proposed replacement of Regents' Rule 70301, the U. T. System real estate policies will be revised (i) to consolidate the policies into one policy, (ii) to implement the authorized delegations, and (iii) to change review procedures for smaller short-term contracts by the Real Estate Office and the Office of General Counsel.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**The University of Texas System**
**Rules and Regulations of the Board of Regents** **Rule: 70301**

## 1. Title

Matters Relating to Interests in Real Property

## 2. Rule and Regulation

Sec. 1 Authority. *Texas Education Code* Section 65.39 provides that "The board of regents of The University of Texas System has the sole and exclusive management and control of the lands set aside and appropriated to, or acquired by, The University of Texas System." *Texas Education Code* Section 65.34 further provides that "a contract must be approved by the Board [of Regents of The University of Texas System] or otherwise entered into in accordance with rules of the Board relating to contract authority."

Sec. 2 Scope. This Rule governs all Real Estate Contracts, which include Real Estate Sales Contracts, Real Estate Leases, and Easements (as defined in the Definitions below). This Rule does not cover the transfer or acquisition of rights pertaining to the ownership and/or development of mineral interests (such as oil and gas leases, oil and gas transportation pipeline easements, and the transfer of royalty interests) under the administration of U. T. System's University Lands Office.

To the extent of any conflict between the provisions of this Rule and any other provision of the Board of Regents' *Rules and Regulations*, the provisions of this Rule shall control with respect to all Real Estate Contracts, except that Regents' Rule 60101 shall control with respect to the acceptance and administration of gifts of real property by the Office of Development and Gift Planning Services.

Sec. 3 Title to Real Property Interests. Title to all interests in real property of every kind or nature owned, leased, or otherwise held for the use or benefit of the U. T. System or any of its institutions shall be held in the name of the "Board of Regents of The University of Texas System."

Sec. 4 Delegation of Authority - Real Property Management.

4.1 Office of General Counsel. The negotiation and execution of Real Estate Contracts shall be done in accordance with all guidelines promulgated by the Office of General Counsel.

4.2 Real Estate Office. The Board of Regents delegates to the Real Estate Office authority to collect and account for all rents, mortgages, and other charges relating to real property managed or supervised by the Real Estate Office. All interests in real property owned, leased or otherwise held by the Board shall be administered and managed by U. T. System Administration’s Real Estate Office, except the following:

(i) Permanent University Fund (PUF) Lands, which shall be administered and managed by U. T. System Administration’s University Lands Office;

(ii) real properties used for Institutional Purposes. For purposes of this Rule, “Institutional Purposes" shall mean the duties, responsibilities, missions, and purposes of U. T. System and its institutions authorized under the *Texas Education Code*, but shall not include uses principally intended to generate funds for the institution;

(iii) real property investments managed by UTIMCO.

4.3 Executive Director of Real Estate. The Board delegates to the Executive Director of Real Estate the authority to negotiate, execute, and deliver on behalf of the Board Real Estate Contracts and other associated documents or agreements pertaining to or regarding the transfer acceptance or acquisition of interests in real property owned, leased, or otherwise held by the Board, including real property acquired by purchase, gift, exchange, eminent domain, or bequest, and real property used for Institutional Purposes, but excluding (i) contracts pertaining to PUF Lands and (ii) leases of mineral interests that are administered by the University Lands Office.

Except as expressly provided otherwise in this Rule, the authority granted in this Section to the Executive Director of Real Estate includes the authority to:

(i) negotiate, execute, and deliver all instruments necessary and convenient relating to (a) the management, control, purchase, sale, transfer, acquisition, and disposition of any real property or

interests in real property owned or controlled by the Board of Regents (including, without limitation, joint, several, and undivided interests in the fee title to real property and the acquisition or sale of mineral interests not administered by the University Lands Office);
(b) Easements, licenses, access rights, and permits for activities on such real property; (c) instruments relating to financing for such real properties, such as estoppel certificates requested by a third-party landlord or lender; and

(ii) the negotiation and execution of documents and agreements commonly and reasonably undertaken in connection with the purchase, sale, lease, transfer, or other acquisition or disposition of real property, such as, without limitation, the engagement of brokers, building and environmental inspectors, appraisers, and attorneys to assist with a particular transaction, provided that the engagement of such services shall be done in accordance with the other provisions of the Regents' Rules and U. T. Systemwide policies.

4.4 Other Requirements. The Real Estate Office shall consult with the institutional chief business officer or his delegate prior to approving and executing any Real Estate Contract or associated instrument relating to real property used or to be used by a U. T. System institution for Institutional Purposes.

All Real Estate Contracts and other associated agreements approved by the Real Estate Office must be in compliance with the Campus Master Plan approved by the Board unless the matter is an Easement or other similar agreement necessary to implement projects approved by the Board of Regents in the Capital Improvement Program and the Capital Budget.

Sec. 5 Delegation of Authority - PUF Lands. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the authority to:

(i) execute and deliver on behalf of the Board contracts pertaining to or conveying interests in PUF Lands and in mineral interests in other lands owned or controlled by the Board of Regents; and

(ii) to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands regarding PUF Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production. This authority includes all instruments necessary and convenient relating to the management, acquisition, and disposition of PUF Lands, including mineral interests, and of mineral interests in other lands owned or controlled by the Board, and licenses and surface rights for activities on PUF Lands.

Sec. 6 Delegation of Authority for Real Estate Leases. The Board of Regents delegates to each president of a U. T. System institution the authority to sign Real Estate Leases and renewals and amendments thereof for the purpose of leasing as tenant or licensing as licensee space for Institutional Purposes; provided that:

(i) the maximum initial term for which the U. T. System institution is obligated is for 10 years or less (exclusive of any extensions or renewals requiring action by the U. T. System institution);

(ii) the agreement contains no options to purchase the property in question;

(iii) the agreement does not require or involve the construction or substantial completion of a new building;

(iv) the President consults with the chief business officer of the institution prior to approving and executing any Real Estate Lease;

(v) the Real Estate Lease has a total cost or monetary value less than the Authority Level for his or her institution and the provisions of the Real Estate Lease otherwise comply with applicable law, these Rules and Regulations, and U. T. Systemwide policies; and

(vi) if approval by the Real Estate Office, the Office of General Counsel or the Board is required under this Rule, the president may not sign a Real Estate Lease until the Real Estate Office has notified the President either that (a) the contract has been approved by the appropriate U. T. System office or the Board of Regents, as applicable; or (b) the contract may be executed subject to compliance with Section 8.2 below.

Sec. 7 Delegation of Authority - Gifts of Land. The Board of Regents delegates to the Office of Development and Gift Planning Services the administration of real property received by the Board of Regents through a bequest, an interest in an account held in trust, a gift to establish or modify an endowment (other than the PUF), a fund functioning as an endowment, or a life income or annuity fund. The Office of Development and Gift Planning Services shall promptly notify the Real Estate Office and the University Lands Office of gifts of surface and mineral estates in real property received, processed, and administered pursuant to this Section to be managed by the Real Estate Office and the University Lands Office, respectively. This Section shall not apply to current purpose gifts of surface and mineral estates in real property (other than gifts received through a bequest or a trust) or additions to an existing endowment, a fund functioning as an endowment, or a life income or annuity fund if the addition does not change or modify the purpose of the endowment or fund.

The Real Estate Office and the University Lands Office shall, in accordance with the applicable Board of Regents' Rules, accept and administer the receipt of all gifts of surface and mineral estates in real property that are not processed and administered in accordance with this Section, unless the property is used as campus property by the institution. Once the property is owned or controlled by the Board of Regents, the institution shall administer and manage such real property as is used for Institutional Purposes.

Sec. 8 Authority Levels. The Authority Levels for Real Estate Contracts for each U. T. System institution are established by Regents' Rule 10501 and U. T. Systemwide Policy UTS145. Contracts in Excess of Authority Levels shall be subject to the following:

8.1 A U. T. officer or employee must obtain prior review and approval of the Real Estate Contract by the Real Estate Office, the Office of General Counsel, and the Board of Regents to exceed the Authority Level of his or her institution.

8.2 If the Real Estate Office and the Office of General Counsel have previously reviewed and approved a Real Estate Contract having a total cost or value in excess of the U. T. System institution's Authority Level, a U. T. officer authorized under these Rules to sign the type of contract in question is authorized, prior to obtaining Board of Regents' approval, to execute the Real Estate Contract if the Real Estate Contract (i) is promptly submitted for Board approval, and (ii) contains a provision, approved by the Office of General Counsel, to the effect that such portion of the obligations of the institution under the contract that are in excess of the institution's Authority Level are not binding unless and until the contract is approved by the Board.

8.3 Real Estate Contracts negotiated or documented by the Texas Facilities Commission on behalf of a U. T. System institution that is in excess of the institution's Authority Level must be approved by the Board of Regents.

Sec. 9 Contract Terms and Valuations

9.1 Total Cost or Monetary Value. Please refer to the Definitions and examples hereunder.

9.2 Extensions and Renewals. All potential extensions or renewals provided for in a Real Estate Contract (whether automatic or requiring action by a party) shall be deemed exercised for purposes of calculating the total cost or monetary value of the contract.

9.3 Amendments.

9.3.1 For the purpose of calculating the total cost or monetary value of a Real Estate Contract, the total cost or monetary value of any amendment or modification to the Real Estate Contract shall be calculated on a cumulative basis with the total cost or monetary value actually incurred, received or payable under the Real Estate Contract prior to such amendment or modification.

9.3.2 Amendments to a Real Estate Contract do not require approval by the Board unless

(i) as to any Real Estate Contract not previously approved by the Board, the amendment increases the cumulative total cost or monetary value of the Real Estate Contract (as amended by any prior amendments) above the Authority Level of the institution;

(ii) as to any Real Estate Contract previously approved by the Board, any amendments thereto cumulatively increase the total cost or monetary value of the contract previously approved by the Board to an amount greater than 125% of the total cost or monetary value approved by the Board, unless such cumulative increases in the total cost or monetary value are less than the Authority Level of the institution (in which case Board approval is not required); or

(iii) Board approval is otherwise required by these *Rules and Regulations* because of the particular provisions of the amendment.

9.4 Contracts for the Same Property. Any new Real Estate Contract pertaining to substantially the same real property that was the subject of a prior Real Estate Contract between the same parties or their successors in interest shall be treated as an extension, renewal or modification of the prior Real Estate Contract for purposes of this calculation, except in such instances where the real property in question had been totally vacated by the occupant of the real property under the prior Real Estate Contract for a period of three consecutive months or more following the expiration or termination of the prior Real Estate Contract.

9.5 Assurance of Authority. No officer or employee of U. T. System or any of its institutions, as an individual or as a member of any association or agency, has the power to bind U. T. System or any of its institutions by a Real Estate Contract unless the review and execution thereof is done in accordance with this Rule. The officer or employee executing any Real Estate Contract shall be responsible for assuring that he or she has the requisite authority to act on behalf of the Board and that such authority is being exercised in compliance with applicable law, the Regents' *Rules and Regulations*, and U. T. Systemwide policies. Such officer or employee is strongly encouraged to contact the Executive Director of Real Estate and the General Counsel with any questions regarding the nature and scope of the officer's or employee's authority.

9.6 Certification. Documents executed on behalf of the Board pursuant to authority granted under the Regents' Rules and Regulations shall not require further certification or attestation.

Sec. 10 Record Keeping. The Board designates the Real Estate Office as the central depository for all Real Estate Contracts. Promptly following the execution of a Real Estate Contract by a U. T. System institution, the institution shall deliver to the Real Estate Office a full, complete, and accurate electronic copy of the contract, regardless of whether such contract required the review and approval of the Real Estate Office and/or the Office of General Counsel. The Real Estate Office shall promulgate policies and processes for the maintenance of such Real Estate Contracts as part of the permanent records of its office, consistent with and subject to U. T. System's general record retention policies, but in no event shall a Real Estate Contract be maintained for a period of less than four years following the expiration or sooner termination of the Real Estate Contract.

Sec. 11 Consultation with Real Estate Office. Upon the request of a U. T. System institution, the Real Estate Office will consult with, advise, and assist the institution concerning a Real Estate Contract, regardless of the length of term, total cost, or monetary value of the contract.

## 3. Definitions

Real Estate Sales Contracts. A contract for the purchase, sale, exchange, transfer, or acquisition of a fee interests in real property by U. T. System and its institutions.

Real Estate Leases. A contract for the lease, sublease, license or use of real property by U. T. System and/or its institutions, whether as landlord, tenant, subtenant, licensee, licensor, or otherwise.

Easements. The grant or acquisition by U. T. System and/or its institutions of the right to cross or use property for a specific purpose that is not terminable at the will of the grantor.

Real Estate Contracts: Real Estate Sales Contracts, Real Estate Leases, and Easements are collectively referred to in this Rule as “Real Estate Contracts.” The term includes (i) all amendments and modifications of the foregoing and (ii) ancillary agreements to such contracts, such as (by way of example only) estoppel certificates and nondisturbance agreements for leases.

“Total Cost or Monetary Value” of a Real Estate Contract is the net cumulative sum of all costs and expenses to be paid or all monies to be received by a U. T. System institution over the term of the Real Estate Contract. (For example, if a U. T. System institution leased real property as tenant for a total rental of $950,000 and was contractually obligated to build or reimburse Landlord for improvements to the premises costing an additional $100,000 over and above the rental, the contract would have a total cost or monetary value of $1,050,000 to U. T.; but if the landlord were obligated to pay for the improvements and received no additional monies from U. T. other than the rental, the total cost or monetary value to U. T. would be $950,000.) Total cost or monetary value includes, without limitation, expenditures for real estate brokerage commissions, expenditures to build or pay for improvements to real property that are not included within the rental for the real property, and reasonably anticipated operating expenses (however denominated) in excess of the base rental payable by a tenant to the landlord over the term of a Real Estate Lease. Total cost or monetary value also includes (i) all operational expenses payable by the institution directly to persons not parties to the Real Estate Contract, such as utility charges or janitorial costs to a third-party service provider; and (ii) items such as ad valorem taxes that are paid directly by the institution to the governmental taxing authority.

If all or part of the consideration payable under a Real Estate Contract is of an unspecified monetary value, the institution shall make a reasoned determination of whether the total cost or monetary value of the contract, in the light of the current and reasonably anticipated circumstances, is more or less than the institution's Authority Level, and such determination shall be used for the purposes of this Section. The officer or employee of the institution making such determination shall prepare and sign a written statement outlining the basis of such determination and such determination shall be preserved as part of the permanent record of the transaction.

Nonmonetary consideration (for example, the receipt of services or benefits that further an Institutional Purpose) shall be considered at its fair market value for purposes of calculating the total cost or monetary value of a Real Estate Contract. If any material part of the fair market value compensation paid or received by the Board of Regents under a Real Estate Contract is nonmonetary consideration, (i) the contract must be reviewed and approved by the Real Estate Office, and (ii) the Board shall make the final determination as to the value and sufficiency of such nonmonetary compensation.

## 6. U. T. System: Approval of a one-time allocation of $10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success

### RECOMMENDATION

The Chancellor, with the concurrence of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs, recommends a one-time allocation of $10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success.

### BACKGROUND INFORMATION

The future -- the economic, civic, and social well-being -- of the State of Texas depends on graduating more students with postsecondary degrees and credentials. In recognition that certain student outcomes across the U. T. System have remained stagnant and troublingly low, the Chancellor identified Student Success as the ninth Quantum Leap. He called for a new framework by which U. T. System Administration and academic institutions would work to dramatically improve student outcomes.

The result is a new blueprint for *Making a Quantum Leap in Student Success*, developed collaboratively by U. T. System Administration and institutional student success leaders. The blueprint is designed to address low-producing trends on student success through a collaborative, student-centric initiative that will be recognized throughout the nation for delivering on ambitious goals through robust metrics, policies, practices, and supports in place to enable students to successfully complete their postsecondary educations -- affordably, in a timely manner, and with demonstrated high-quality learning.

The $10 million request from non-Available University Fund sources will allow uses of U. T. System funds necessary to make student success projects successful at the academic institutions. The funding strategy for the Student Success Quantum Leap is to start with a bold set of projects, intentionally chosen because of their evidence-driven efficacy and potential to dramatically improve student outcomes through a focus on finances, advising, and belonging.

The Executive Summary, as set forth on the following pages, provides additional information on the initiative.

## Executive Summary
## Request for Funds in Support of Quantum Leap #9 on Student Success

The future—the economic, civic, and social well-being—of the State of Texas depends on graduating more students with post-secondary degrees and credentials. In recognition that certain student outcomes across the U. T. System, particularly graduation rates, have remained stagnant and troublingly low, the Chancellor identified Student Success as the ninth Quantum Leap. He called for a new framework by which U. T. System administration and academic institutions would work to dramatically improve student outcomes.

The result is a new blueprint for *Making a Quantum Leap in Student Success*, developed collaboratively by the U. T. System Administration and institutional student success leaders. The blueprint is designed to address low-producing trends on student success through a collaborative, student-centric initiative that will be recognized throughout the nation for delivering on ambitious goals through robust metrics, policies, practices, and supports in place to enable students to complete their post-secondary educations—affordably, in a timely manner, and with demonstrated high-quality learning.

The U. T. System will leverage its resources to dramatically change student outcomes at the U. T. System academic institutions across the continuum of the student experience – from readiness, access, retention, graduation, and beyond—grounded in a vision for student success focused on preparation, finances, advising, and belonging. The initiative requires problem-solving with unprecedented levels of collaboration, institution-wide engagement, and shared responsibility. The design rests on a solid foundation of quality and equity, ensuring that each and every student is prepared and positioned to succeed in high-quality learning environments, supported by three pillars, and reinforced with data:

- **Finances**: The U. T. System will do everything in its power to ensure that no student drops out of college because of finances.

- **Advising**: Each and every student will receive the advising they need to follow clear pathways to degree completion and beyond.

- **Belonging**: Each and every student will feel like they belong in college. No student would be unable to persist or graduate because of a lack of engagement or a sense of not belonging.

In alignment with the Texas Higher Education Coordinating Board's *60X30TX Plan*, the U. T. System will (1) graduate more students, and (2) motivate and facilitate more students' earning degrees on time. The goal is to graduate students with the acumen and credentials to lead and succeed as workers, citizens, and community members, and the ability to navigate a complex and globally interdependent world.

## Discussion

The requested funding will be awarded to the U. T. System academic institutions through a competitive process and along two funding tracks: Keystone and institution-specific projects. All funded projects are expected to address one of the three research-identified pillars that form the foundation of the Chancellor's Student Success Quantum Leap: Finances, Advising, and Belonging.

1. **Keystone Projects** are a set of evidence-driven common projects that have proven effective at universities across the United States and Texas, and in which U. T. System institutions may elect to participate. These projects include:

    a) **Graduation Help Desks**: This project will establish one-stop shops (virtual or brick and mortar) for students who encounter barriers in the path to timely graduation and have nowhere else to turn. Staff help students graduate on time by connecting them to the right people and resources across campus. This project is modeled after a successful program at U. T. Austin, which has shown strong results in a short period of time.

    b) **Student Success Compacts**: This project will pilot student success compacts or graduation agreements. These agreements guarantee students can graduate in four years if they satisfy a number of requirements including, taking thirty semester credit hours per year; maintaining a certain GPA; regularly meeting with their advisor; following a pre-approved degree plan, and other additional requirements. If students meet all established requirements, they are guaranteed graduation in four years; otherwise the university will pay for the additional tuition expense. These programs generally target first-time, full-time freshman. Participating U. T. System institutions will be encouraged to develop agreements for other student cohorts, including transfer students.

    c) **Student Engagement Initiatives**: This project will enable participating U. T. System institutions to intentionally build up and work to scale high-impact practices for more of their students. High-Impact Practices (HIPs) are engaged learning experiences that occur both in and beyond the classroom, and that have proven to increase student retention and completion, narrow the achievement gap between racial-ethnic groups, and deepen student learning and engagement. The more common HIPs include learning communities, service learning, on-campus employment, internships, undergraduate research, capstone experiences, and study abroad.

    d) **Emergency Grant Funds**: In this project, participating U. T. System institutions will set aside funds in the form of grants to aid students in times of financial emergency. Research shows that emergency grant aid improves both retention and graduation rates, as well as providing students with a psychological boost from receiving support from their institution during a time of crisis.

2. **Institution-specific Projects** are under development by U. T. System academic institutions and are designed to address their specific needs, student populations, and contexts, identified through their data while also addressing one or more of the initiative pillars of finances, advising, and belonging.

All proposals submitted for funding must address the defining features of the Quantum Leap and include: a project description with evidence-based and proposed impact to one of the three pillars; articulation of how the project will move the institution beyond "business as usual" and be "quantum-leap worthy;" identification of the student population(s) to be served along with targets and goals for improved retention and completion; data and metrics used to evaluate progress; detailed budget; implementation plan and timeline; indication of how the project would be scalable and sustainable. Proposals will also need to address equity, quality, and how the project will contribute to greater institution-wide responsibility for student success.

Proposals will be vetted through the agile decision-making process identified by the Chancellor, which entails review by U. T. System, institutional experts, and executive leadership.

**Measures of Success**

The Student Success Quantum Leap proposes rigorous, data-driven assessment and evaluation, and includes the goal to identify a number of innovative metrics to measure the initiative's defining features. The U. T. System and academic institutions will identify baseline data, benchmarks, goals, and targets for improvement in retention and graduation rates, disaggregated across diverse student populations. In addition, a number of affinity groups are being convened with institutional staff and faculty working alongside U. T. System leadership to develop metrics for determining progress in student outcomes and institutional effectiveness in terms of the initiative pillars—finances, advising, and belonging.

The experience of other universities, including U. T. Austin, reveals that it can take a minimum of two years to ascertain success for certain programs and interventions, and four to six years for impact on graduation rates. Each approved project will be extensively monitored along identified metrics and at regular intervals.

**Budget**

The requested $10 million will come from the U. T. System Internal Lending Program, a non-Available University Funds source that allows for uses of U. T. System funds necessary to making projects successful at the academic institutions. The initial $10 million is an important commitment and a start, allowing for piloting and seeding of a number of both proven and innovative projects that have yet to be tried. It will not be enough to address the significant student success challenges at the U. T. System academic institutions. The funding strategy for the Student Success Quantum Leap is to start with a bold set of projects, intentionally chosen because of their evidence-driven efficacy and potential to dramatically improve student outcomes through a focus on finances, advising and belonging.

**Risk**

The student success projects to be funded through the request are intended to be bold—quantum leaps—which, of necessity, entails risk. It is anticipated that not all of the projects will be successful, and that the initiative and the individual projects within it will undergo changes in direction. Those that are not successful will be phased out. Every effort will be made to scale those that are successful, contingent upon available funding.

## 7. U. T. System: Report on development performance for the U. T. System institutions

REPORT

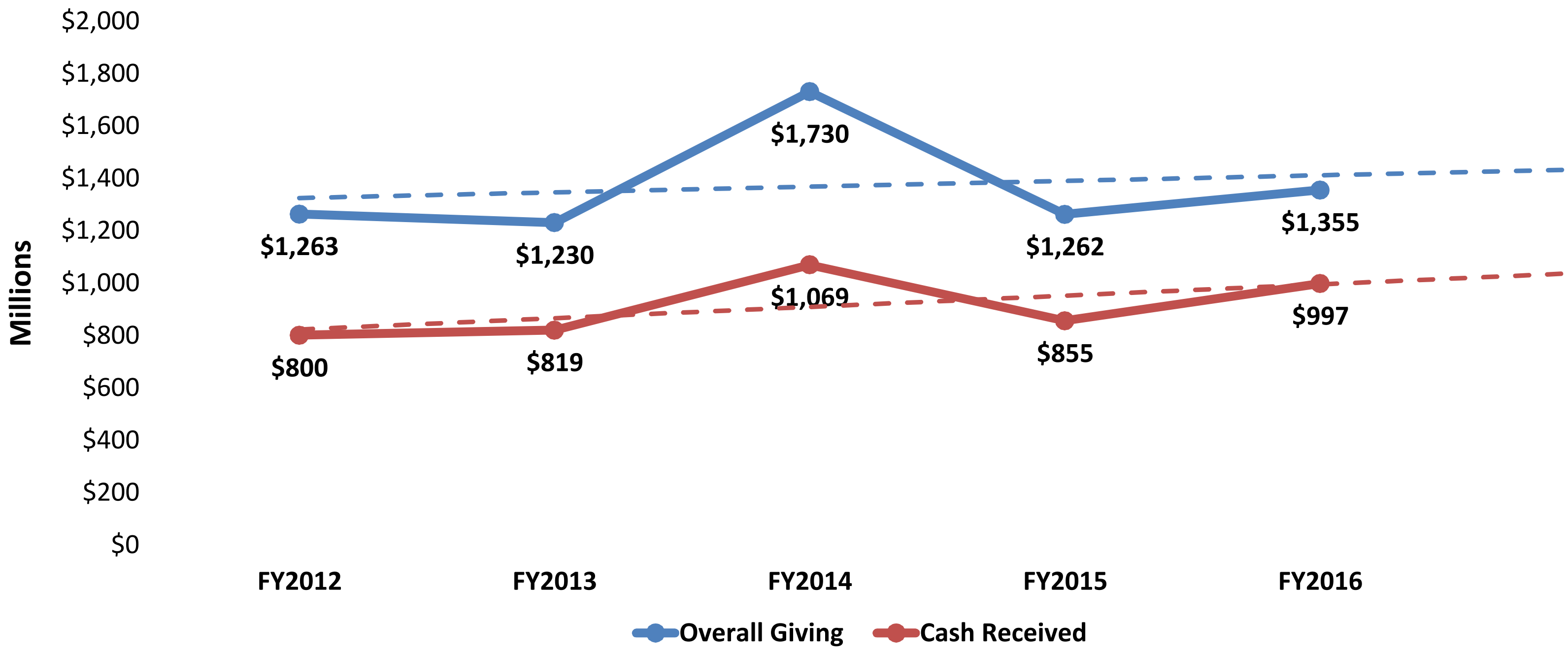
Vice Chancellor Safady will report on development performance of the U. T. System institutions for Fiscal Year 2016 and make recommendations for advancing philanthropic support, using the PowerPoint presentation set forth on the following pages.

# U. T. System Development Assessment FY 2016

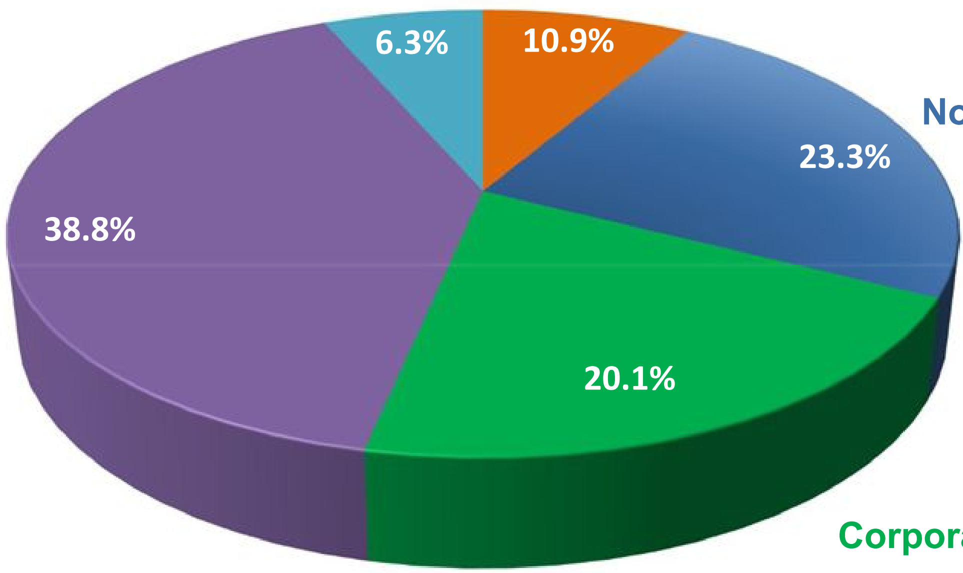
Dr. Randa Safady, Vice Chancellor for External Relations

U. T. System Board of Regents' Meeting
February 2017

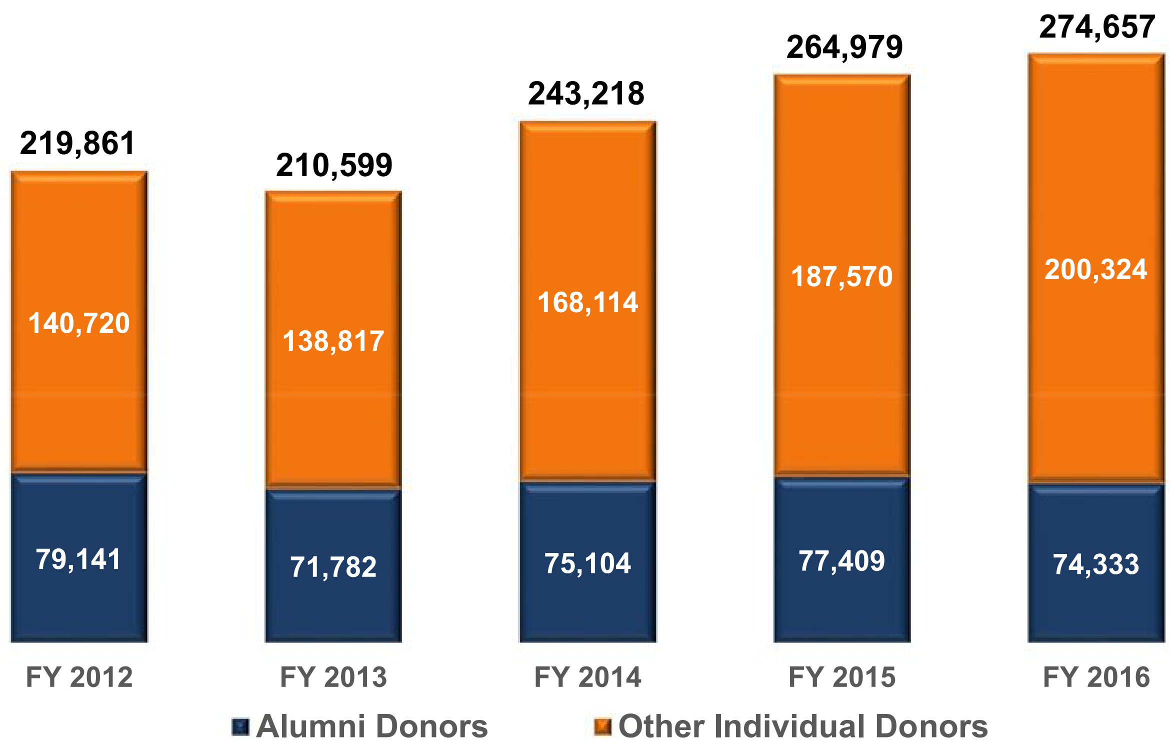
# Impact - Overall Giving and Cash Received FY 2012-FY 2016



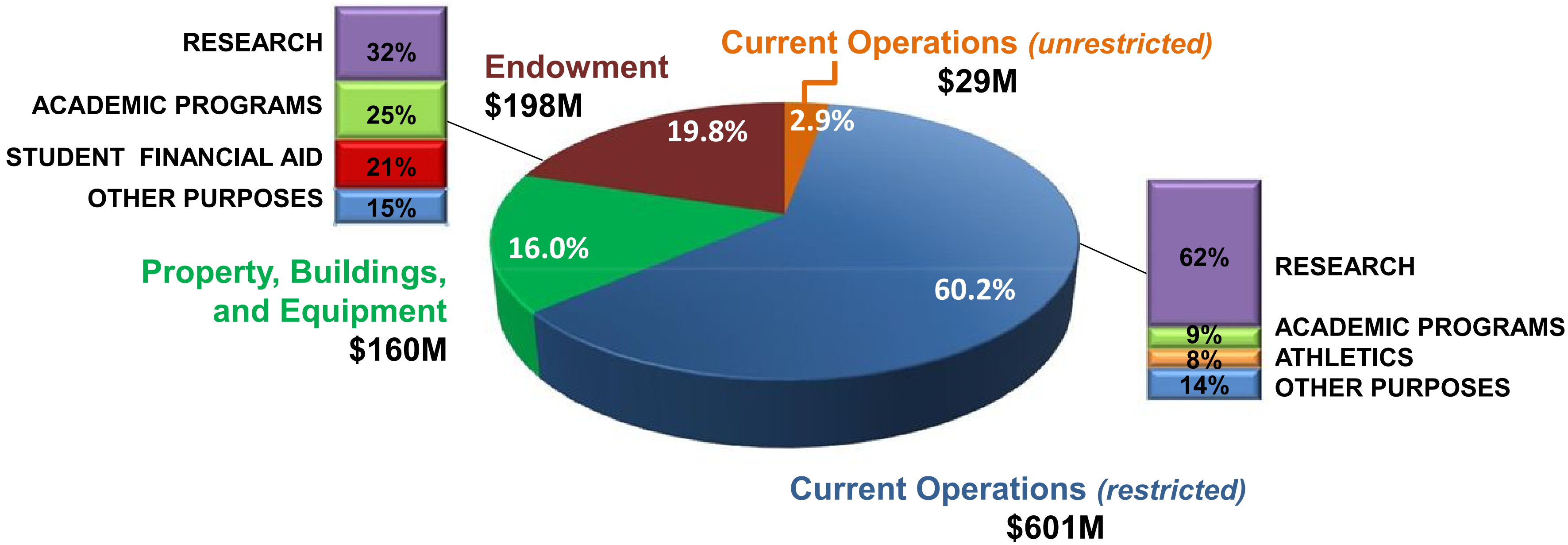
# FY 2016 Sources of Gifts



# FY 2012-2016 Individual Donor Count



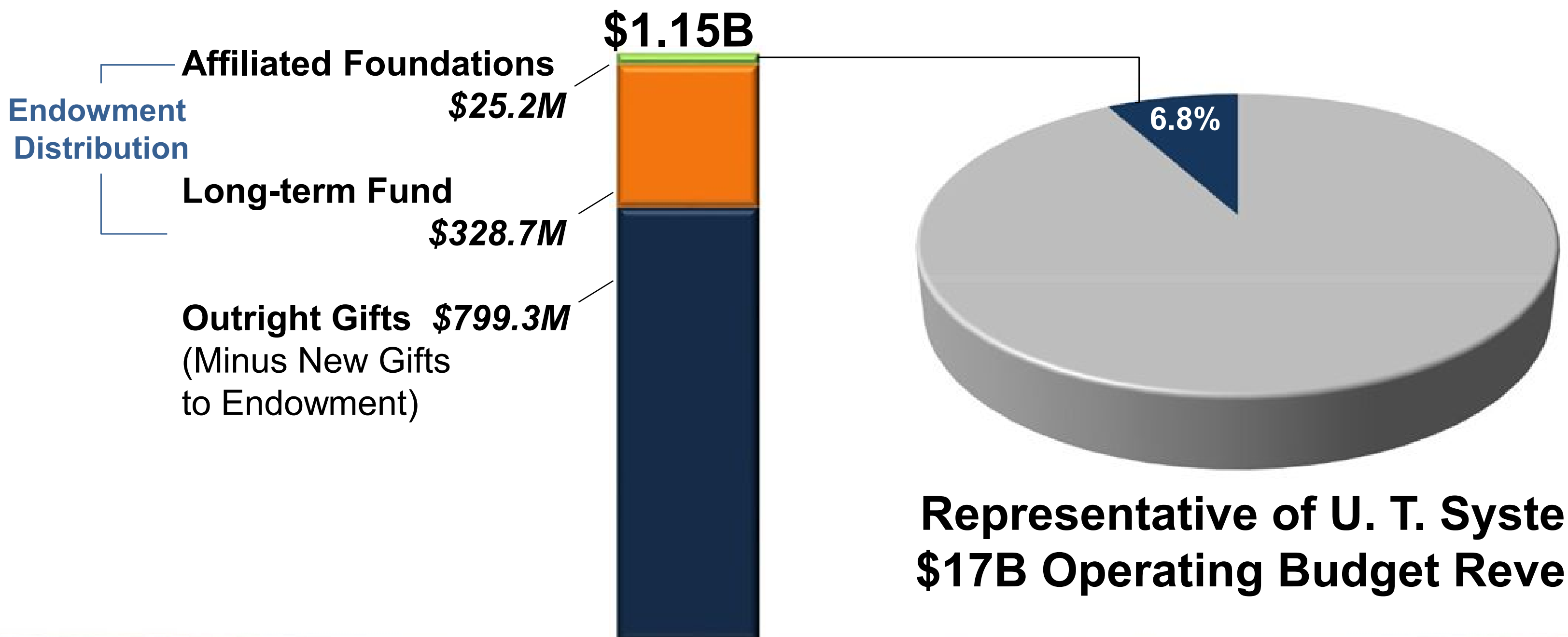
# FY 2016 Designation of Funds



# Return on Investment (ROI) in Development

- Philanthropy consistently shows a positive ROI
  - $8.60 received for every dollar spent in development in FY 2016
  - FY 2011-FY 2015 average ROI $9.17

# Impact – Cash Available to U. T. Institutions from Philanthropic Sources in FY 2016



# Managing Risks – An Update

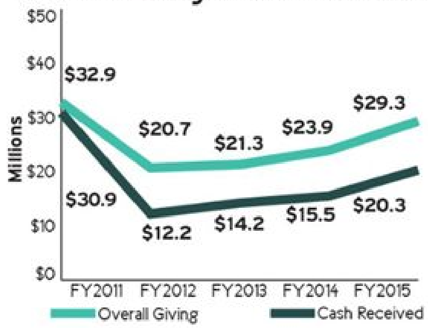
| Areas of Risk | Action taken or emerging |
|---|---|
| Balanced Fundraising Programs | Assessments, Action Plans, Metrics, and Organizational Reviews |
| Talent War - Retention and Skill Building | Advancement Academy; Customized Training; System Seminar; Leadership Philanthropy; Career Paths for Development Professionals |
| Talent War - Pipeline for U. T. Institutions | Internships, Careers in Philanthropy; Undergraduate and Graduate Degrees in Philanthropy |
| Funding Development | National models; Assessing need |

# Managing Risks – An Update

**ASSESSMENTS**

| Areas of Risk |
|---|
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

### Overall Giving and Cash Received




Overall giving and cash received both trending upwards for the past several years

Overall giving increased 23% from previous year and cash received up 30%

Good gap between overall giving and cash received showing pledge activity and new testamentary commitments

### Investment in Development & ROI

**$435.4M** TOTAL EXPENDITURES IN FY2015

**$3.25M** FY2015 BUDGET

**0.7%** DEVELOPMENT BUDGET AS % OF EXPENDITURES

**4.7%** CASH RECEIVED AS % OF EXPENDITURES

**$6.26** DOLLARS RAISED PER DOLLAR INVESTED

**$3.91M** FY2016 BUDGET

At $6.26 dollar raised per dollar invested shows a solid ROI for development

4.7% cash received as a percent of expenditures shows the growing impact of development

Development budget at 0.7% of institutional expenditures remains below national average of 1.4%

Frontline officers are raising $1.2M per FTE which is the national average for institutions raising between $10-24M.

# Managing Risks – An Update

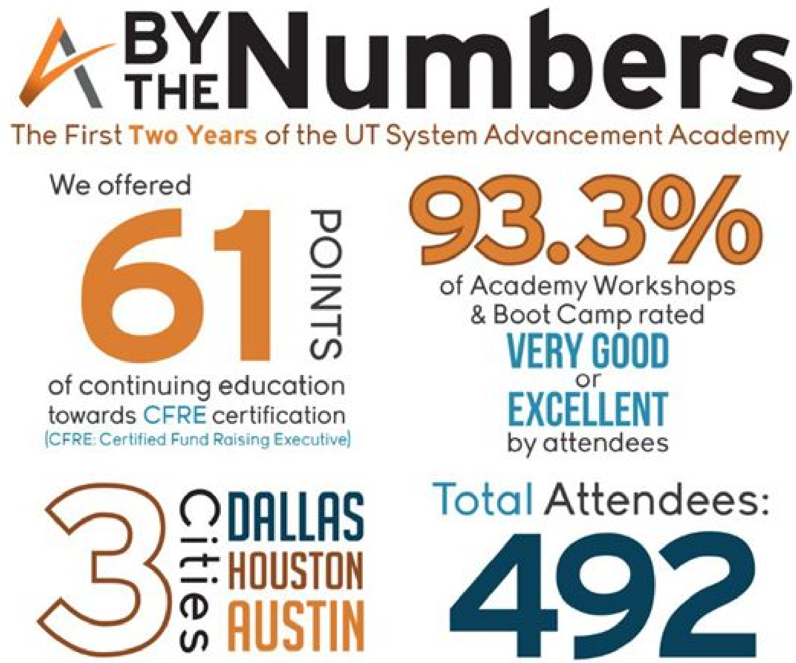
**ADVANCEMENT ACADEMY**

| Areas of Risk |
|---|
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

# Managing Risks – An Update

**ADVANCEMENT ACADEMY**

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for UT Institutions |
| Funding Development |



# Managing Risks – An Update

SYSTEM SEMINAR

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

# Managing Risks – An Update

STRIKE FORCE

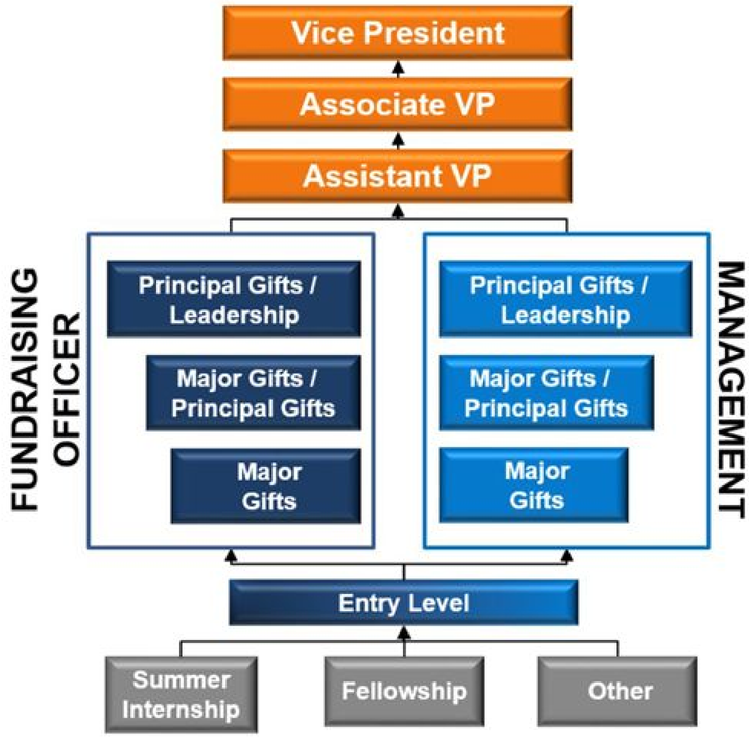
| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

## Strike Force
## Talent War in Fundraising

# Managing Risks – An Update

**CAREER PATHS**

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |



# Managing Risks – An Update

**INTERNSHIP**

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| **Talent War - Pipeline for U. T. Institutions** |
| Funding Development |

# Managing Risks – An Update

**INTERNSHIP**

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

# Managing Risks – An Update

**UNDERGRADUATE & GRADUATE DEGREES IN PHILANTHROPY**

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| Funding Development |

# Managing Risks – An Update

FUNDING DEVELOPMENT

| Areas of Risk |
| --- |
| Balanced Fundraising Programs |
| Talent War - Retention and Skill Building |
| Talent War - Pipeline for U. T. Institutions |
| **Funding Development** |

**8. U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund and related policy issues**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and the Vice Chancellor for External Relations that the U. T. System Board of Regents authorize a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund (LTF) to provide more adequate funding for development operations at U. T. System institutions to substantially increase philanthropic revenue to University of Texas' 14 institutions. If authorized, these new allocations must be used to augment and not to replace an institution's current development budget.

## BACKGROUND INFORMATION

If approved, allocated funds will be used to recruit and retain high-performing fundraising professionals and to invest in innovative philanthropic programs and operational enhancements. Since most U. T. System institutions currently elect to receive a maximum allocation of 20 basis points from their respective shares of the LTF for endowment administration and management, this request, if authorized, may result in an increase of approximately 40 additional basis points to increase fundraising capacity at each institution to a maximum of 60 basis points. Institutions that do not wish to participate in the maximum .60% allocation may opt out.

Philanthropy across U. T. System institutions constitutes a critical revenue stream to augment other income such as tuition and fees, sponsored research, clinical revenue, and more. Philanthropic dollars continue to account for a greater share of an institution's annual expenditures, and the need to increase private funding has never been more important.

Over the past three years, U. T. System institutions have realized more than $1 billion annually in gifts, new pledges, and new testamentary commitments to provide funding for faculty positions and student scholarship support, to build or renovate buildings and labs, and to conduct groundbreaking research and launch new initiatives.

Even with the successes that U. T. System institutions have experienced, and even with a return on investment of more than $8.31 for every dollar invested in the development office, the institutions have not achieved their full potential in an era when the need to raise more private funds is critical. Development offices at U. T. System institutions remain underfunded and understaffed, compared to national peer averages.

Two out of every three public universities use some type of common mechanism to help fund philanthropic efforts. All university systems in Texas do so, as well, by placing an allocation on endowments, assessing fees on annual unrestricted or restricted gifts, or directing all or part of the short-term interest on restricted gifts to the development office. Although a .60% allocation from the market value of the Long Term Fund (LTF) would have a short-term negative impact on the purchasing power of the LTF, the long-term gains must be considered. As more funds are raised, the value of the LTF will continue to increase, and given the significant return on investment that development offices at U. T. System institutions have demonstrated over the years, the U. T. System views this allocation as a strategic investment in the future of U. T. institutions.

# Increasing Philanthropic Capacity Among U. T. Institutions

Dr. Randa Safady, Vice Chancellor for External Relations

U. T. System Board of Regents' Meeting
February 2017

# Increasing Philanthropic Capacity

- Philanthropy and U. T. Institutions
- Issue - Funding Development at U. T. Institutions
- Considerations
- Anticipated Results
- Next Steps

# Increasing Philanthropic Capacity

## Philanthropy and U. T. Institutions

- Philanthropy must increase to support U. T. institutions in achieving their institutional priorities
- While other traditional resources may decline or remain flat, philanthropy is growing and shaping higher education
- Once philanthropy primarily focused on marks of excellence, now it also essential to meet core funding needs

# Increasing Philanthropic Capacity

## Philanthropy and U. T. Institutions

- Philanthropy's Impact
  - A national standard for measuring impact is the amount from philanthropic gifts as a representative percentage of an institution's Education and General (E&G) expenditures

| | Philanthropy's Representative Percentage of E&G (FY2016 Average) |
|---|---|
| Top Fundraising Institutions (Public) | 16.7% |
| University of California System (11 institutions) | 11.6% |
| University of Texas System (14 institutions) | 6.5% |

# Increasing Philanthropic Capacity

## Issue - Funding Development at U. T. Institutions

- Philanthropy's growth is incremental and current institutional funding, in most cases, is inadequate to expand its much needed role
- Board of Regents provided Strength in Numbers funds in FY2008 ($5M) and FY2011($10M) as seed money to build capacity and it worked
- In the past five years U. T. institutions collectively have increased their development budgets 44.3%

# Increasing Philanthropic Capacity

## Issue - Funding Development at U. T. Institutions

- U. T. institutions collective development budgets still remain 22% below the national average (Eduventures)

| | National Average | UT institutions |
|---|---|---|
| Development Budgets as Percentage of E&G | 1.4% | 1.1% |

- What are the implications?
  - Programs such as annual giving, principal gifts, planned giving, and prospect research not adequately funded
  - Ratios of non frontline, full time employees (FTE) to frontline FTE out of alignment
  - Insufficient numbers of frontline FTE

# Increasing Philanthropic Capacity

## Considerations

- U. T. institutions require institutional will and an infusion of financial resources to increase philanthropic capacity
- According to a national study by Eduventures the most common practices for funding development offices are:
  - Allocation from Gifts
  - Allocation from Endowment Earnings
- Most institutions have multiple sources to fund development

# Increasing Philanthropic Capacity

## Considerations

| Institution | One-time Allocation from Gifts | Recurring Allocation from Endowment Earnings | Other |
|---|---|---|---|
| UC Berkeley | 2.5% all gifts<br>10.5% Research gifts | 0.50% | Income from unrestricted gifts |
| UCLA | 6.5% | 0.59% | |
| UCSF | 4.0% | 0.40% | Charges an amount equal to 6% of income from gift and endowment funds |
| Univ. of Washington | | 0.80% | 3.0% from Invested Funds Pool |
| Arizona State University | 5% | 1.5% | When received, 5% of endowed and non-endowed gifts designated unrestricted |
| Texas A&M | 5% | | When received, 5% charged to endowed and non-endowed gifts. Some gifts exempted. |
| University of Houston | | 1.5% | |
| U.T. Institutions | 0% | 0.20% compliance fee | |

# Increasing Philanthropic Capacity

## Considerations

- Proposed funding model for U. T. institutional development programs
  – Recurring allocation of up to 0.60% (60 basis points [BPS]) from an institution's Long Term Fund (LTF) earnings

- Proposal features
  – 60 BPS includes current 20 BPS for endowment compliance
  – Additional $27.1M available for development purposes
  – Institutions may opt in or out

# Increasing Philanthropic Capacity

## Anticipated Results

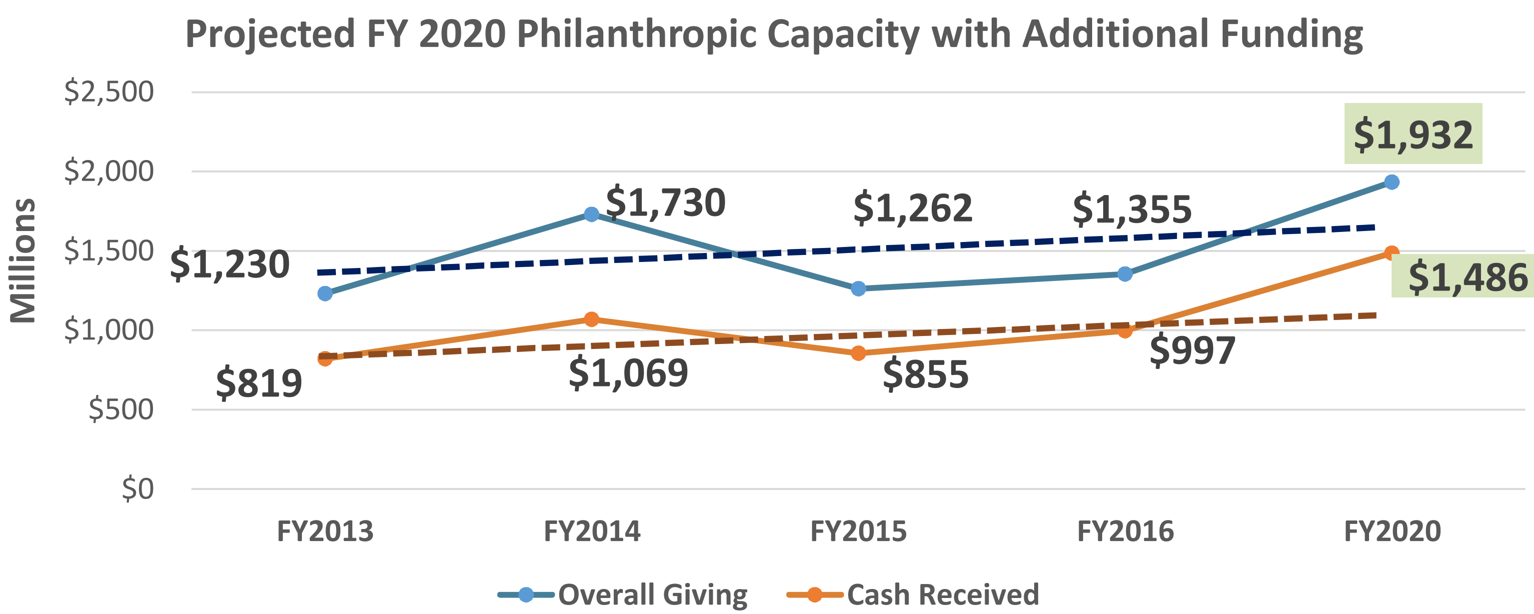
- More trained fundraising professionals and programs working to secure philanthropic support for U. T. institutional priorities
  - Transformative gifts
  - Additional funds for institutional programs, faculty, research, student support including scholarships, and funding for capital projects
  - More donors engaged in the life of U. T. institutions

Agenda Book - 60

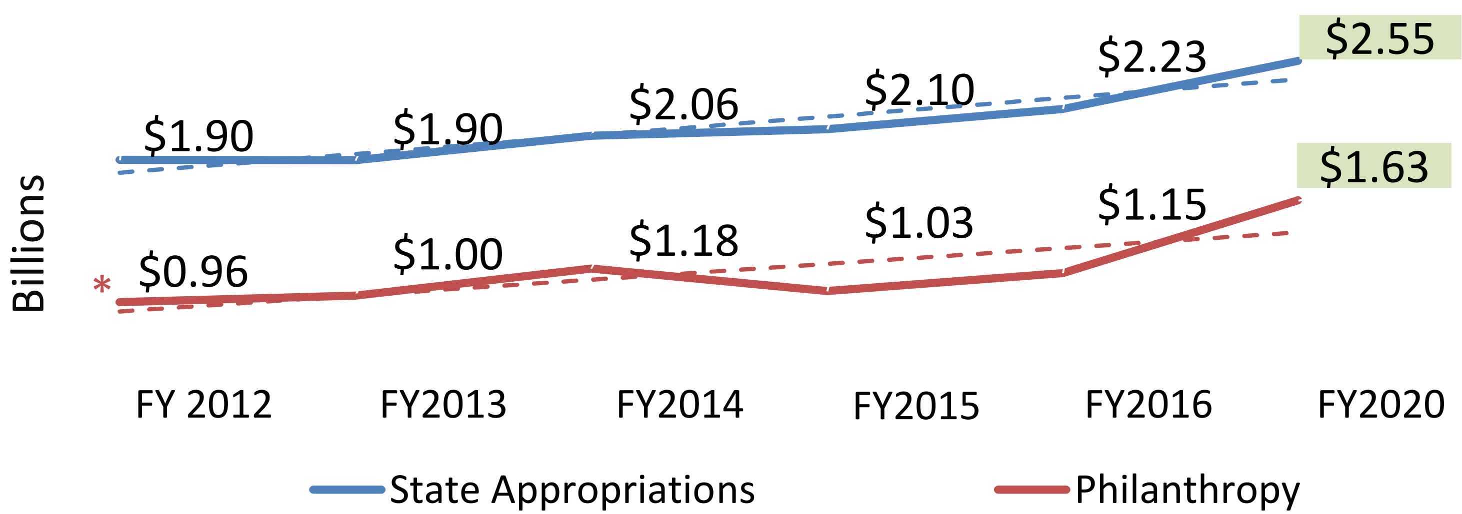


# Increasing Philanthropic Capacity

## Anticipated Results



# Projection of Cash Available for U. T. Institutions – A Comparison of State Appropriations and Philanthropy




* Philanthropy includes cash received and endowment distributions minus gifts to endowment

# Increasing Philanthropic Capacity

## Next Steps

- If the Board of Regents acts favorably to recurring allocation from LTF earnings to increase philanthropic capacity, next steps include:
  - Communication with Presidents on program features and expectations
  - Meeting with Vice Presidents on implications for institutional development programs
  - Ongoing dialogue with donors
  - Updated language in endowment gift agreements and online literature

# Increasing Philanthropic Capacity

## Next Steps – Cont.

- Allocation made at the earliest possible opportunity
- Hiring frontline officers and non frontline personnel which may take 12-15 months
- Allowing time for new officers to become productive
- Financial Considerations
  - Allocation must be additive and not supplant existing development budgets
  - Spirit of the proposal implies as institutional budgets increase a similar percentage amount is added to development budget

# Increasing Philanthropic Capacity

Discussion: Implications for LTF

# Long Term Fund (LTF) Distribution Policy

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting

February 2017

# Distribution Policy

- The Board of Regents is responsible for setting endowment (Permanent University Fund (PUF), LTF, Permanent Health Fund (PHF), and Intermediate Term Fund (ITF) distribution rates
- Distribution rate determination is ultimately a decision balancing current vs. future needs
- Predictability and stability of distributions are also important to beneficiaries
- The timetable for approval and implementation of the annual distribution policy is:
  - May: Regents' approval
  - September: New distribution amounts become effective

# LTF Spending Policy Objectives

- Provide a predictable stable stream of distributions over time;
- Ensure that the inflation-adjusted value of the *distributions* is maintained over the long term; and
- Ensure that the inflation-adjusted value of LTF *assets*, after distributions, is maintained over the long term.

# LTF Distribution Methodology

- The LTF distribution rate is increased by the average rate of inflation (CPI) for the trailing 12 quarters determined as of November 30th

- The LTF distribution rate is then compared to the prior 12-quarter average market value of the LTF to ensure that the distribution is within the range of 3.5% to 5.5%

# LTF Spending Rate Calculations

| | Actual FY 2017 Distribution | Preliminary FY 2018 Distribution | Adjusted FY 2018 Distribution | Adjusted FY 2018 Distribution | Notes |
|---|---|---|---|---|---|
| LTF Distribution Rate | $0.3507 (4.94%) | $0.3548* (4.99%) | $0.3226** (4.54%) | $0.3481*** (4.90%) | Trailing 12Q CPI of 1.171% |
| Compliance/Development Allocation | $0.0142 (0.20%) | $0.0426 (0.60%) | $0.0426 (0.60%) | $0.0426 (0.60%) | ⬆ from 20 bps to 60 bps |
| Total LTF Spending | $0.3649 (5.14%) | $0.3974 (5.59%) | $0.3652 (5.14%) | $0.3907 (5.50%) | Total spending of 5.59% exceeds LTF limit |
| Trailing 12Q LTF Unit Value | $7.0992 | $7.1049 | $7.1049 | $7.1049 | |

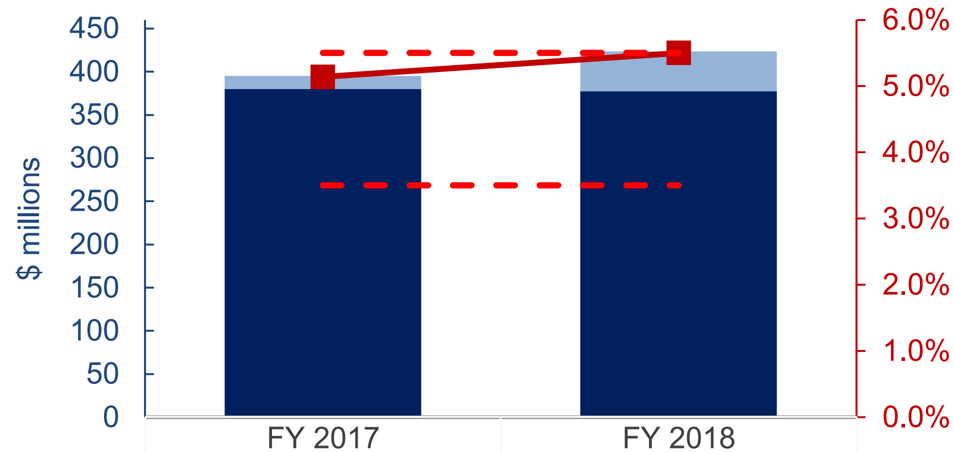
* Net of proposed 0.60% compliance, administrative, and development fee
** Adjusted downward to FY 2017 level to stay within 5.5% upper limit and preserve purchasing power
*** Adjusted downward to stay within 5.5% maximum LTF spending limit necessary to preserve purchasing power

# LTF Spending Estimates

| | Actual FY 2017 Distribution | Estimated FY 2017 Distribution* | Hypothetical FY 2018 Distribution | Hypothetical FY 2018 Distribution* |
|---|---|---|---|---|
| LTF Distribution Rate | $0.3507 (4.94%) | $380.1 million | $0.3481 (4.90%) | $377.3 million |
| Compliance/Development Allocation | $0.0142 (0.20%) | $15.1 million | $0.0426 (0.60%) | $46.2 million |
| Total LTF Spending | $0.3649 (5.14%) | $395.2 million | $0.3907 (5.50%) | $423.5 million |

* Dollar amounts based on a 12-quarter average net asset value of the LTF and units outstanding as of December 1, 2016

# FY 2017 and FY 2018 LTF Spending




| | FY 2017 | FY 2018 |
|---|---|---|
| Compliance/Development | 15.1 | 46.2 |
| LTF Distribution | 380.1 | 377.3 |
| Total LTF Spending | 5.14% | 5.50% |
| 3.5% Collar | 3.50% | 3.50% |
| 5.5% Collar | 5.50% | 5.50% |

# TABLE OF CONTENTS FOR AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*Jeffery D. Hildebrand, Chairman*
*Ernest Aliseda*
*David J. Beck*
*R. Steven Hicks*
*Brenda Pejovich*

## 1. U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

### REPORT

See Item 6 beginning on Page 211 of the Finance and Planning Committee.

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

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on Page 326.

**3. U. T. System: Approval of a consulting project to be performed by Deloitte Consulting LLP for U. T. Austin**

RECOMMENDATION

Chairman Hildebrand recommends that approval be given by the Audit, Compliance, and Management Review Committee (ACMRC) for Deloitte Consulting LLP to perform non-audit services for the U. T. Austin Dell Medical School (DMS) related to evaluating its options for fee-for-service contracting and billing and creating an infrastructure to assist with the contracting and credentialing/enrollment of DMS employed physicians.

BACKGROUND INFORMATION

Deloitte & Touche LLP and Deloitte Consulting LLP are subsidiaries of Deloitte LLP. Deloitte & Touche LLP is the current external audit firm engaged by the U. T. System Board of Regents to provide audit services. Audit services are those provided for the purpose of expressing an opinion on the financial statements of U. T. System or any of the U. T. System institutions. The current audit services contract expires May 30, 2018.

Regents' Rule 20402, Section 2.1 requires review and approval by the ACMRC of the performance of certain non-audit services by the external audit firm. Section 2.2 of the Rule allows the ACMRC Chairman to delegate authority to grant approval to any ACMRC member, with the requirement that the decision made be presented to the full ACMRC at the next Committee meeting. The review and approval process assures no conflict of interest between the audit services and the proposed non-audit services. ACMRC Chairman Hildebrand approved this non-audit services project on December 21, 2016.

The U. T. System Board of Regents approved a consulting services contract in excess of $1.0 million between U. T. Austin and Deloitte Consulting LLP (Consent Agenda Item 21 of the May 12, 2016 meeting). The contract, which supports other anticipated consulting projects for the DMS, was awarded following a Request for Proposal process and has a maximum total cost of $1.5 million. The non-audit services consulting project described in the Recommendation is part of the work under this contract and has an estimated cost of $86,000 to be paid from the Available University Fund. Any additional phases of work under the contract will also be processed for review and approval as required.

**4. U. T. System: Report on the Systemwide internal audit activities, including results of the executive travel and entertainment expenses and practice plan audits, and the status of Priority Findings and the Annual Audit Plan**

## REPORT

Chief Audit Executive Peppers will present the results of the executive travel and entertainment expenses audits that were conducted at U. T. System Administration and each of the U. T. System institutions and the practice plan audits that were performed at the U. T. System health institutions. Summaries of the results for these audits were provided to the Audit, Compliance, and Management Review Committee (ACMRC) members prior to the meeting. Mr. Peppers will also report on the status of Systemwide Priority Findings, using a PowerPoint presentation set forth on the following pages. The FY 2016 Systemwide annual audit plan status as of November 30, 2016, was also provided to the ACMRC members prior to the meeting.

## BACKGROUND INFORMATION

A Priority Finding is defined as “an issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole." A Priority Findings Matrix is used by the chief audit executives to aid in the determination of a Priority Finding. The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding. They are: Qualitative Risk Factors (evaluates the probability and consequences across seven high risks), Operational Control Risk Factors (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative Risk Factors (evaluates the level of financial exposure or lost revenue).

# U. T. Systemwide Priority Findings

## Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2017

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# Priority Findings Status

| INSTITUTION | General: INFORMATION TECHNOLOGY | General: RISK MANAGEMENT | General: HUMAN RESOURCES | General: RESEARCH | Health: PATIENT CARE OPERATIONS | TOTAL | PAST DUE | Risk Factors: REPUTATION | Risk Factors: INFORMATION SECURITY | Risk Factors: COMPLIANCE | Risk Factors: LIFE SAFETY | Risk Factors: DESIGNED CONTROLS | Risk Factors: CAPITAL IMPACT | Risk Factors: ACCOMPLISHMENT OF OBJECTIVES | Risk Factors: OPERATIONAL OVERSIGHT | Risk Factors: MANAGEMENT OVERSIGHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U. T. Arlington | 2 | 0 | 0 | 0 | 0 | 2 | 0 | | X | | | | | | | X |
| U. T. Austin | 4 | 1 | 0 | 0 | 0 | 5 | 0 | X | X | X | X | X | X | X | | |
| U. T. Dallas | 1 | 0 | 0 | 0 | 0 | 1 | 0 | | X | | | | | | | |
| U. T. El Paso | 1 | 0 | 0 | 1 | 0 | 2 | 0 | | X | X | | | | | | |
| U. T. Permian Basin | 0 | 0 | 0 | 1 | 0 | 1 | 0 | | | X | | | | | | |
| U. T. Rio Grande Valley | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. San Antonio | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. Tyler | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. Southwestern Medical Center | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. Medical Branch - Galveston | 0 | 0 | 1 | 0 | 1 | 2 | 0 | | | | | | X | X | | X |
| U. T. Health Science Center - Houston | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. Health Science Center - San Antonio | 0 | 1 | 0 | 1 | 0 | 2 | 0 | X | X | X | | | X | X | X | X |
| U. T. M. D. Anderson Cancer Center | 7 | 0 | 0 | 1 | 0 | 8 | 2 | | X | X | | | | | | |
| U. T. Health Science Center - Tyler | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | |
| U. T. System Administration | 0 | 0 | 0 | 0 | 1 | 1 | 0 | X | | X | | | | X | X | |
| TOTALS | 15 | 2 | 1 | 4 | 2 | 24 | 2 | | | | | | | | | |

# Changes Since Last Report

| | Reported Nov 2016 | Implemented | New | Reported Feb 2017 |
|---|---|---|---|---|
| **IT related Priority Findings** | 13 | (1)* | 3 | 15 |
| **Non-IT related Priority Findings** | 8 | (2) | 3 | 10 |
| **Total Priority Findings** | 21 | (3) | 6** | 24 |
| | | | | |
| **Past Due Priority Findings** | 1 | | | 2*** |

*One IT related Priority Finding at UTAUS was closed. Responsible parties proposed that the resolution and tracking of the finding be transferred to the institutional executive compliance committee, which was approved by the institutional internal audit committee.

**New Priority Findings: UTAUS - IT (2); UTPB - Research (1); UTHSCSA - Risk Management (1) and Research (1); UTMDACC - IT (1)

***Past Due Priority Findings: UTMDACC - IT (2)

## 5. U. T. System: Report on the Risk Finance Programs administered by the Office of Risk Management

### REPORT

Chief Compliance and Risk Officer Dendy will report on Systemwide Risk Finance programs, including the Comprehensive Property Protection Plan, Rolling Owner Controlled Insurance Program, Workers' Compensation Insurance Program, and other self-insured or high retention programs administered by the Office of Risk Management. A PowerPoint presentation is set forth on the following pages.

### BACKGROUND INFORMATION

In Fiscal Year (FY) 2016, the total population of U. T. System, including students, faculty, and staff, was over 341,000 and total payroll was approximately $8 billion. Collectively, there were approximately 101 million gross square feet of building space and Total Insured Values (TIV), including building, contents, and business income, of over $34 billion. There were over 17,000 trips internationally for business, research, or study abroad, and 2,400 vehicles in the U. T. System fleet.

These are only a few of the metrics reflecting the diversity and magnitude of the operational exposures facing the U. T. System institutions. Creative and comprehensive risk retention and risk transfer strategies are necessary to leverage the size and strength of the U. T. System while ensuring effective operational, physical, and financial recovery in the event of a loss.

# Office of Risk Management Risk Finance Programs

Mr. Phillip Dendy, Chief Compliance and Risk Officer

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2017

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# Operational Exposures (FY 2016)

- Employee headcount - 119,953
- Enrollment - 221,337
- Outpatient visits - 7.3 million
- Total Insured Values - $34 billion
- Gross square feet - 101 million
- Construction values in progress - $2 billion
- Faculty/staff/student international trips - 17,000

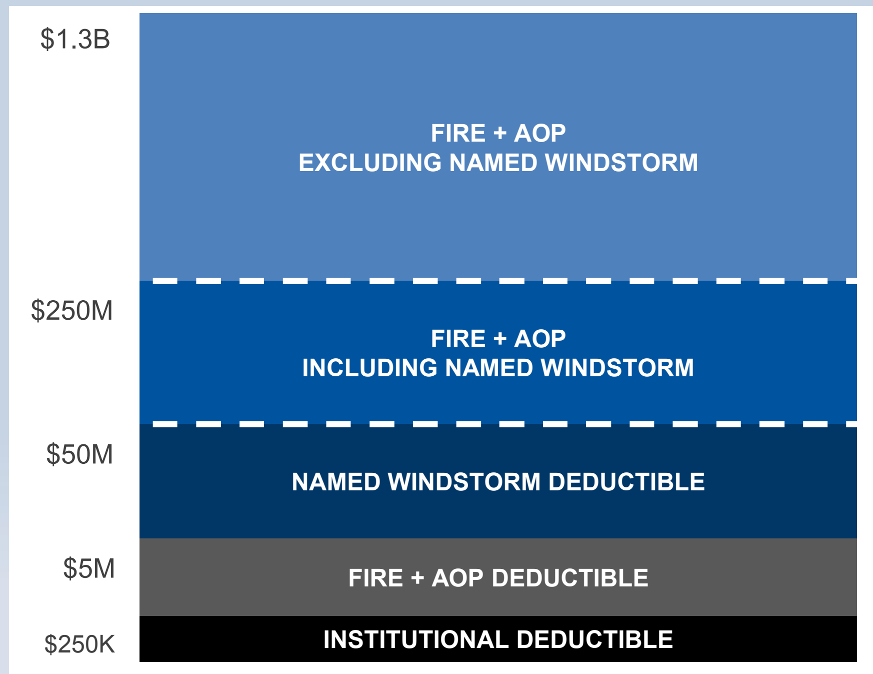
# Risk Finance Programs

- Administration of Risk Financing Programs
  - Automobile, Property, and Liability (APL)
  - Comprehensive Property Protection Plan (CPPP)
  - Rolling Owner Controlled Insurance Program (ROCIP)
  - Builder's Risk (BR)
  - Director's and Officer's/Employment Practices Liability (D&O/EPL)
  - Cyber Liability Program (CLP)
  - Unemployment Compensation Insurance (UCI)
  - Workers' Compensation Insurance (WCI)

# CPPP: How It Works

- Fire and All Other Perils (AOP)
  - $1.3 billion limit
  - $5 million deductible
- Named Windstorm
  - $250 million limit
  - $50 million or 5% deductible
  - Texas Windstorm Insurance Association (TWIA) and National Flood Insurance Program (NFIP) losses erode CPPP deductible

2016 – 2017 CPPP Master Program



# CPPP: Benefits

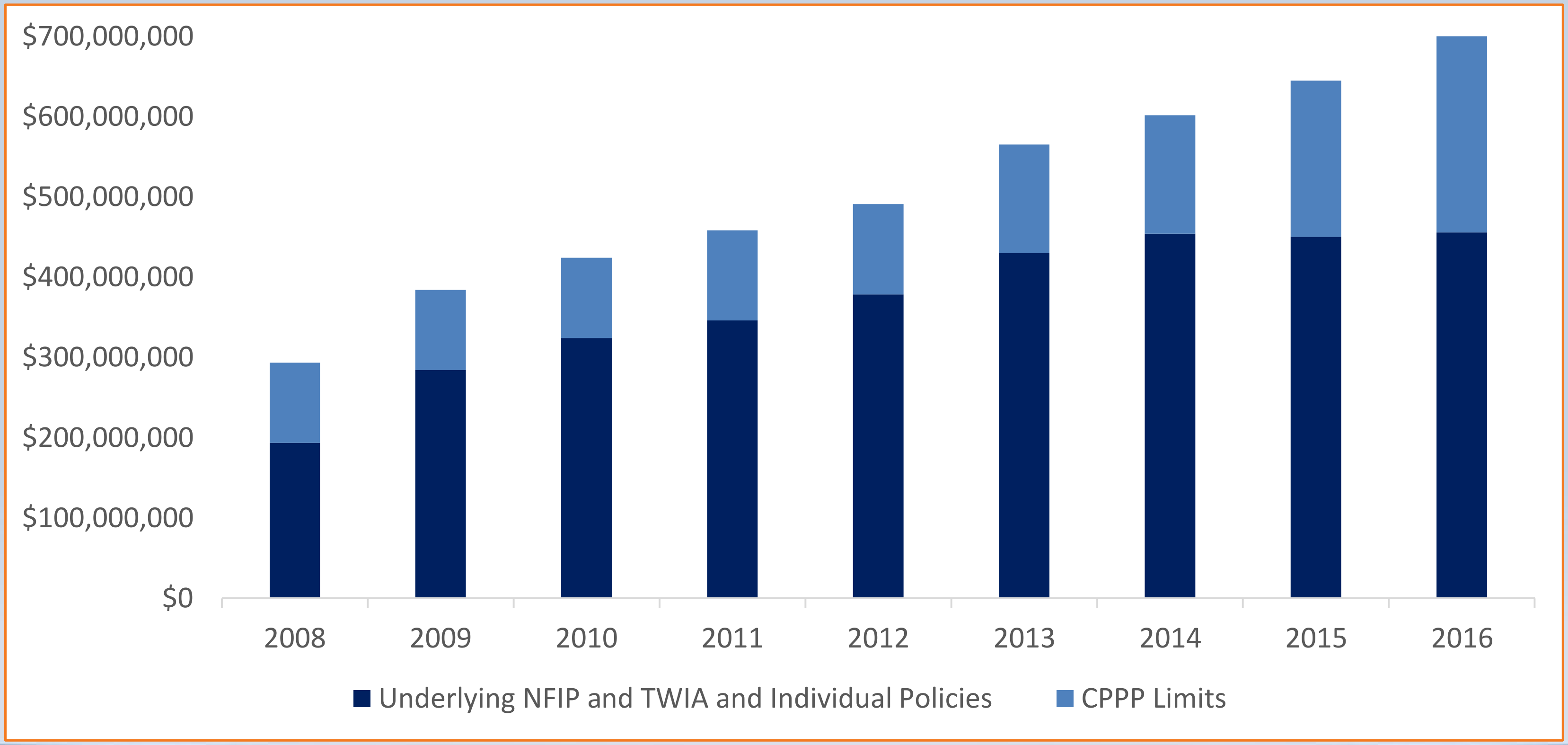
## Financial

- Cost savings due to:
  - Increased purchasing power
  - Larger retention
  - Long-term returns if favorable loss experience
- More predictable budgeting
- Risk sharing reduces financial burden on individual institutions

## Programmatic

- Consistency of coverage
- Additional loss control services
  - Property Conservation Surveys
  - 122 Buildings surveyed in FY 2016

# Named Windstorm & Resulting Flood Limits



# CPPP: Claims

Recent CPPP Claim Activity (2015 - present)

3 Hail Damage

- UTD - 3/23/16; UTAUS - 10/7/15; UTMB - 4/17/15

3 Water Damage

- UTMB - 6/16/16; UTSA - 2/2/16; UTMDACC - 4/13/15

2 Flood Damage

- UTMDACC - 5/25/15; UTAUS - 5/25/15

2 Fire Damage

- UTMDACC - 10/13/15; UTHSCH - 5/25/15

# ROCIP and BR

- ROCIP provides Workers' Compensation, General Liability, and Excess Liability insurance coverage for designated U. T. System construction projects.

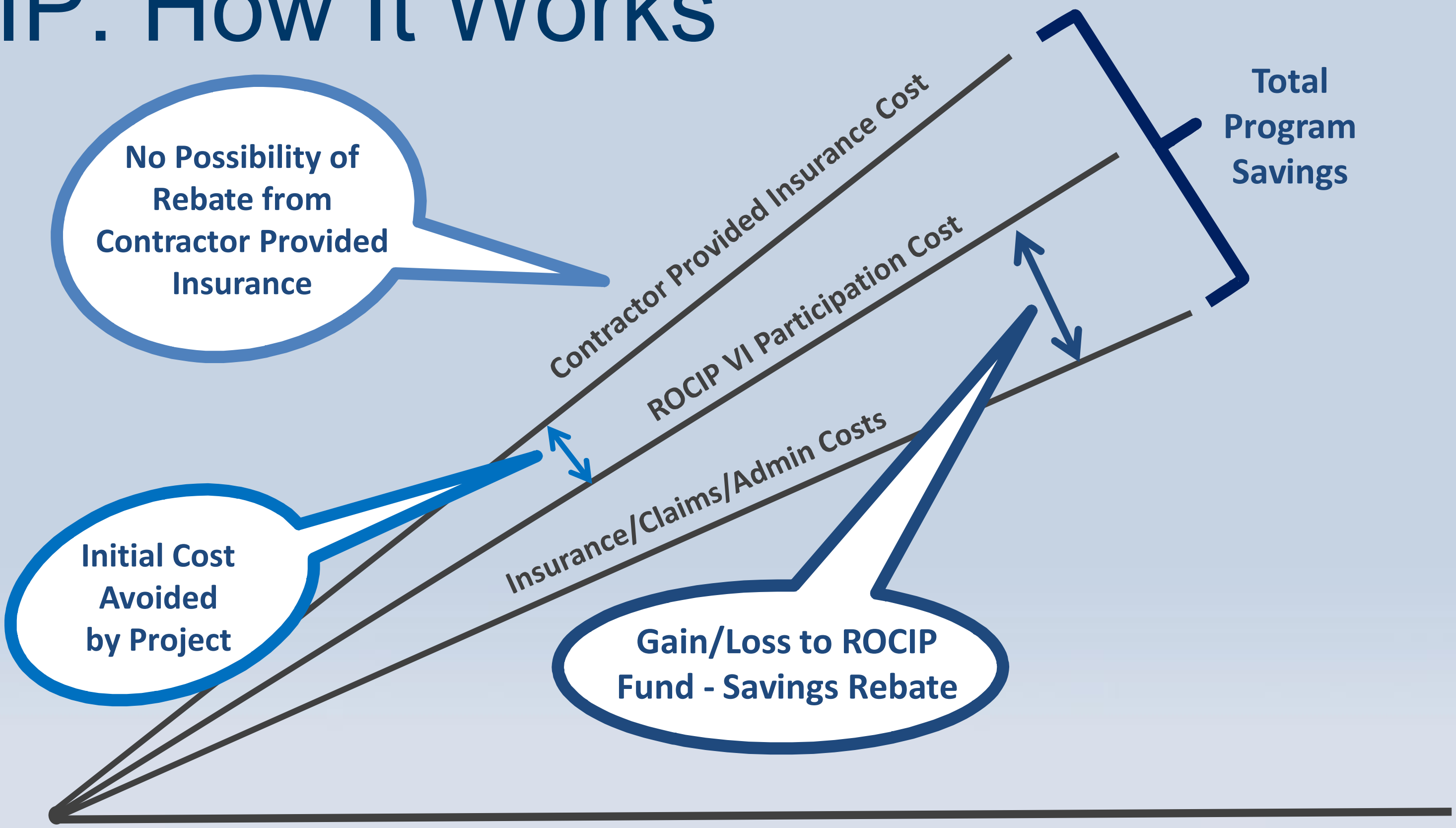
- BR provides a type of property insurance for physical loss to U. T. System buildings while they are under construction.

# ROCIP and BR (cont.)

Construction values in recent phases

- ROCIP IV: 2004 - 2011,  $2.1 billion
- ROCIP V: 2008 - 2016,  $4.2 billion
- ROCIP VI: 2013 - 2019,  $2.5 billion+
- BR I:  2013 - 2016, $2.1 billion
- BR II: 2016 - 2019, $250 million+

# ROCIP: How It Works



# Construction Insurance Program Benefits (ROCIP & BR)

## Financial

- Cost savings due to bulk purchasing and favorable claims experience
  - Over $60 million estimated savings since inception (all phases)
- Rebates issued to institutions following phases with favorable loss outcomes
  - $18 million rebated to institutions since inception (Phases I-IV)
  - $8.9 million adjustment refunded to institutions from ROCIP V
  - Rebate for Phase V projects to be determined in FY 2018

# Construction Insurance Program Benefits (ROCIP & BR) (cont.)

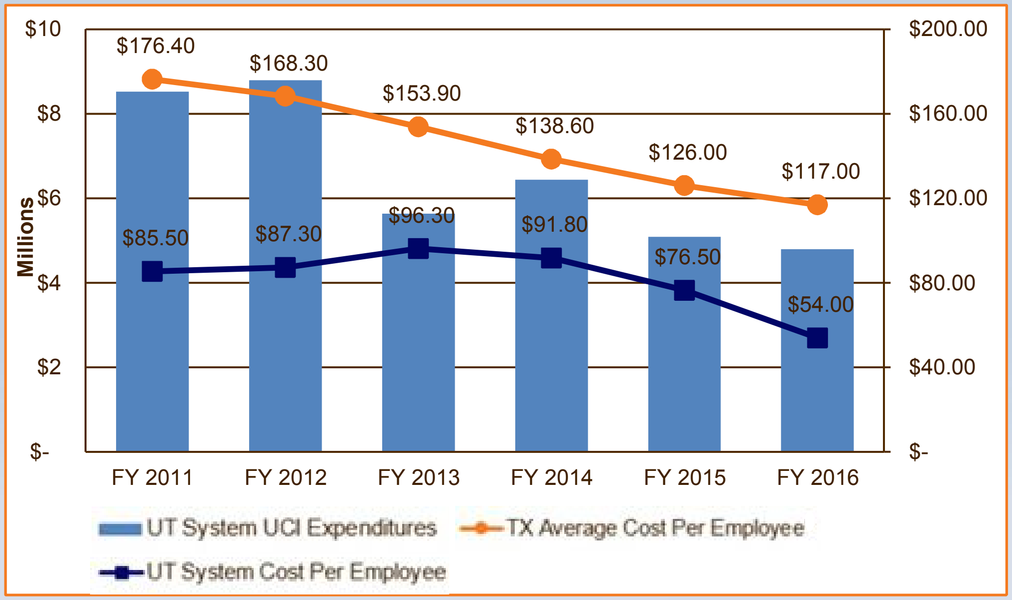
## Programmatic

- Consistency of insurance provided on each project and for all contractors and subs
- Eliminates cross claims among contractors
- Enhanced safety and loss control
- Increases Historically Underutilized Business (HUB) Participation
- Robust loss control program emulated by contractors on non-U. T. projects

# Unemployment Compensation Insurance

UCI is a self-insurance plan that assists workers who become unemployed through no fault of their own.

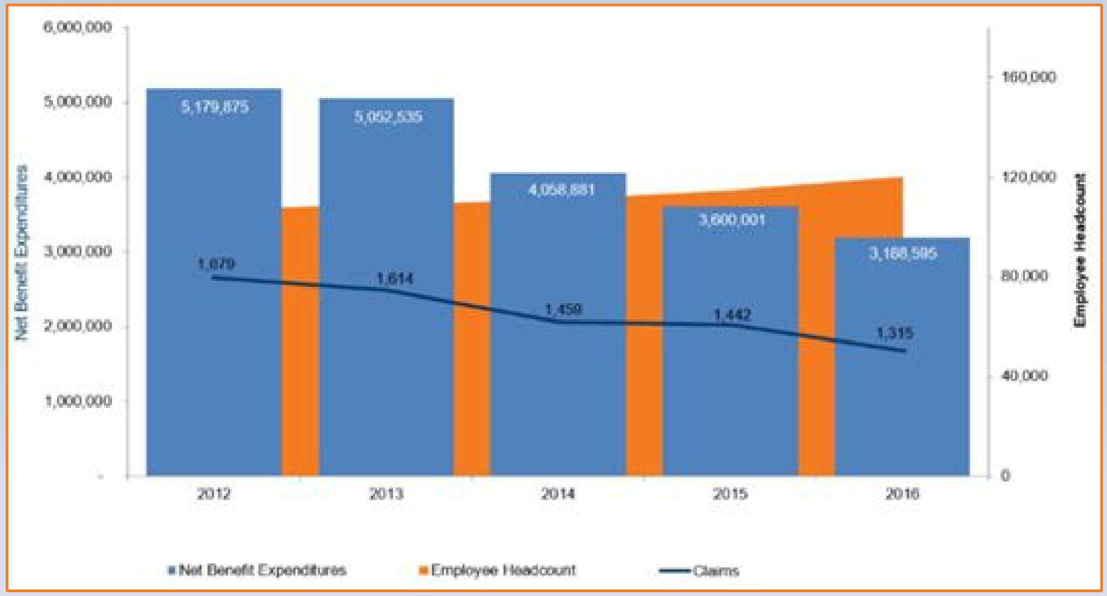
- Lowest fiscal year expenditures since FY 2008
- 6% decrease in claims from FY 2015
- Average U. T. System cost per employee is $54 compared to experience-rated Texas employers at $117 per employee



# Workers' Compensation Insurance

WCI is a self-insurance plan that provides medical coverage and income benefits to U. T. System employees injured on the job.

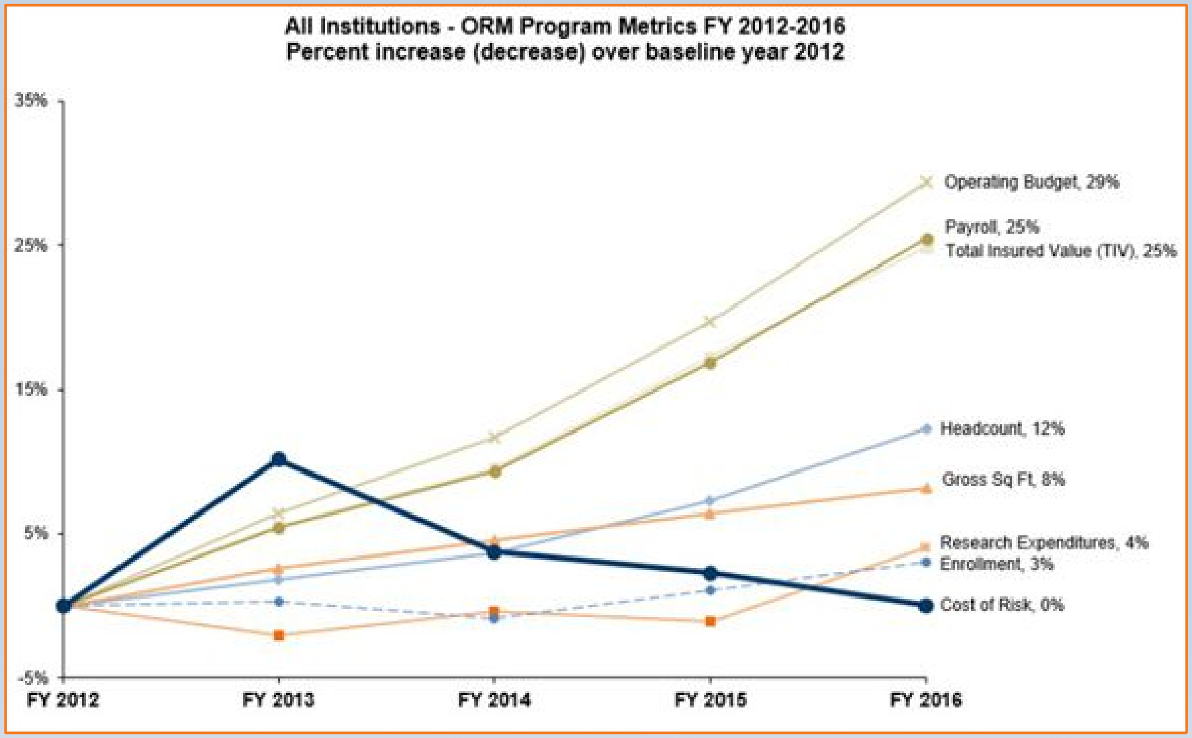
- Net expenditure of $3.2 million, lowest in 20 years
- Program includes Third Party Administrator and Certified WCI Healthcare network
- Collaboration with loss control
- Favorable rate comparison to peers



# Cost of Risk

Cost of risk is a method of representing the financial performance of risk management programs.

- Includes fixed costs such as commercial and self-insurance premiums




- The cost of risk in FY 2016 was approximately $34 million, with no increase from FY 2012

## 6. U. T. System: Report on U. T. System Environmental Health and Safety Compliance

### REPORT

Mr. Patrick Durbin, Assistant Director of Risk Control in the U. T. System Office of Risk Management, and Mr. Scott Patlovich, Director of Environmental Health and Safety at U. T. Health Science Center - Houston and current Chair of the Systemwide Environmental Health and Safety (EHS) Advisory Committee, will provide an overview on the current EHS programs, activities, and emerging issues impacting U. T. System institutions. A PowerPoint presentation is set forth on the following pages.

### BACKGROUND INFORMATION

Compliance with environmental regulations and maintaining a safe work environment for students, faculty, and staff is a top priority for all U. T. System institutions. Penalties for failing to maintain a compliant and safe workplace could include fines, injuries, and negative publicity that could impact enrollment, funding, and research. The U. T. System has policies and programs in place to ensure compliance and maintain a safe work environment, but it also faces challenges in the current regulatory realm and consistently changing dynamic teaching and research landscape.

# Environmental Health and Safety Compliance

Mr. Scott Patlovich
Director of Environmental Health and Safety at U. T. Health Science Center - Houston

Mr. Patrick Durbin
Assistant Director of Risk Control in the U. T. System Office of Risk Management

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2017

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# Environmental Health and Safety

- Overview of Systemwide Environmental Health and Safety compliance
- Highlight specific Systemwide programs
- Emerging issues and local challenges

# Systemwide Standards for Compliance

- UTS Policies
  - UTS135 – Fire and Life Safety Reviews
  - UTS161 – Environmental Review for Acquisition of Real Property
  - UTS172 – Emergency Management
  - UTS174 – Environmental Health and Safety

# UTS135 Fire and Life Safety Reviews

- Buildings must comply with National Fire Protection Association Life Safety Code 101 (NFPA 101)
- Includes owned and leased spaces
- Challenges when leasing property out of state
- Will be updated to include inclusion of NFPA 1 as adopted by the State Fire Marshal

# UTS161 Environmental Review for Acquisition of Real Property

- Process for all appropriate inquiries
- Due diligence can incorporate proposed development
- Property for specific purpose vs. speculative purchase
- Risk appetite varies based on past use and potential for development based on campus needs

# UTS172 Emergency Management

- Standards for maintaining multi-hazard emergency management programs
- Framework for conducting safety and security audits as required by *Texas Education Code* Sec. 51.217
- Process for transmitting audits to the U. T. System Board of Regents and Texas Division of Emergency Management
- Establishes the Emergency Management Committee

# UTS174 Environmental Health and Safety

- Risk Assessments
  - Occupational safety
  - Fire and life safety
  - Chemical and biological safety
  - Radiation safety
  - Environmental management
  - Emergency management
- Peer reviews
- Defines the U. T. Systemwide Environmental Health and Safety Advisory Committee

# Systemwide Contracts

- Hazardous waste disposal
- Low-level radioactive waste disposal
- Medical and biological waste disposal
- Disaster recovery
- Disaster restoration
- Emergency response
- Environmental services

# Systemwide Training

- Code Compliance - NFPA 101 and 1
- Resource Conservation Recovery Act Hazardous Waste Management
- Hazardous Materials Transportation
- Cause Mapping Incident Investigation
- FY 2015 included 24 classes with over 400 attendees

# Systemwide Committees

- Environmental Health and Safety Advisory Committee
- Emergency Management Committee
- Institution led
- Representatives from all 14 U. T. System institutions, Office of Risk Management, Office of General Counsel, and Office of Facilities Planning and Construction

# Emerging issues for 2017

- Continuously evolving/increasing regulatory oversight
  - New federal rules for hazardous and pharmaceutical waste
  - Department of State Health Services Proposed Rule - Definition, Treatment, and Disposition of Special Waste From Health Care Related Facilities
  - Continued implementation of NFPA 1 (State Fire Marshal)
  - and many more…
- Safety's involvement with mitigating insider threat security risks
- Environmental health and safety support of rapidly expanding clinical services across U. T. System
- Keeping pace with emerging technologies

# TABLE OF CONTENTS
# FOR
# FINANCE AND PLANNING COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*R. Steven Hicks, Chairman*
*David J. Beck*
*Wallace L. Hall, Jr.*
*Jeffery D. Hildebrand*
*Sara Martinez Tucker*

| | Committee Meeting | Board Meeting | Page |
|---|---|---|---|
| **B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE** | *2:15 p.m.* | | |
| 6. **U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)** | *2:15 p.m.*<br>**Report/Discussion**<br>*Mr. Wallace*<br>*Mr. Peppers*<br>*Ms. Tracey Cooley, Mr. Robert Cowley, Mr. Blake Rodgers, Mr. Randall Brown, Deloitte & Touche* | Not on Agenda | **211** |
| **C. ADJOURN** | *2:45 p.m.* | | |

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

<u>RECOMMENDATION</u>

The proposed Consent Agenda items assigned to this Committee are on Pages 335 - 337.

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report as set forth on Pages 113 - 120 and the December Monthly Financial Report on Pages 121 - 144. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2013 through November 2017. Ratios requiring balance sheet data are provided for Fiscal Year 2012 through Fiscal Year 2016.

# THE UNIVERSITY OF TEXAS SYSTEM

# KEY FINANCIAL INDICATORS REPORT

## THROUGH NOVEMBER 2016

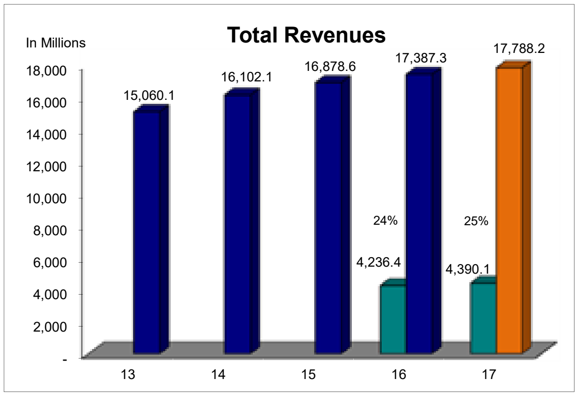
U. T. System Office of the Controller

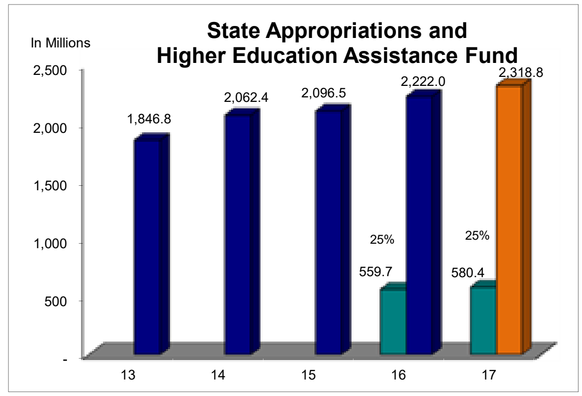
February 2017

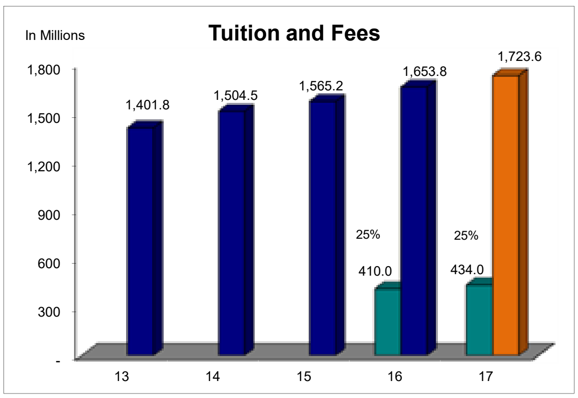
KEY

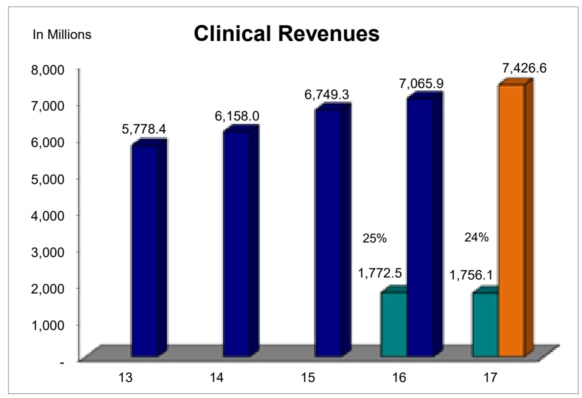
| | |
|---|---|
| Dark blue bar | Actual Annual Amounts<br>(SOURCE: Annual Financial Reports) |
| Gray bar | Projected Amounts based on the average change of the previous three years of data |
| Teal bar | Monthly Financial Report Year-to-Date Amounts |
| Slate blue bar | Annual and Quarterly Average of FTEs<br>(SOURCE: State Auditor's Office Quarterly FTE Report) |
| Light blue bar | Year-to-Date Margin<br>(SOURCE: Monthly Financial Report) |
| Orange bar | Projected Amounts based on Monthly Financial Report |
| Black line with diamond markers | Year-to-Date Margin<br>(SOURCE: Monthly Financial Report) |
| Light purple line with circle markers | Target Normalized Rates |
| Gray line with diamond markers | Aaa Median<br>(SOURCE: Moody's) |
| Slate blue line with circle markers | A2 Median<br>(SOURCE: Moody's) |

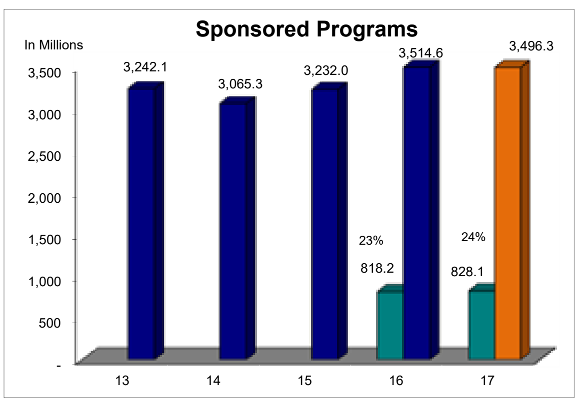
# KEY INDICATORS OF REVENUES
# ACTUAL 2013 THROUGH 2016
# PROJECTED 2017
# YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

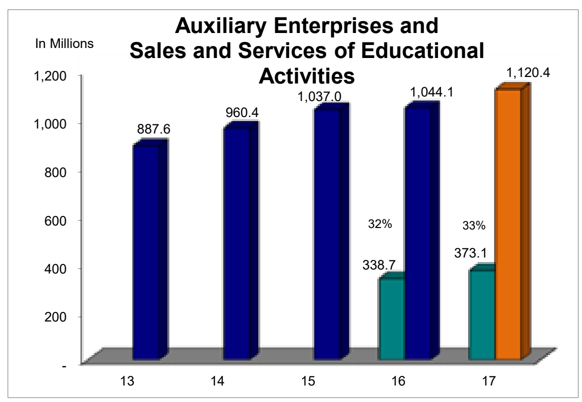


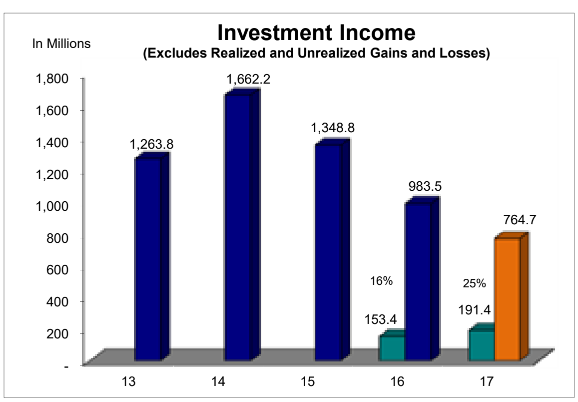



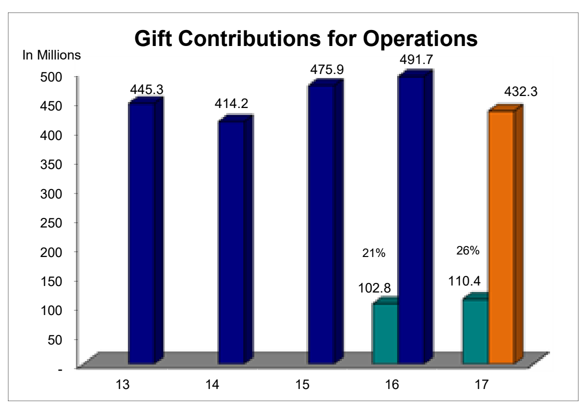



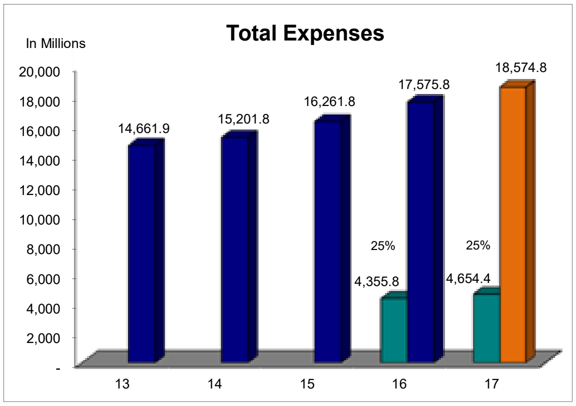



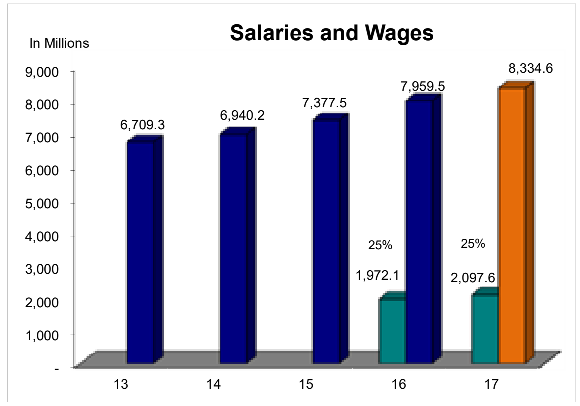



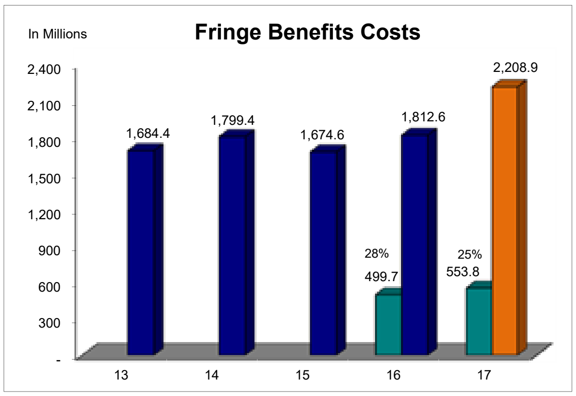



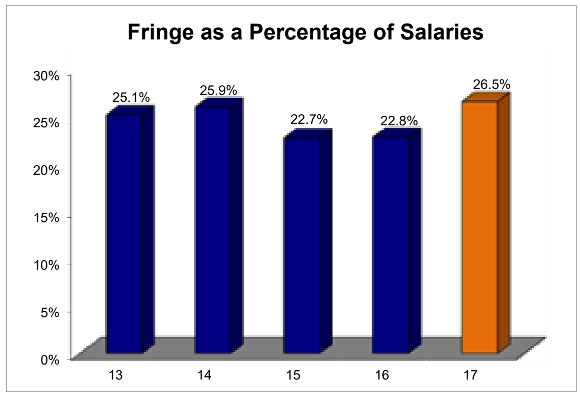



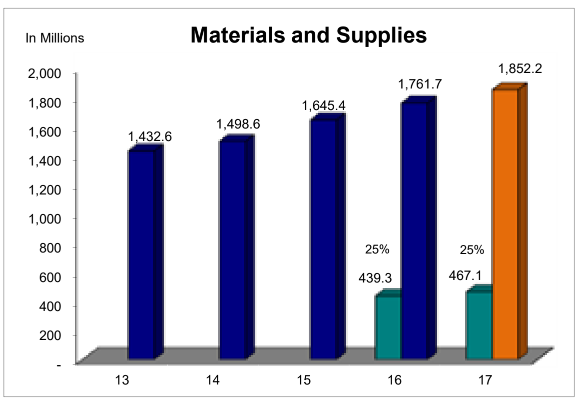
## KEY INDICATORS OF EXPENSES
## ACTUAL 2013 THROUGH 2016
## PROJECTED 2017
## YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

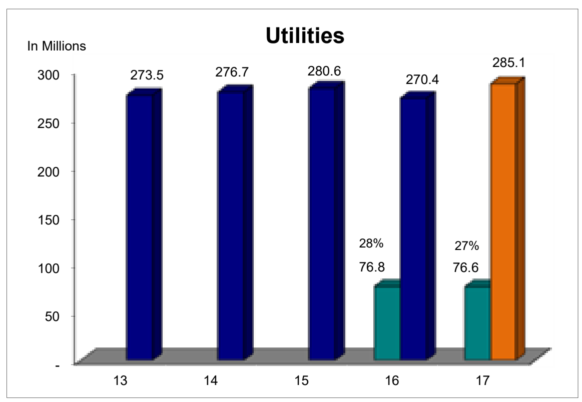


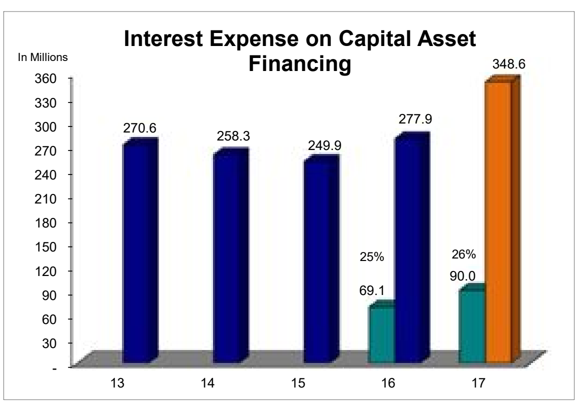



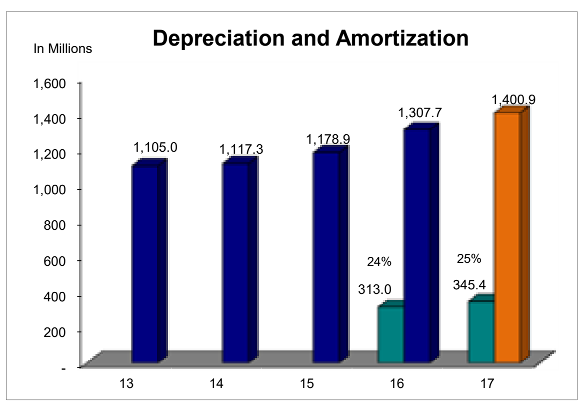



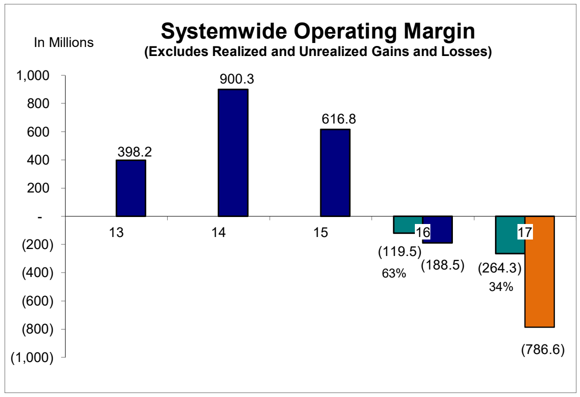



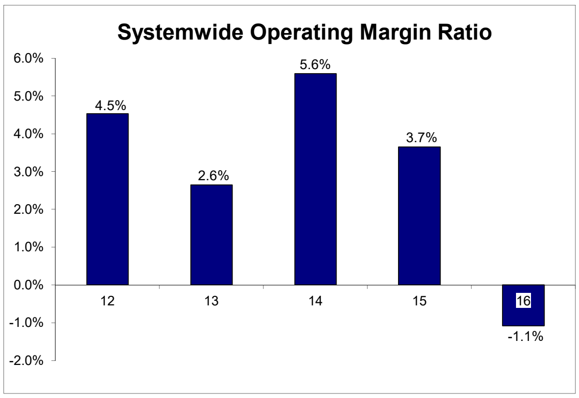



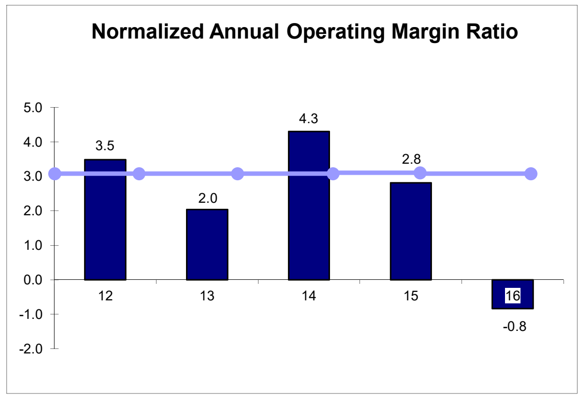



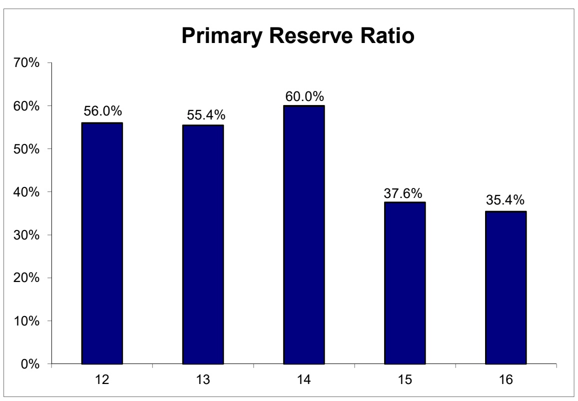



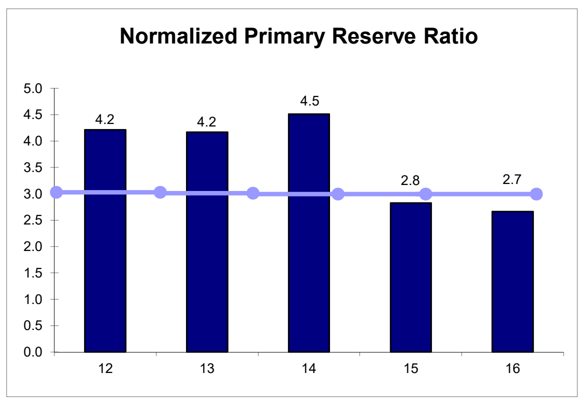
# KEY INDICATORS OF RESERVES
# ACTUAL 2012 THROUGH 2016
# PROJECTED 2017
# YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT

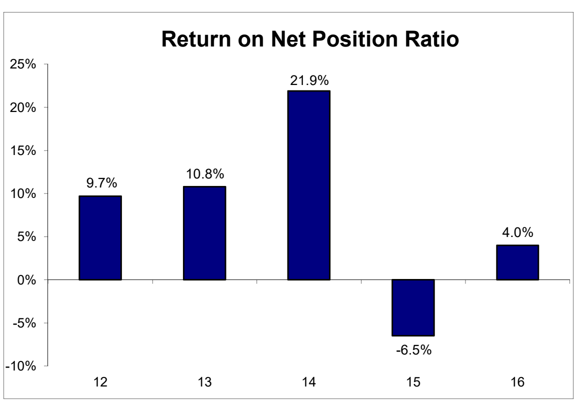


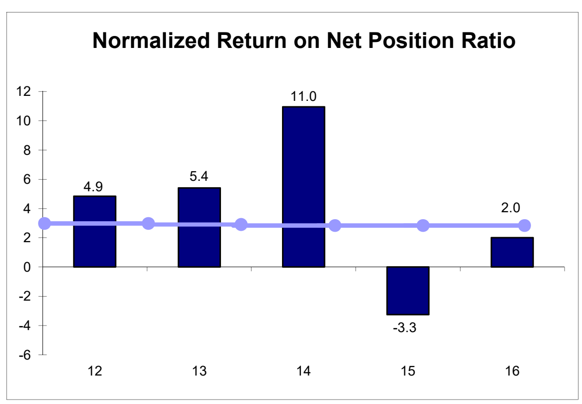



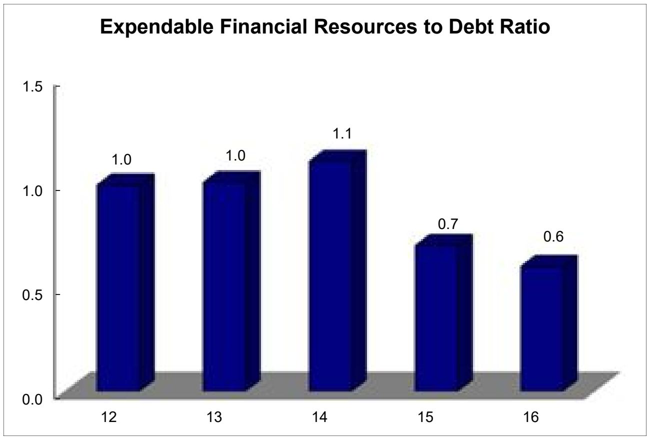



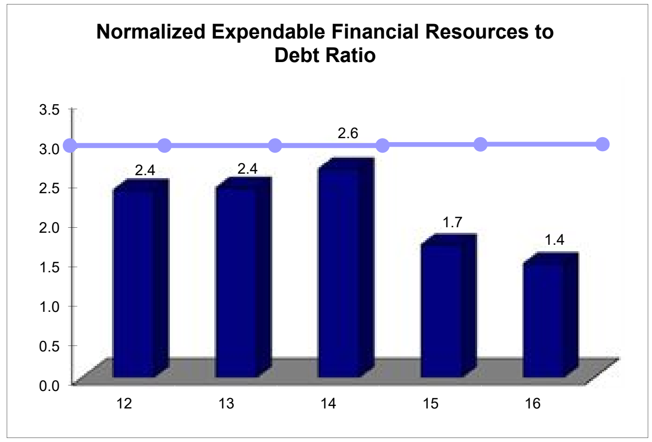



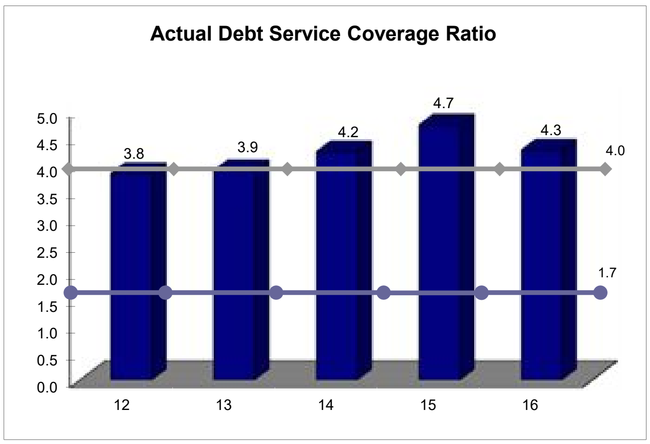



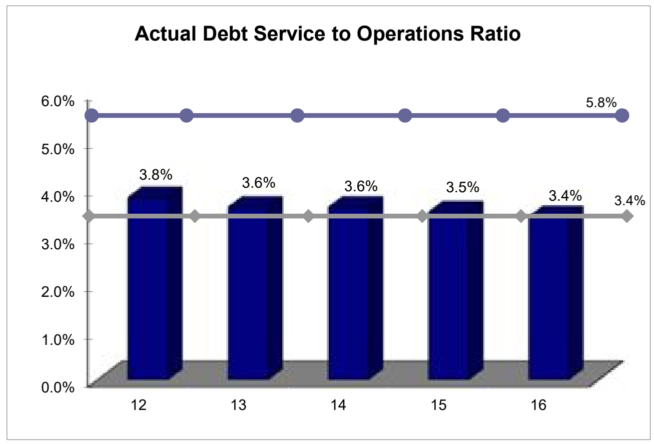



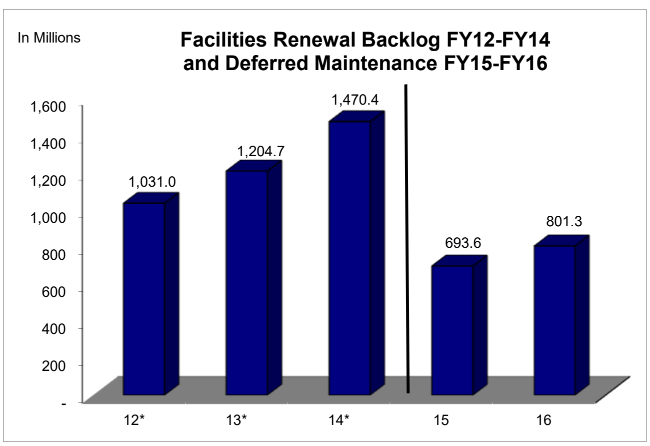
# KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
# 2012 THROUGH 2016

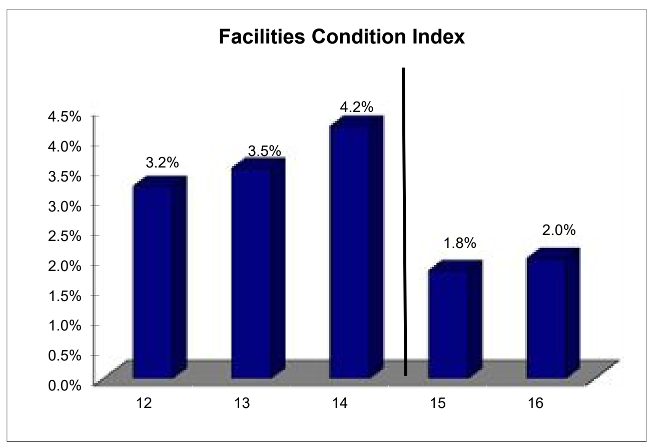


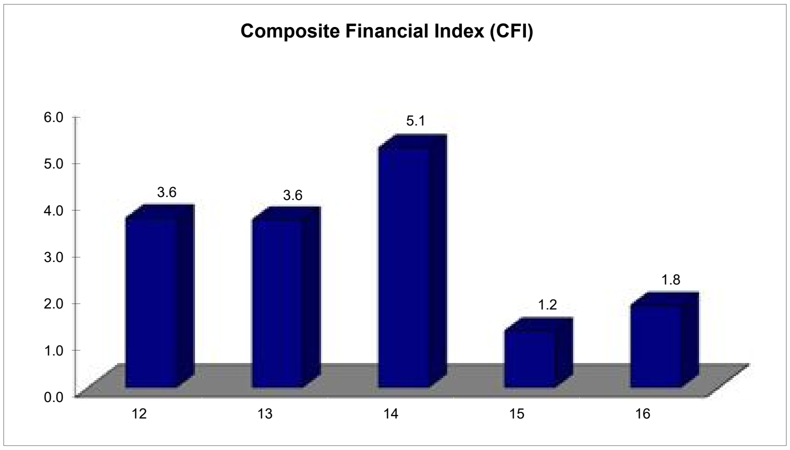




*For FY 2012 through 2014 the source of backlog data is the Facilities' Renewal Model (FRRM) and those systems that have exceeded their Life Cycle Age. Beginning in FY 2015, the deferred maintenance data is taken from the new annual BOR Campus Condition Report and the facilities' executives assessment of those systems that have failed or will fail within the current budget cycle (within one year).

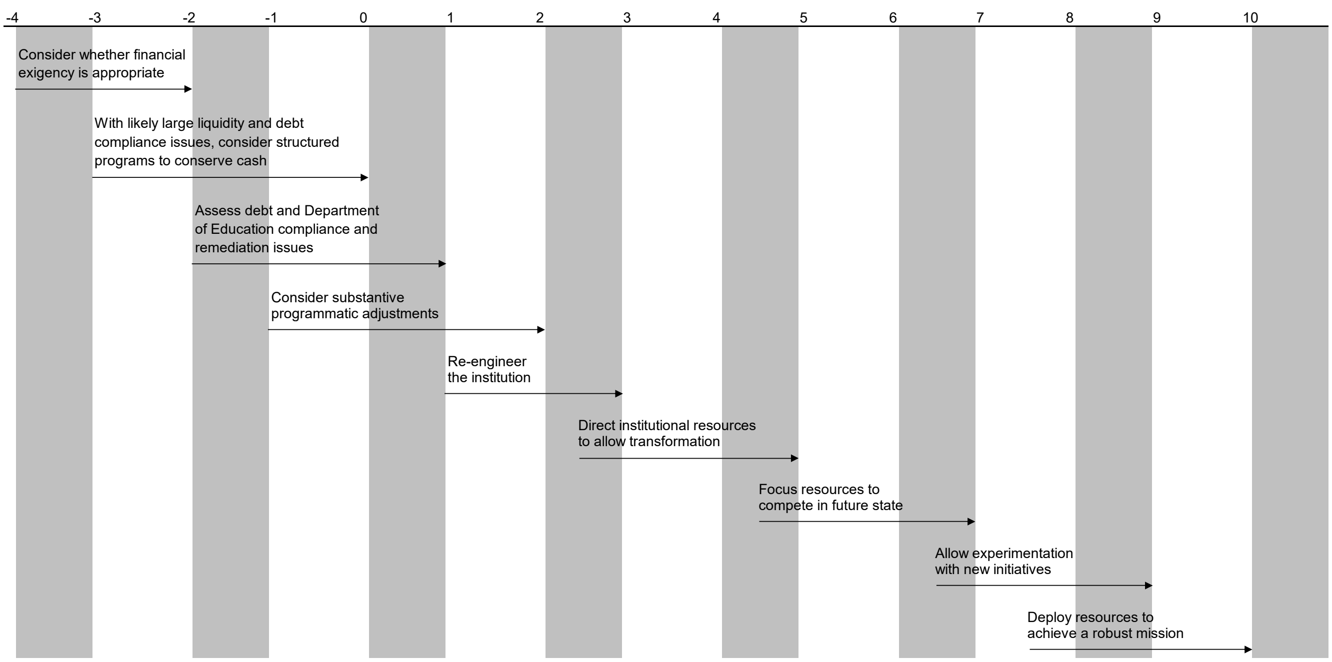
Note: Line between FY 2014 and 2015 indicates a change in the source data.

Note: Line between FY 2014 and 2015 indicates a change in the source data.

# KEY INDICATORS OF FINANCIAL HEALTH
# 2012 THROUGH 2016

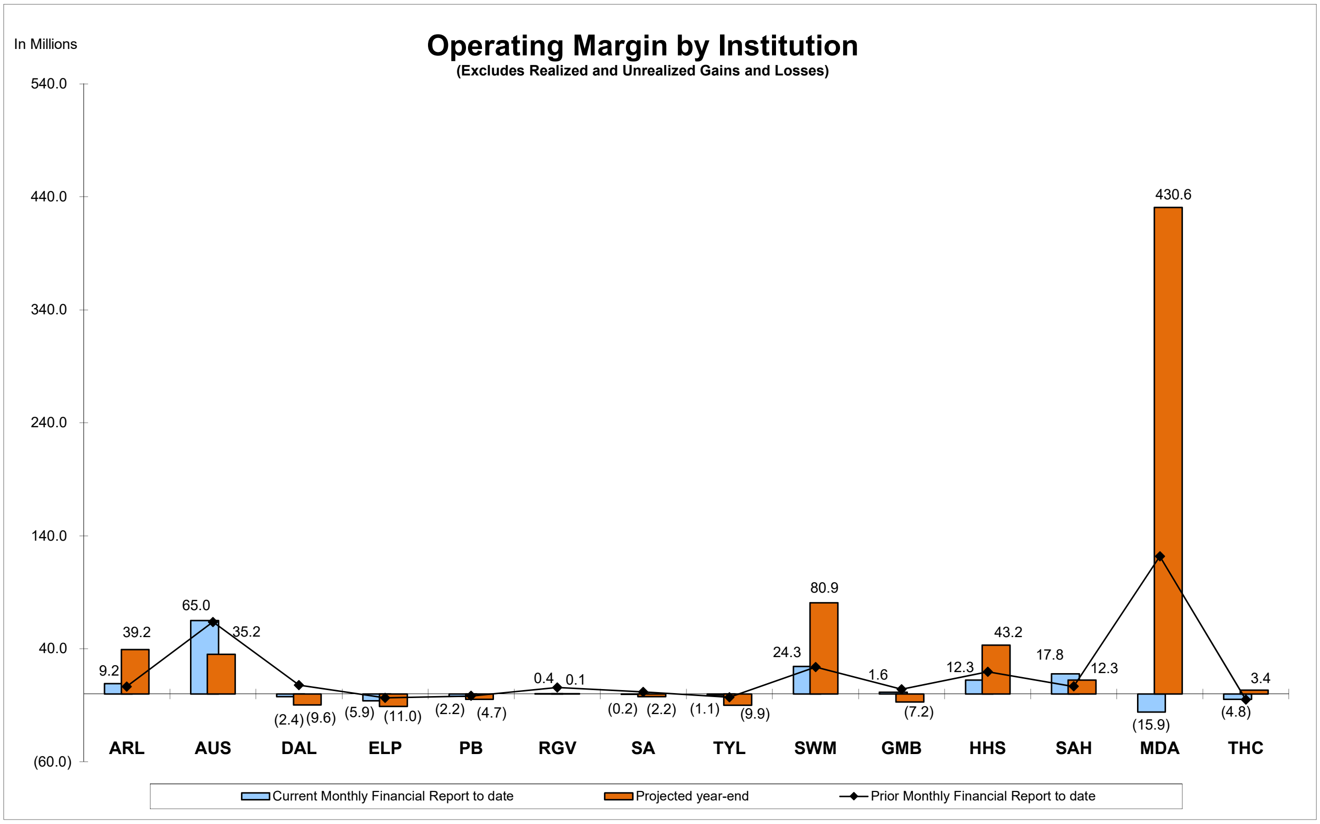


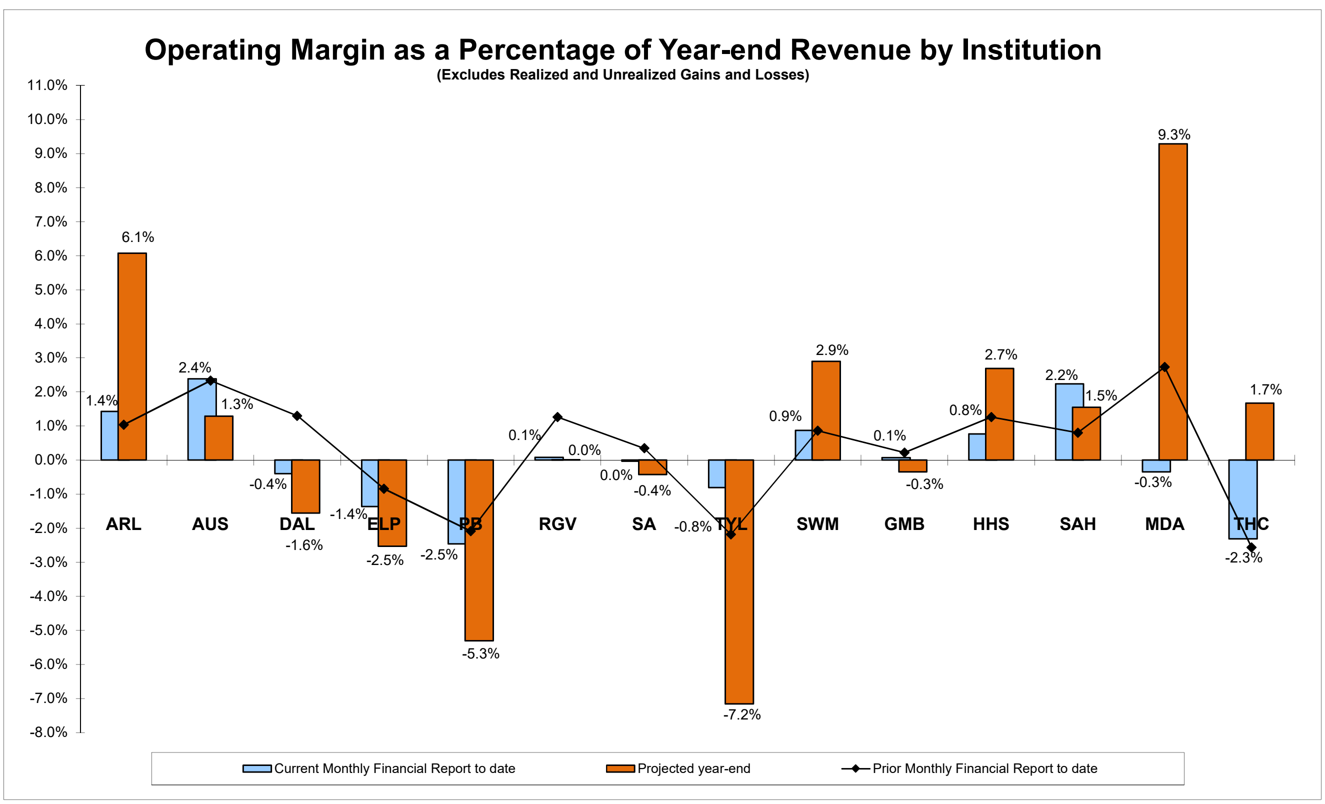

## Scale for Charting CFI Performance




Source: Strategic Financial Analysis for Higher Education, Seventh Edition

# KEY INDICATORS OF RESERVES
# YEAR-TO-DATE 2016 AND 2017 FROM NOVEMBER MONTHLY FINANCIAL REPORT
# PROJECTED 2017 YEAR-END MARGIN



THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

# MONTHLY FINANCIAL REPORT

*(unaudited)*

# DECEMBER 2016

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

# THE UNIVERSITY OF TEXAS SYSTEM
# MONTHLY FINANCIAL REPORT
# (Unaudited)
# FOR THE FOUR MONTHS ENDING
# December 31, 2016

# The University of Texas System
# Monthly Financial Report

## Foreword

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses, and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 580,211,864.61 | 549,484,893.01 | 30,726,971.60 | 5.6% |
| Sponsored Programs | 1,015,357,103.30 | 1,000,247,498.23 | 15,109,605.07 | 1.5% |
| Net Sales and Services of Educational Activities | 216,397,268.33 | 217,245,238.65 | (847,970.32) | -0.4% |
| Net Sales and Services of Hospitals | 1,755,446,700.45 | 1,834,815,709.94 | (79,369,009.49) | -4.3% |
| Net Professional Fees | 583,589,332.14 | 548,599,493.77 | 34,989,838.37 | 6.4% |
| Net Auxiliary Enterprises | 248,828,208.64 | 221,034,654.15 | 27,793,554.49 | 12.6% |
| Other Operating Revenues | 132,627,699.77 | 128,691,670.06 | 3,936,029.71 | 3.1% |
| **Total Operating Revenues** | **4,532,458,177.24** | **4,500,119,157.81** | **32,339,019.43** | **0.7%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 2,822,459,432.90 | 2,641,591,702.80 | 180,867,730.10 | 6.8% |
| Payroll Related Costs | 754,780,964.25 | 693,544,186.30 | 61,236,777.95 | 8.8% |
| Membership Dues | 10,073,944.42 | - | 10,073,944.42 | 100.0% |
| Registration Fees/Meetings/Conferences | 20,072,319.24 | - | 20,072,319.24 | 100.0% |
| Cost of Goods Sold | 50,494,507.53 | 50,611,830.12 | (117,322.59) | -0.2% |
| Professional Fees and Services | 147,878,677.35 | 160,560,704.89 | (12,682,027.54) | -7.9% |
| Other Contracted Services | 270,486,380.25 | 255,520,273.20 | 14,966,107.05 | 5.9% |
| Fees and Other Charges | 21,718,500.63 | - | 21,718,500.63 | 100.0% |
| Travel | 49,876,909.25 | 49,611,287.93 | 265,621.32 | 0.5% |
| Materials and Supplies | 615,854,631.81 | 592,665,111.84 | 23,189,519.97 | 3.9% |
| Utilities | 97,470,870.18 | 97,587,023.92 | (116,153.74) | -0.1% |
| Communications | 44,279,378.33 | 39,440,362.99 | 4,839,015.34 | 12.3% |
| Repairs and Maintenance | 110,951,088.40 | 105,810,624.53 | 5,140,463.87 | 4.9% |
| Rentals and Leases | 58,615,860.59 | 58,070,191.20 | 545,669.39 | 0.9% |
| Printing and Reproduction | 11,938,634.93 | 12,056,106.91 | (117,471.98) | -1.0% |
| Royalty Payments | 4,702,262.19 | - | 4,702,262.19 | 100.0% |
| Bad Debt Expense | 307,450.87 | 446,481.25 | (139,030.38) | -31.1% |
| Insurance Costs/Premiums | 34,566,547.65 | - | 34,566,547.65 | 100.0% |
| Claims and Losses | 5,796,373.37 | 2,662,024.73 | 3,134,348.64 | 117.7% |
| Increase in Net OPEB Obligation | 235,676,724.67 | 222,280,885.00 | 13,395,839.67 | 6.0% |
| Pension Expense | 83,442,131.00 | 70,964,922.49 | 12,477,208.51 | 17.6% |
| Scholarships and Fellowships | 117,989,440.90 | 109,650,713.82 | 8,338,727.08 | 7.6% |
| Depreciation and Amortization | 460,918,694.12 | 417,467,350.24 | 43,451,343.88 | 10.4% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 6,906,362.86 | 8,018,500.08 | (1,112,137.22) | -13.9% |
| State Sponsored Program Pass-Through to Other State Agencies | 1,779,894.68 | 1,302,095.93 | 477,798.75 | 36.7% |
| Other Operating Expenses | 58,088,854.84 | 153,026,966.03 | (94,938,111.19) | -62.0% |
| **Total Operating Expenses** | **6,097,126,837.21** | **5,742,889,346.20** | **354,237,491.01** | **6.2%** |
| **Operating Loss** | **(1,564,668,659.97)** | **(1,242,770,188.39)** | **(321,898,471.58)** | **-25.9%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 775,032,417.96 | 748,331,951.31 | 26,700,466.65 | 3.6% |
| Nonexchange Sponsored Programs | 74,467,051.71 | 81,430,800.99 | (6,963,749.28) | -8.6% |
| Gift Contributions for Operations | 159,726,019.89 | 183,849,316.17 | (24,123,296.28) | -13.1% |
| Net Investment Income | 289,097,113.61 | 246,948,908.13 | 42,148,205.48 | 17.1% |
| Interest Expense on Capital Asset Financings | (118,182,546.20) | (89,178,370.87) | (29,004,175.33) | -32.5% |
| **Net Other Nonoperating Adjustments** | **1,180,140,056.97** | **1,171,382,605.73** | **8,757,451.24** | **0.7%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(384,528,603.00)** | **(71,387,582.66)** | **(313,141,020.34)** | **-438.6%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-6.6%** | **-1.2%** | | |
| Investment Gain (Losses) | 393,543,082.35 | (721,725,817.44) | 1,115,268,899.79 | 154.5% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **9,014,479.35** | **(793,113,400.10)** | **802,127,879.45** | **101.1%** |
| **Adj. Margin % with Investment Gains (Losses)** | **0.1%** | **-15.7%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **76,390,091.12** | **346,079,767.58** | **(269,689,676.46)** | **-77.9%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **1.3%** | **6.0%** | | |

**The University of Texas System**
**Comparison of Adjusted Income (Loss)**
**For the Four Months Ending December 31, 2016**

| | Including Depreciation and Amortization Expense | | | | | |
|---|---|---|---|---|---|---|
| | December Year-to-Date FY 2017 | | December Year-to-Date FY 2016 | Variance | | Fluctuation Percentage |
| U. T. System Administration | $ (339,756,884.85) | (1) | $ (311,215,257.48) | (28,541,627.37) | | -9.2% |
| U. T. Arlington | 2,536,227.59 | | 10,386,954.36 | (7,850,726.77) | (2) | -75.6% |
| U. T. Austin | 56,869,060.29 | | 82,228,622.49 | (25,359,562.20) | (3) | -30.8% |
| U. T. Dallas | (3,810,923.31) | | 3,316,315.27 | (7,127,238.58) | (4) | -214.9% |
| U. T. El Paso | (7,083,549.01) | | (4,653,915.94) | (2,429,633.07) | (5) | -52.2% |
| U. T. Permian Basin | (882,025.01) | (6) | (919,651.27) | 37,626.26 | | 4.1% |
| U. T. Rio Grande Valley | 801,410.16 | | 7,017,696.21 | (6,216,286.05) | (7) | -88.6% |
| U. T. San Antonio | (3,361,753.73) | | 2,936,889.43 | (6,298,643.16) | (8) | -214.5% |
| U. T. Tyler | (2,595,192.53) | (9) | (2,509,511.25) | (85,681.28) | | -3.4% |
| U. T. Southwestern Medical Center | 32,814,809.12 | | 48,041,182.56 | (15,226,373.44) | (10) | -31.7% |
| U. T. Medical Branch - Galveston | (1,597,948.35) | | 55,450.50 | (1,653,398.85) | (11) | -2,981.8% |
| U. T. Health Science Center - Houston | 6,259,336.87 | | 20,449,877.34 | (14,190,540.47) | (12) | -69.4% |
| U. T. Health Science Center - San Antonio | 6,065,431.93 | | 13,609,728.04 | (7,544,296.11) | (13) | -55.4% |
| U. T. M. D. Anderson Cancer Center | (23,205,601.58) | | 164,087,298.03 | (187,292,899.61) | (14) | -114.1% |
| U. T. Health Science Center - Tyler | (6,293,371.92) | (15) | (7,115,260.95) | 821,889.03 | | 11.6% |
| Elimination of AUF Transfer | (101,287,628.67) | | (97,104,000.00) | (4,183,628.67) | | -4.3% |
| Total Adjusted Income (Loss) | (384,528,603.00) | | (71,387,582.66) | (313,141,020.34) | | -438.6% |
| Investment Gains (Losses) | 393,543,082.35 | | (721,725,817.44) | 1,115,268,899.79 | | 154.5% |
| **Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization** | **$ 9,014,479.35** | | **$ (793,113,400.10)** | **$ 802,127,879.45** | | **101.1%** |

| | Excluding Depreciation and Amortization Expense | | | |
|---|---|---|---|---|
| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
| U. T. System Administration | $ (333,772,325.90) | $ (305,088,723.53) | (28,683,602.37) | -9.4% |
| U. T. Arlington | 19,035,291.59 | 25,645,938.38 | (6,610,646.79) | -25.8% |
| U. T. Austin | 149,202,393.62 | 167,228,622.49 | (18,026,228.87) | -10.8% |
| U. T. Dallas | 20,692,540.67 | 23,103,577.73 | (2,411,037.06) | -10.4% |
| U. T. El Paso | 3,228,703.62 | 5,811,055.08 | (2,582,351.46) | -44.4% |
| U. T. Permian Basin | 3,774,720.03 | 3,735,348.73 | 39,371.30 | 1.1% |
| U. T. Rio Grande Valley | 13,840,227.13 | 19,303,508.72 | (5,463,281.59) | -28.3% |
| U. T. San Antonio | 12,653,715.20 | 18,842,057.73 | (6,188,342.53) | -32.8% |
| U. T. Tyler | 2,404,807.47 | 2,028,823.23 | 375,984.24 | 18.5% |
| U. T. Southwestern Medical Center | 86,983,454.78 | 100,451,541.11 | (13,468,086.33) | -13.4% |
| U. T. Medical Branch - Galveston | 48,488,324.36 | 35,482,588.11 | 13,005,736.25 | 36.7% |
| U. T. Health Science Center - Houston | 26,678,334.52 | 40,940,373.48 | (14,262,038.96) | -34.8% |
| U. T. Health Science Center - San Antonio | 23,398,765.26 | 31,276,394.71 | (7,877,629.45) | -25.2% |
| U. T. M. D. Anderson Cancer Center | 103,464,110.58 | 277,929,452.14 | (174,465,341.56) | -62.8% |
| U. T. Health Science Center - Tyler | (2,395,343.14) | (3,506,790.53) | 1,111,447.39 | 31.7% |
| Elimination of AUF Transfer | (101,287,628.67) | (97,104,000.00) | (4,183,628.67) | -4.3% |
| Total Adjusted Income (Loss) | 76,390,091.12 | 346,079,767.58 | (269,689,676.46) | -77.9% |
| **Total Adjusted Income (Loss) Excluding Depreciation and Amortization** | **$ 76,390,091.12** | **$ 346,079,767.58** | **$ (269,689,676.46)** | **-77.9%** |

# THE UNIVERSITY OF TEXAS SYSTEM
## EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
### For the Four Months Ending December 31, 2016

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss.

(1) *U. T. System Administration* incurred a year-to-date loss of $339.8 million primarily as a result of an accrual of $235.7 million for other postemployment benefits (OPEB) expense and an accrual of $83.4 million for pension expense for the entire *U. T. System* for the first four months of 2017. Also contributing to the loss was a decrease in sponsored program revenue received for the 2016-2017 biennium for the Joint Admission Medical Program as it was all recognized in 2016. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $333.8 million or -291.4% of revenues. *U. T. System Administration* anticipates ending the year with a $1.0 billion loss, -330.5% of projected revenues, which includes $18.0 million of depreciation and amortization expense, as well as a $707.0 million accrual for OPEB and a $250.3 million accrual for pension expense.

(2) *U. T. Arlington* - The $7.9 million (75.6%) decrease in adjusted income over the same period last year was primarily attributable to an increase in other contracted services due to increased expenses for the Accelerated Online Programs. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was $19.0 million or 9.2% of revenues.

(3) *U. T. Austin* - The $25.4 million (30.8%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs. Also contributing to the variance was an increase in other contracted services due to costs related to the hiring of a new baseball coach and the cancellation of the agreement with Aspire Marketing. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $149.2 million or 14.9% of revenues.

(4) *U. T. Dallas* - The $7.1 million (214.9%) decrease in adjusted income over the same period last year was primarily attributable to the following: a decrease in nonexchange sponsored programs as a result of a reduction in the Texas Research Incentive Program funds received in 2017; an increase in depreciation and amortization expense as a result of the addition of new buildings and infrastructure; and an increase in interest expense on capital asset financings due to debt issued for the new Engineering Building. As a result of these factors, *U. T. Dallas* incurred a year-to-date loss of $3.8 million. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $20.7 million or 10.1% of revenues. *U. T. Dallas* anticipates ending the year with an $11.7 million loss, -1.9% of projected revenues, which includes $73.5 million of depreciation and amortization expense.

(5) *U. T. El Paso* - The $2.4 million (52.2%) increase in adjusted loss over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs largely due to a 2% merit increase for faculty and staff implemented in 2017. As a result, *U. T. El Paso* incurred a year-to-date loss of $7.1 million. Other factors contributing to the loss include the following: an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs; and an increase in depreciation expense over the last five years as a result of the rapid growth of new buildings and enhanced research infrastructure. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $3.2 million or 2.4% of revenues. *U. T. El Paso* anticipates ending the year with an $11.0 million loss, -2.5% of projected revenues, which includes $33.8 million of depreciation and amortization expense. *U. T. El Paso* is continuing measures to reduce spending, including a hiring freeze on positions that are not mission critical, utility savings efforts, and other cost savings measures.

(6) *U. T. Permian Basin* incurred a year-to-date loss of $0.9 million primarily due to the following: an increase in salaries and wages and payroll related costs; an increase in materials and supplies as a result of noncapital furnishings purchased for the new residence/dining hall and the Student Success Center; and an increase in other contracted services due to increased payments to Chartwells for dining services and increased support for the Wagner Noel Performing Arts Center. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $3.8 million or 12.2% of revenues. *U. T. Permian Basin* anticipates ending the year with an $8.6 million loss, -10.1% of projected revenues, which includes $14.8 million of depreciation and amortization expense.

(7) *U. T. Rio Grande Valley* - The $6.2 million (88.6%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs as a result of one-time merit payments in 2017 and an increase in the number of full-time equivalents. In addition, other contracted services increased due to increased expenses for the new School of Medicine and the Pharr San Juan Alamo Independent School District Early Head Start Center. Materials and supplies also increased as a result of increased expenses for the new School of Medicine, the Mathematics and Science Academy, the library, Blackboard Managed Hosting Storage, new student orientation, information technology and noncapital facility renovations. Excluding depreciation and amortization expense, *U. T. Rio Grande Valley's* adjusted income was $13.8 million or 9.8% of revenues.

(8) *U. T. San Antonio* - The $6.3 million (214.5%) decrease in adjusted income over the same period last year was primarily due to following: an increase in salaries and wages and payroll related costs; an increase in utilities due to rate increases in electricity, natural gas, and water; and an increase in interest expense on capital asset financings due to debt issued for athletic projects, fire and

safety renovations, and network upgrades, as well as the new Science and Engineering Building. Repairs and maintenance also increased due to maintenance performed on various classrooms, grounds, vehicles and equipment. As a result, *U. T. San Antonio* incurred a year-to-date loss of $3.4 million. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $12.7 million or 7.3% of revenues. *U. T. San Antonio* anticipates ending the year with an $11.8 million loss, -2.3% of projected revenues, which includes $48.0 million of depreciation and amortization expense.

(9) *U. T. Tyler* incurred a year-to-date loss of $2.6 million primarily due to the following: an increase in salaries and wages and payroll related costs driven by merit increases and an increase in the number of full-time equivalents; an increase in interest expense on capital asset financings due to debt issued for the new STEM Business Building; an increase in depreciation and amortization expense related to the new Pharmacy Building; and a decrease in gift contributions for operations as a result of one-time gifts received in 2016. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $2.4 million or 5.0% of revenues. *U. T. Tyler* anticipates ending the year with an $8.0 million loss, -5.7% of projected revenues, which includes $15.0 million of depreciation and amortization expense.

(10) *U. T. Southwestern Medical Center* - The $15.2 million (31.7%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in gift contributions for operations as a result of a $20.0 million gift received in 2016 with no such comparable gift in 2017. Excluding depreciation and amortization, *Southwestern's* adjusted income was $87.0 million or 9.5% of projected revenues.

(11) *U. T. Medical Branch - Galveston* - The $1.7 million (2,981.8%) decrease in adjusted income over the same period last year was primarily attributable to the following: an increase in salaries and wages and payroll related costs; an increase in depreciation and amortization expense mainly due to the completion of the Jennie Sealy Hospital and League City Campus Hospital, as well as software upgrades which were place into service; and an increase in interest expense on capital asset financings due to debt issued for the Jennie Sealy Hospital. Excluding depreciation and amortization, *UTMB's* adjusted income was $48.5 million or 7.1% of revenues. *UTMB* anticipates ending the year with a $7.2 million loss which represents -0.3% of projected revenues and includes $159.8 million of depreciation and amortization expense.

(12) *U. T. Health Science Center - Houston* – The $14.2 million (69.4%) decrease in adjusted income as compared to the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs due to the addition of numerous positions to accommodate the planned growth of the physician practice plan. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $26.7 million or 5.1% of revenues.

(13) *U. T. Health Science Center - San Antonio* - The $7.5 million (55.4%) decrease in adjusted income over the same period last year was primarily due to an increase in salaries and wages and payroll related costs. In addition, interest expense on capital asset financings increased due to debt issued to acquire the Professional Administrative Resource Center and to construct a new ambulatory facility, as well as increased debt service for Tuition Revenue Bonds authorized by the Texas Legislature. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $23.4 million or 8.5% of revenues.

(14) *U. T. M. D. Anderson Cancer Center* – The $187.3 million (114.1%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in patient revenues as a result of the implementation of the EPIC Electronic Health Record system (EHR) combined with an increase in expenses. Expenses increased primarily due to the following: salaries and wages and payroll related costs increased due to an increase in full-time employees, salary increases and increased premium sharing rates; and depreciation and amortization expense increased as a result of the completion of several large projects such as the Pavilion Building and the EPIC EHR system which were placed into service in 2016, as well as various other software projects. As a result, *M. D. Anderson* incurred a year-to-date loss of $23.2 million. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $103.5 million or 7.3% of revenues. *M. D. Anderson* anticipates ending the year with a positive margin of $370.7 million as a result of an EPIC EHR post implementation strategy that will continue to focus on clinical productivity and operational efficiencies to return to normalized operations by year-end as well as a reduction in force of 1,000 nonclinical employees. This represents 8.1% of projected revenues and includes $383.1 million of depreciation and amortization expense.

(15) *U. T. Health Science Center - Tyler* incurred a year-to-date loss of $6.3 million due to an increase in salaries and wages and payroll related costs as a result of a larger employee base, accompanied by increased compensable absence expenses and premium sharing costs. Professional fees and services expense also increased due to higher usage levels of contracted physician services and new contractual expenses related to the Northeast Texas Initiative Texas Community College Consortium subcontract. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted loss was $2.4 million or -3.8% of revenues. *UTHSC-Tyler* anticipates ending the year with a positive margin of $2.3 million as a result of ongoing expense reduction initiatives, continued growth in clinical services with a corresponding increase in net patient revenues, and additional Delivery System Reform Incentive Payments (DSRIP) and sponsored programs revenue recognized once metrics are achieved. This represents 1.1% of projected revenues and includes $11.7 million of depreciation and amortization expense.

# GLOSSARY OF TERMS

## OPERATING REVENUES:

NET STUDENT TUITION – All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

## OPERATING EXPENSES:

SALARIES AND WAGES – Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc. Includes salary augmentation and incentive compensation.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

MEMBERSHIP DUES - Payments for professional memberships and community organization memberships for employees.

REGISTRATION FEES/MEETINGS/CONFERENCES – Payments made for employees to attend professional conferences and meetings.

COST OF GOODS SOLD – Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

FEES AND OTHER CHARGES – Payments for various fees such as estate settlements, court costs, document filing fees, etc.

TRAVEL – Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is not limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

ROYALTY PAYMENTS – Payments incurred for copyright and patent royalties.

BAD DEBT EXPENSE – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

INSURANCE COSTS/PREMIUMS – Insurance premiums and fees associated with the various self-insurance programs, including professional medical liability.

CLAIMS AND LOSSES – Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION – The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

PENSION EXPENSE – An estimate of year-end expense which will be allocated from the Texas Comptroller's Office based upon prior year amounts.

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law, net of tuition discounting.

DEPRECIATION AND AMORTIZATION – Depreciation on capital assets and amortization expense on intangible assets.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including Texas universities.

OTHER OPERATING EXPENSES – Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, credit card fees, hazardous waste disposal expenses, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

**OPERATING LOSS** – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

<u>OTHER NONOPERATING ADJUSTMENTS</u>:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS – Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) – Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS – Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

**ADJUSTED INCOME (LOSS) including Depreciation and Amortization** – Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

**ADJUSTED MARGIN % including Depreciation and Amortization** – Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) – Realized and unrealized gains and losses on investments.

**ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization** – Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

**ADJUSTED MARGIN % excluding Depreciation and Amortization** – Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Sponsored Programs | 4,449,859.58 | 11,069,294.00 | (6,619,434.42) | -59.8% |
| Net Sales and Services of Educational Activities | 16,672,496.78 | 17,217,808.57 | (545,311.79) | -3.2% |
| Other Operating Revenues | 30,479,196.12 | 36,496,059.18 | (6,016,863.06) | -16.5% |
| **Total Operating Revenues** | **51,601,552.48** | **64,783,161.75** | **(13,181,609.27)** | **-20.3%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 26,252,917.43 | 21,897,042.04 | 4,355,875.39 | 19.9% |
| Payroll Related Costs | 5,608,056.47 | 4,759,583.68 | 848,472.79 | 17.8% |
| Membership Dues | 275,586.96 | - | 275,586.96 | 100.0% |
| Registration Fees/Meetings/Conferences | 152,368.46 | - | 152,368.46 | 100.0% |
| Professional Fees and Services | 4,629,102.61 | 5,282,371.56 | (653,268.95) | -12.4% |
| Other Contracted Services | 5,021,061.07 | 9,412,219.20 | (4,391,158.13) | -46.7% |
| Fees and Other Charges | 38,179.22 | - | 38,179.22 | 100.0% |
| Travel | 548,020.79 | 456,052.00 | 91,968.79 | 20.2% |
| Materials and Supplies | 15,550,039.60 | 10,301,419.87 | 5,248,619.73 | 51.0% |
| Utilities | 111,653.18 | 82,647.91 | 29,005.27 | 35.1% |
| Communications | 5,591,198.46 | 5,071,996.91 | 519,201.55 | 10.2% |
| Repairs and Maintenance | 6,355,836.68 | 8,094,332.85 | (1,738,496.17) | -21.5% |
| Rentals and Leases | 2,702,359.97 | 2,340,353.73 | 362,006.24 | 15.5% |
| Printing and Reproduction | 115,899.84 | 536,755.14 | (420,855.30) | -78.4% |
| Insurance Costs/Premiums | 18,805,427.57 | - | 18,805,427.57 | 100.0% |
| Claims and Losses | 5,796,373.37 | 2,662,024.73 | 3,134,348.64 | 117.7% |
| Increase in Net OPEB Obligation | 235,676,724.67 | 222,280,885.00 | 13,395,839.67 | 6.0% |
| Pension Expense | 83,442,131.00 | 70,964,922.49 | 12,477,208.51 | 17.6% |
| Scholarships and Fellowships | 277,375.92 | 5,809.71 | 271,566.21 | 4,674.4% |
| Depreciation and Amortization | 5,984,558.95 | 6,126,533.95 | (141,975.00) | -2.3% |
| State Sponsored Program Pass-Through to Other State Agencies | 1,004,593.19 | 1,000,738.67 | 3,854.52 | 0.4% |
| Other Operating Expenses | 1,429,745.48 | 20,807,428.35 | (19,377,682.87) | -93.1% |
| **Total Operating Expenses** | **425,369,210.89** | **392,083,117.79** | **33,286,093.10** | **8.5%** |
| **Operating Loss** | **(373,767,658.41)** | **(327,299,956.04)** | **(46,467,702.37)** | **-14.2%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 848,617.69 | 1,029,901.11 | (181,283.42) | -17.6% |
| Nonexchange Sponsored Programs | 2,143,278.37 | 2,145,580.50 | (2,302.13) | -0.1% |
| Gift Contributions for Operations | 637,040.82 | 481,048.91 | 155,991.91 | 32.4% |
| Net Investment Income | 22,178,644.35 | 3,258,808.36 | 18,919,835.99 | 580.6% |
| Interest Expense on Capital Asset Financings | (28,929,294.67) | (21,613,729.99) | (7,315,564.68) | -33.8% |
| **Net Other Nonoperating Adjustments** | **(3,121,713.44)** | **(14,698,391.11)** | **11,576,677.67** | **78.8%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(376,889,371.85)** | **(341,998,347.15)** | **(34,891,024.70)** | **-10.2%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-486.9%** | **-477.0%** | | |
| Available University Fund Transfer | 37,132,487.00 | 30,783,089.67 | 6,349,397.33 | 20.6% |
| **Adjusted Income (Loss) with AUF Transfer** | **(339,756,884.85)** | **(311,215,257.48)** | **(28,541,627.37)** | **-9.2%** |
| **Adjusted Margin % with AUF Transfer** | **-296.6%** | **-303.7%** | | |
| Investment Gain (Losses) | 466,623,520.72 | (421,335,011.21) | 887,958,531.93 | 210.7% |
| **Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)** | **$126,866,635.87** | **(732,550,268.69)** | **$859,416,904.56** | **117.3%** |
| **Adj. Margin % with AUF Transfer & Invest. Gains (Losses)** | **21.8%** | **229.7%** | | |
| **Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization** | **(333,772,325.90)** | **(305,088,723.53)** | **(28,683,602.37)** | **-9.4%** |
| **Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization** | **-291.4%** | **-297.7%** | | |

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 92,011,101.97 | 81,728,195.32 | 10,282,906.65 | 12.6% |
| Sponsored Programs | 21,648,018.32 | 21,876,952.94 | (228,934.62) | -1.0% |
| Net Sales and Services of Educational Activities | 6,439,111.91 | 6,418,583.45 | 20,528.46 | 0.3% |
| Net Auxiliary Enterprises | 13,692,206.10 | 14,141,078.52 | (448,872.42) | -3.2% |
| Other Operating Revenues | 2,992,774.99 | 2,994,525.47 | (1,750.48) | -0.1% |
| **Total Operating Revenues** | **136,783,213.29** | **127,159,335.70** | **9,623,877.59** | **7.6%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 92,971,924.64 | 88,966,852.71 | 4,005,071.93 | 4.5% |
| Payroll Related Costs | 20,907,693.33 | 19,718,210.21 | 1,189,483.12 | 6.0% |
| Membership Dues | 476,470.83 | - | 476,470.83 | 100.0% |
| Registration Fees/Meetings/Conferences | 460,841.31 | - | 460,841.31 | 100.0% |
| Cost of Goods Sold | 334.71 | 2,158.74 | (1,824.03) | -84.5% |
| Professional Fees and Services | 3,471,235.36 | 3,025,213.18 | 446,022.18 | 14.7% |
| Other Contracted Services | 27,360,404.33 | 17,706,432.78 | 9,653,971.55 | 54.5% |
| Fees and Other Charges | 354,011.54 | - | 354,011.54 | 100.0% |
| Travel | 2,647,343.26 | 2,311,599.04 | 335,744.22 | 14.5% |
| Materials and Supplies | 7,869,277.98 | 9,340,731.83 | (1,471,453.85) | -15.8% |
| Utilities | 3,333,355.00 | 3,349,596.03 | (16,241.03) | -0.5% |
| Communications | 2,498,630.82 | 2,377,211.86 | 121,418.96 | 5.1% |
| Repairs and Maintenance | 2,916,151.50 | 2,564,320.78 | 351,830.72 | 13.7% |
| Rentals and Leases | 1,138,317.20 | 1,523,488.28 | (385,171.08) | -25.3% |
| Printing and Reproduction | 897,299.46 | 894,350.84 | 2,948.62 | 0.3% |
| Royalty Payments | 88,470.10 | - | 88,470.10 | 100.0% |
| Bad Debt Expense | 66,521.95 | 87,883.83 | (21,361.88) | -24.3% |
| Insurance Costs/Premiums | 159,684.53 | - | 159,684.53 | 100.0% |
| Scholarships and Fellowships | 11,875,057.20 | 10,931,305.71 | 943,751.49 | 8.6% |
| Depreciation and Amortization | 16,499,064.00 | 15,258,984.02 | 1,240,079.98 | 8.1% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 1,545,641.92 | 1,360,376.22 | 185,265.70 | 13.6% |
| State Sponsored Program Pass-Through to Other State Agencies | 44,273.48 | 40,926.01 | 3,347.47 | 8.2% |
| Other Operating Expenses | 3,278,821.49 | 3,630,055.51 | (351,234.02) | -9.7% |
| **Total Operating Expenses** | **200,860,825.94** | **183,089,697.58** | **17,771,128.36** | **9.7%** |
| **Operating Loss** | **(64,077,612.65)** | **(55,930,361.88)** | **(8,147,250.77)** | **-14.6%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 46,249,853.67 | 43,827,663.67 | 2,422,190.00 | 5.5% |
| Nonexchange Sponsored Programs | 18,346,094.68 | 19,403,277.13 | (1,057,182.45) | -5.4% |
| Gift Contributions for Operations | 1,887,761.86 | 1,934,025.86 | (46,264.00) | -2.4% |
| Net Investment Income | 4,662,782.99 | 5,104,769.22 | (441,986.23) | -8.7% |
| Interest Expense on Capital Asset Financings | (4,532,652.96) | (3,952,419.64) | (580,233.32) | -14.7% |
| **Net Other Nonoperating Adjustments** | **66,613,840.24** | **66,317,316.24** | **296,524.00** | **0.4%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **2,536,227.59** | **10,386,954.36** | **(7,850,726.77)** | **-75.6%** |
| **Adjusted Margin % including Depreciation & Amortization** | **1.2%** | **5.3%** | | |
| Investment Gain (Losses) | (7,785,413.98) | (2,678,913.27) | (5,106,500.71) | -190.6% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(5,249,186.39)** | **7,708,041.09** | **(12,957,227.48)** | **-168.1%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-2.6%** | **4.0%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **19,035,291.59** | **25,645,938.38** | **(6,610,646.79)** | **-25.8%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **9.2%** | **13.0%** | | |

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 163,333,333.33 | 160,000,000.00 | 3,333,333.33 | 2.1% |
| Sponsored Programs | 177,559,609.29 | 180,493,792.38 | (2,934,183.09) | -1.6% |
| Net Sales and Services of Educational Activities | 140,847,503.38 | 142,186,155.71 | (1,338,652.33) | -0.9% |
| Net Auxiliary Enterprises | 145,811,155.82 | 123,578,758.02 | 22,232,397.80 | 18.0% |
| Other Operating Revenues | 5,110,341.23 | 2,793,442.99 | 2,316,898.24 | 82.9% |
| **Total Operating Revenues** | **632,661,943.05** | **609,052,149.10** | **23,609,793.95** | **3.9%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 410,154,705.81 | 391,249,184.19 | 18,905,521.62 | 4.8% |
| Payroll Related Costs | 118,203,261.57 | 109,753,929.89 | 8,449,331.68 | 7.7% |
| Membership Dues | 1,243,174.95 | - | 1,243,174.95 | 100.0% |
| Registration Fees/Meetings/Conferences | 9,747,111.33 | - | 9,747,111.33 | 100.0% |
| Cost of Goods Sold | 8,445,172.43 | 9,098,684.25 | (653,511.82) | -7.2% |
| Professional Fees and Services | 10,337,321.15 | 9,445,061.70 | 892,259.45 | 9.4% |
| Other Contracted Services | 59,256,456.36 | 47,866,469.89 | 11,389,986.47 | 23.8% |
| Fees and Other Charges | 5,170,632.21 | - | 5,170,632.21 | 100.0% |
| Travel | 15,059,852.60 | 12,768,802.29 | 2,291,050.31 | 17.9% |
| Materials and Supplies | 46,596,812.81 | 47,571,682.05 | (974,869.24) | -2.0% |
| Utilities | 30,867,493.45 | 30,217,756.55 | 649,736.90 | 2.2% |
| Communications | 12,741,636.68 | 13,795,862.83 | (1,054,226.15) | -7.6% |
| Repairs and Maintenance | 21,287,883.53 | 25,904,948.48 | (4,617,064.95) | -17.8% |
| Rentals and Leases | 8,500,928.15 | 7,866,566.08 | 634,362.07 | 8.1% |
| Printing and Reproduction | 2,824,189.67 | 2,932,688.40 | (108,498.73) | -3.7% |
| Royalty Payments | 1,840,990.16 | - | 1,840,990.16 | 100.0% |
| Bad Debt Expense | 136,153.63 | 275,496.10 | (139,342.47) | -50.6% |
| Insurance Costs/Premiums | 404,382.53 | - | 404,382.53 | 100.0% |
| Scholarships and Fellowships | 46,666,666.67 | 40,000,000.00 | 6,666,666.67 | 16.7% |
| Depreciation and Amortization | 92,333,333.33 | 85,000,000.00 | 7,333,333.33 | 8.6% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 947,199.07 | 1,257,501.31 | (310,302.24) | -24.7% |
| State Sponsored Program Pass-Through to Other State Agencies | 136,301.40 | - | 136,301.40 | 100.0% |
| Other Operating Expenses | 21,473,599.56 | 42,937,058.15 | (21,463,458.59) | -50.0% |
| **Total Operating Expenses** | **924,375,259.05** | **877,941,692.16** | **46,433,566.89** | **5.3%** |
| **Operating Loss** | **(291,713,316.00)** | **(268,889,543.06)** | **(22,823,772.94)** | **-8.5%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 116,777,225.33 | 119,016,254.46 | (2,239,029.13) | -1.9% |
| Nonexchange Sponsored Programs | 14,335,577.43 | 14,666,666.67 | (331,089.24) | -2.3% |
| Gift Contributions for Operations | 58,283,306.77 | 60,202,633.06 | (1,919,326.29) | -3.2% |
| Net Investment Income | 76,691,631.33 | 75,296,934.88 | 1,394,696.45 | 1.9% |
| Interest Expense on Capital Asset Financings | (18,792,993.24) | (15,168,323.52) | (3,624,669.72) | -23.9% |
| **Net Other Nonoperating Adjustments** | **247,294,747.62** | **254,014,165.55** | **(6,719,417.93)** | **-2.6%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(44,418,568.38)** | **(14,875,377.51)** | **(29,543,190.87)** | **-198.6%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-4.9%** | **-1.7%** | | |
| Available University Fund Transfer | 101,287,628.67 | 97,104,000.00 | 4,183,628.67 | 4.3% |
| **Adjusted Income (Loss) with AUF Transfer** | **56,869,060.29** | **82,228,622.49** | **(25,359,562.20)** | **-30.8%** |
| **Adjusted Margin % with AUF Transfer** | **5.7%** | **8.4%** | | |
| Investment Gain (Losses) | (11,210,387.92) | (137,860,282.82) | 126,649,894.90 | 91.9% |
| **Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)** | **$45,658,672.37** | **(55,631,660.33)** | **$101,290,332.70** | **182.1%** |
| **Adj. Margin % with AUF Transfer & Invest. Gains (Losses)** | **4.6%** | **-6.6%** | | |
| **Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization** | **149,202,393.62** | **167,228,622.49** | **(18,026,228.87)** | **-10.8%** |
| **Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization** | **14.9%** | **17.1%** | | |

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 101,453,152.79 | 94,690,938.93 | 6,762,213.86 | 7.1% |
| Sponsored Programs | 20,680,977.10 | 19,571,064.15 | 1,109,912.95 | 5.7% |
| Net Sales and Services of Educational Activities | 6,524,204.09 | 4,677,629.52 | 1,846,574.57 | 39.5% |
| Net Auxiliary Enterprises | 11,491,849.41 | 9,584,980.46 | 1,906,868.95 | 19.9% |
| Other Operating Revenues | 1,396,347.70 | 1,441,345.77 | (44,998.07) | -3.1% |
| **Total Operating Revenues** | **141,546,531.09** | **129,965,958.83** | **11,580,572.26** | **8.9%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 99,378,859.35 | 94,950,387.37 | 4,428,471.98 | 4.7% |
| Payroll Related Costs | 23,637,987.09 | 22,241,838.32 | 1,396,148.77 | 6.3% |
| Membership Dues | 252,647.96 | - | 252,647.96 | 100.0% |
| Registration Fees/Meetings/Conferences | 912,399.31 | - | 912,399.31 | 100.0% |
| Professional Fees and Services | 2,881,059.79 | 3,580,152.26 | (699,092.47) | -19.5% |
| Other Contracted Services | 5,389,225.94 | 4,696,647.51 | 692,578.43 | 14.7% |
| Fees and Other Charges | 435,484.08 | - | 435,484.08 | 100.0% |
| Travel | 2,379,868.17 | 1,918,744.62 | 461,123.55 | 24.0% |
| Materials and Supplies | 10,553,452.90 | 9,792,666.64 | 760,786.26 | 7.8% |
| Utilities | 3,487,011.00 | 4,443,083.65 | (956,072.65) | -21.5% |
| Communications | 500,816.27 | 160,738.36 | 340,077.91 | 211.6% |
| Repairs and Maintenance | 3,011,672.23 | 1,619,175.64 | 1,392,496.59 | 86.0% |
| Rentals and Leases | 2,352,707.62 | 2,443,263.11 | (90,555.49) | -3.7% |
| Printing and Reproduction | 650,083.81 | 509,630.60 | 140,453.21 | 27.6% |
| Royalty Payments | 288,303.37 | - | 288,303.37 | 100.0% |
| Bad Debt Expense | 21,280.00 | - | 21,280.00 | 100.0% |
| Insurance Costs/Premiums | 3,721,187.32 | - | 3,721,187.32 | 100.0% |
| Scholarships and Fellowships | 13,973,389.06 | 14,030,227.14 | (56,838.08) | -0.4% |
| Depreciation and Amortization | 24,503,463.98 | 19,787,262.46 | 4,716,201.52 | 23.8% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 33,532.71 | 10,762.88 | 22,769.83 | 211.6% |
| State Sponsored Program Pass-Through to Other State Agencies | 42,361.19 | 82,218.03 | (39,856.84) | -48.5% |
| Other Operating Expenses | 1,931,348.74 | 7,516,291.43 | (5,584,942.69) | -74.3% |
| **Total Operating Expenses** | **200,338,141.89** | **187,783,090.02** | **12,555,051.87** | **6.7%** |
| **Operating Loss** | **(58,791,610.80)** | **(57,817,131.19)** | **(974,479.61)** | **-1.7%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 39,672,936.33 | 36,874,162.73 | 2,798,773.60 | 7.6% |
| Nonexchange Sponsored Programs | 10,168,051.84 | 17,559,452.00 | (7,391,400.16) | -42.1% |
| Gift Contributions for Operations | 5,000,000.00 | 4,333,333.33 | 666,666.67 | 15.4% |
| Net Investment Income | 8,506,574.65 | 7,513,544.12 | 993,030.53 | 13.2% |
| Interest Expense on Capital Asset Financings | (8,366,875.33) | (5,147,045.72) | (3,219,829.61) | -62.6% |
| **Net Other Nonoperating Adjustments** | **54,980,687.49** | **61,133,446.46** | **(6,152,758.97)** | **-10.1%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(3,810,923.31)** | **3,316,315.27** | **(7,127,238.58)** | **-214.9%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-1.9%** | **1.7%** | | |
| Investment Gain (Losses) | (574,321.53) | (11,431,999.66) | 10,857,678.13 | 95.0% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(4,385,244.84)** | **(8,115,684.39)** | **3,730,439.55** | **46.0%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-2.1%** | **-4.4%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **20,692,540.67** | **23,103,577.73** | **(2,411,037.06)** | **-10.4%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **10.1%** | **11.8%** | | |

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 42,805,196.00 | 38,054,544.95 | 4,750,651.05 | 12.5% |
| Sponsored Programs | 28,467,468.20 | 26,370,832.81 | 2,096,635.39 | 8.0% |
| Net Sales and Services of Educational Activities | 1,618,717.10 | 3,022,833.04 | (1,404,115.94) | -46.5% |
| Net Auxiliary Enterprises | 11,469,996.10 | 12,527,097.72 | (1,057,101.62) | -8.4% |
| Other Operating Revenues | 17,470.83 | (35,033.61) | 52,504.44 | 149.9% |
| **Total Operating Revenues** | **84,378,848.23** | **79,940,274.91** | **4,438,573.32** | **5.6%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 67,524,326.37 | 62,506,749.45 | 5,017,576.92 | 8.0% |
| Payroll Related Costs | 19,146,580.79 | 15,141,966.32 | 4,004,614.47 | 26.4% |
| Membership Dues | 478,420.12 | - | 478,420.12 | 100.0% |
| Registration Fees/Meetings/Conferences | 272,499.41 | - | 272,499.41 | 100.0% |
| Professional Fees and Services | 3,362,840.86 | 3,724,839.24 | (361,998.38) | -9.7% |
| Other Contracted Services | 3,968,344.72 | 4,767,443.47 | (799,098.75) | -16.8% |
| Fees and Other Charges | 1,573,610.53 | - | 1,573,610.53 | 100.0% |
| Travel | 3,076,369.47 | 2,601,716.22 | 474,653.25 | 18.2% |
| Materials and Supplies | 7,032,918.59 | 6,925,361.34 | 107,557.25 | 1.6% |
| Utilities | 3,060,753.65 | 2,903,413.84 | 157,339.81 | 5.4% |
| Communications | 402,072.30 | 500,435.47 | (98,363.17) | -19.7% |
| Repairs and Maintenance | 3,050,845.79 | 1,902,388.01 | 1,148,457.78 | 60.4% |
| Rentals and Leases | 860,798.71 | 1,196,761.48 | (335,962.77) | -28.1% |
| Printing and Reproduction | 409,805.18 | 343,041.94 | 66,763.24 | 19.5% |
| Insurance Costs/Premiums | 661,568.65 | - | 661,568.65 | 100.0% |
| Scholarships and Fellowships | 8,148,131.02 | 8,336,691.28 | (188,560.26) | -2.3% |
| Depreciation and Amortization | 10,312,252.63 | 10,464,971.02 | (152,718.39) | -1.5% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 239,629.53 | 1,241,163.39 | (1,001,533.86) | -80.7% |
| Other Operating Expenses | 3,094,497.93 | 4,754,945.09 | (1,660,447.16) | -34.9% |
| **Total Operating Expenses** | **136,676,266.25** | **127,311,887.56** | **9,364,378.69** | **7.4%** |
| **Operating Loss** | **(52,297,418.02)** | **(47,371,612.65)** | **(4,925,805.37)** | **-10.4%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 40,392,316.00 | 36,955,976.00 | 3,436,340.00 | 9.3% |
| Nonexchange Sponsored Programs | 2,795,325.75 | 1,981,256.99 | 814,068.76 | 41.1% |
| Gift Contributions for Operations | 1,763,840.04 | 1,613,224.69 | 150,615.35 | 9.3% |
| Net Investment Income | 4,297,282.90 | 4,561,034.43 | (263,751.53) | -5.8% |
| Interest Expense on Capital Asset Financings | (4,034,895.68) | (2,393,795.40) | (1,641,100.28) | -68.6% |
| **Net Other Nonoperating Adjustments** | **45,213,869.01** | **42,717,696.71** | **2,496,172.30** | **5.8%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(7,083,549.01)** | **(4,653,915.94)** | **(2,429,633.07)** | **-52.2%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-5.3%** | **-3.7%** | | |
| Investment Gain (Losses) | (260,188.78) | (7,430,032.59) | 7,169,843.81 | 96.5% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(7,343,737.79)** | **(12,083,948.53)** | **4,740,210.74** | **39.2%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-5.5%** | **-10.3%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **3,228,703.62** | **5,811,055.08** | **(2,582,351.46)** | **-44.4%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **2.4%** | **4.6%** | | |

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 5,601,882.76 | 6,603,595.57 | (1,001,712.81) | -15.2% |
| Sponsored Programs | 2,021,167.41 | 2,769,798.32 | (748,630.91) | -27.0% |
| Net Sales and Services of Educational Activities | 189,714.14 | 405,346.23 | (215,632.09) | -53.2% |
| Net Auxiliary Enterprises | 3,924,249.79 | 1,939,771.26 | 1,984,478.53 | 102.3% |
| Other Operating Revenues | 113,108.99 | 190,686.53 | (77,577.54) | -40.7% |
| **Total Operating Revenues** | **11,850,123.09** | **11,909,197.91** | **(59,074.82)** | **-0.5%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 11,976,084.76 | 11,092,568.64 | 883,516.12 | 8.0% |
| Payroll Related Costs | 3,152,045.94 | 2,608,032.23 | 544,013.71 | 20.9% |
| Membership Dues | 118,327.51 | - | 118,327.51 | 100.0% |
| Registration Fees/Meetings/Conferences | 59,289.94 | - | 59,289.94 | 100.0% |
| Cost of Goods Sold | - | 2,646.02 | (2,646.02) | -100.0% |
| Professional Fees and Services | 1,006,889.02 | 420,597.04 | 586,291.98 | 139.4% |
| Other Contracted Services | 1,570,125.75 | 807,873.24 | 762,252.51 | 94.4% |
| Fees and Other Charges | 13,147.68 | - | 13,147.68 | 100.0% |
| Travel | 619,023.05 | 476,286.82 | 142,736.23 | 30.0% |
| Materials and Supplies | 2,686,480.90 | 1,895,599.81 | 790,881.09 | 41.7% |
| Utilities | 722,795.75 | 621,991.95 | 100,803.80 | 16.2% |
| Communications | 153,996.94 | 220,619.44 | (66,622.50) | -30.2% |
| Repairs and Maintenance | 286,826.69 | 27,971.14 | 258,855.55 | 925.4% |
| Rentals and Leases | 240,476.40 | 111,918.75 | 128,557.65 | 114.9% |
| Printing and Reproduction | 53,150.51 | 59,116.51 | (5,966.00) | -10.1% |
| Royalty Payments | 600.00 | - | 600.00 | 100.0% |
| Bad Debt Expense | 1,898.85 | - | 1,898.85 | 100.0% |
| Insurance Costs/Premiums | 162,971.98 | - | 162,971.98 | 100.0% |
| Scholarships and Fellowships | 1,592,113.17 | 2,429,030.49 | (836,917.32) | -34.5% |
| Depreciation and Amortization | 4,656,745.04 | 4,655,000.00 | 1,745.04 | - |
| Federal Sponsored Program Pass-Through to Other State Agencies | (45,152.53) | (44,024.12) | (1,128.41) | -2.6% |
| Other Operating Expenses | (59,631.52) | 392,522.22 | (452,153.74) | -115.2% |
| **Total Operating Expenses** | **28,968,205.83** | **25,777,750.18** | **3,190,455.65** | **12.4%** |
| **Operating Loss** | **(17,118,082.74)** | **(13,868,552.27)** | **(3,249,530.47)** | **-23.4%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 14,004,884.00 | 12,048,561.33 | 1,956,322.67 | 16.2% |
| Nonexchange Sponsored Programs | 3,310,175.92 | 863,747.88 | 2,446,428.04 | 283.2% |
| Gift Contributions for Operations | 917,420.61 | 496,801.61 | 420,619.00 | 84.7% |
| Net Investment Income | 770,428.60 | 1,310,297.82 | (539,869.22) | -41.2% |
| Interest Expense on Capital Asset Financings | (2,766,851.40) | (1,770,507.64) | (996,343.76) | -56.3% |
| **Net Other Nonoperating Adjustments** | **16,236,057.73** | **12,948,901.00** | **3,287,156.73** | **25.4%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(882,025.01)** | **(919,651.27)** | **37,626.26** | **4.1%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-2.9%** | **-3.5%** | | |
| Investment Gain (Losses) | 82,158.26 | (1,494,737.84) | 1,576,896.10 | 105.5% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(799,866.75)** | **(2,414,389.11)** | **1,614,522.36** | **66.9%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-2.6%** | **-9.6%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **3,774,720.03** | **3,735,348.73** | **39,371.30** | **1.1%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **12.2%** | **14.0%** | | |

UNAUDITED

The University of Texas Rio Grande Valley
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 38,876,181.35 | 39,113,271.00 | (237,089.65) | -0.6% |
| Sponsored Programs | 30,546,125.63 | 27,001,222.12 | 3,544,903.51 | 13.1% |
| Net Sales and Services of Educational Activities | 2,394,049.39 | 2,146,246.77 | 247,802.62 | 11.5% |
| Net Professional Fees | 1,727,669.43 | - | 1,727,669.43 | 100.0% |
| Net Auxiliary Enterprises | 4,402,260.44 | 2,926,855.73 | 1,475,404.71 | 50.4% |
| Other Operating Revenues | 4,604,781.65 | 460,953.99 | 4,143,827.66 | 899.0% |
| **Total Operating Revenues** | **82,551,067.89** | **71,648,549.61** | **10,902,518.28** | **15.2%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 71,850,260.44 | 64,949,419.40 | 6,900,841.04 | 10.6% |
| Payroll Related Costs | 20,690,828.50 | 16,826,746.13 | 3,864,082.37 | 23.0% |
| Membership Dues | 503,207.23 | - | 503,207.23 | 100.0% |
| Registration Fees/Meetings/Conferences | 224,558.80 | - | 224,558.80 | 100.0% |
| Cost of Goods Sold | 97,288.53 | 139,098.38 | (41,809.85) | -30.1% |
| Professional Fees and Services | 435,131.32 | 407,190.40 | 27,940.92 | 6.9% |
| Other Contracted Services | 6,466,799.90 | 1,919,781.75 | 4,547,018.15 | 236.9% |
| Fees and Other Charges | 865,078.32 | - | 865,078.32 | 100.0% |
| Travel | 2,067,408.46 | 2,047,644.87 | 19,763.59 | 1.0% |
| Materials and Supplies | 6,249,068.74 | 3,245,728.20 | 3,003,340.54 | 92.5% |
| Utilities | 2,571,401.36 | 2,848,708.74 | (277,307.38) | -9.7% |
| Communications | 224,099.65 | 54,429.88 | 169,669.77 | 311.7% |
| Repairs and Maintenance | 2,970,329.09 | 1,952,895.85 | 1,017,433.24 | 52.1% |
| Rentals and Leases | 1,808,963.98 | 1,548,911.54 | 260,052.44 | 16.8% |
| Printing and Reproduction | 203,725.64 | 206,291.32 | (2,565.68) | -1.2% |
| Bad Debt Expense | 14,593.34 | 4,700.38 | 9,892.96 | 210.5% |
| Insurance Costs/Premiums | 160,749.33 | - | 160,749.33 | 100.0% |
| Scholarships and Fellowships | 5,530,757.18 | 8,350,179.44 | (2,819,422.26) | -33.8% |
| Depreciation and Amortization | 13,038,816.97 | 12,285,812.51 | 753,004.46 | 6.1% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 214,576.20 | 86,865.11 | 127,711.09 | 147.0% |
| Other Operating Expenses | 1,737,231.31 | 2,198,921.69 | (461,690.38) | -21.0% |
| **Total Operating Expenses** | **137,924,874.29** | **119,073,325.59** | **18,851,548.70** | **15.8%** |
| **Operating Loss** | **(55,373,806.40)** | **(47,424,775.98)** | **(7,949,030.42)** | **-16.8%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 52,549,146.67 | 51,375,239.00 | 1,173,907.67 | 2.3% |
| Nonexchange Sponsored Programs | 1,329,711.96 | 2,037,785.41 | (708,073.45) | -34.7% |
| Gift Contributions for Operations | 2,796,636.24 | 932,117.76 | 1,864,518.48 | 200.0% |
| Net Investment Income | 2,540,901.25 | 2,203,277.94 | 337,623.31 | 15.3% |
| Interest Expense on Capital Asset Financings | (3,041,179.56) | (2,105,947.92) | (935,231.64) | -44.4% |
| **Net Other Nonoperating Adjustments** | **56,175,216.56** | **54,442,472.19** | **1,732,744.37** | **3.2%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **801,410.16** | **7,017,696.21** | **(6,216,286.05)** | **-88.6%** |
| **Adjusted Margin % including Depreciation & Amortization** | **0.6%** | **5.5%** | | |
| Investment Gain (Losses) | (1,426,891.66) | (1,811,600.18) | 384,708.52 | 21.2% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(625,481.50)** | **5,206,096.03** | **(5,831,577.53)** | **-112.0%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-0.4%** | **4.1%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **13,840,227.13** | **19,303,508.72** | **(5,463,281.59)** | **-28.3%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **9.8%** | **15.1%** | | |

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 64,627,445.07 | 63,391,447.92 | 1,235,997.15 | 1.9% |
| Sponsored Programs | 24,287,711.66 | 19,922,671.52 | 4,365,040.14 | 21.9% |
| Net Sales and Services of Educational Activities | 3,681,939.95 | 4,912,855.40 | (1,230,915.45) | -25.1% |
| Net Auxiliary Enterprises | 14,672,299.83 | 15,071,303.43 | (399,003.60) | -2.6% |
| Other Operating Revenues | 1,789,355.67 | 1,426,292.44 | 363,063.23 | 25.5% |
| **Total Operating Revenues** | **109,058,752.18** | **104,724,570.71** | **4,334,181.47** | **4.1%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 83,449,080.01 | 78,982,112.37 | 4,466,967.64 | 5.7% |
| Payroll Related Costs | 21,863,658.96 | 20,535,349.22 | 1,328,309.74 | 6.5% |
| Membership Dues | 357,752.18 | - | 357,752.18 | 100.0% |
| Registration Fees/Meetings/Conferences | 353,953.42 | - | 353,953.42 | 100.0% |
| Cost of Goods Sold | 133,333.33 | 133,333.36 | (0.03) | - |
| Professional Fees and Services | 2,203,985.51 | 2,102,546.13 | 101,439.38 | 4.8% |
| Other Contracted Services | 4,542,127.01 | 4,963,281.65 | (421,154.64) | -8.5% |
| Fees and Other Charges | 369,660.79 | - | 369,660.79 | 100.0% |
| Travel | 3,696,727.94 | 3,311,762.55 | 384,965.39 | 11.6% |
| Materials and Supplies | 8,486,191.04 | 11,011,491.49 | (2,525,300.45) | -22.9% |
| Utilities | 4,200,695.33 | 2,958,115.67 | 1,242,579.66 | 42.0% |
| Communications | 1,108,275.60 | 1,005,782.70 | 102,492.90 | 10.2% |
| Repairs and Maintenance | 3,126,214.77 | 2,265,818.39 | 860,396.38 | 38.0% |
| Rentals and Leases | 678,331.48 | 763,146.36 | (84,814.88) | -11.1% |
| Printing and Reproduction | 452,879.20 | 401,687.88 | 51,191.32 | 12.7% |
| Royalty Payments | 3,333.33 | - | 3,333.33 | 100.0% |
| Bad Debt Expense | 67,003.10 | 78,400.94 | (11,397.84) | -14.5% |
| Insurance Costs/Premiums | 91,924.06 | - | 91,924.06 | 100.0% |
| Scholarships and Fellowships | 16,593,474.20 | 14,546,741.01 | 2,046,733.19 | 14.1% |
| Depreciation and Amortization | 16,015,468.93 | 15,905,168.30 | 110,300.63 | 0.7% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 460,729.80 | 347,360.42 | 113,369.38 | 32.6% |
| Other Operating Expenses | 3,727,190.29 | 5,056,325.55 | (1,329,135.26) | -26.3% |
| **Total Operating Expenses** | **171,981,990.28** | **164,368,423.99** | **7,613,566.29** | **4.6%** |
| **Operating Loss** | **(62,923,238.10)** | **(59,643,853.28)** | **(3,279,384.82)** | **-5.5%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 41,658,029.33 | 41,696,127.33 | (38,098.00) | -0.1% |
| Nonexchange Sponsored Programs | 16,324,500.00 | 17,083,315.00 | (758,815.00) | -4.4% |
| Gift Contributions for Operations | 2,666,666.67 | 2,666,666.67 | - | - |
| Net Investment Income | 4,662,190.09 | 6,041,232.39 | (1,379,042.30) | -22.8% |
| Interest Expense on Capital Asset Financings | (5,749,901.72) | (4,906,598.68) | (843,303.04) | -17.2% |
| **Net Other Nonoperating Adjustments** | **59,561,484.37** | **62,580,742.71** | **(3,019,258.34)** | **-4.8%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(3,361,753.73)** | **2,936,889.43** | **(6,298,643.16)** | **-214.5%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-1.9%** | **1.7%** | | |
| Investment Gain (Losses) | 9,085,255.39 | (10,541,164.59) | 19,626,419.98 | 186.2% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **5,723,501.66** | **(7,604,275.16)** | **13,327,776.82** | **175.3%** |
| **Adj. Margin % with Investment Gains (Losses)** | **3.1%** | **-4.7%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **12,653,715.20** | **18,842,057.73** | **(6,188,342.53)** | **-32.8%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **7.3%** | **10.9%** | | |

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 15,551,600.00 | 13,549,239.92 | 2,002,360.08 | 14.8% |
| Sponsored Programs | 3,455,765.54 | 3,818,906.46 | (363,140.92) | -9.5% |
| Net Sales and Services of Educational Activities | 5,307,289.99 | 3,498,527.46 | 1,808,762.53 | 51.7% |
| Net Auxiliary Enterprises | 2,971,332.00 | 2,827,804.00 | 143,528.00 | 5.1% |
| Other Operating Revenues | 59,548.77 | 196,143.92 | (136,595.15) | -69.6% |
| **Total Operating Revenues** | **27,345,536.30** | **23,890,621.76** | **3,454,914.54** | **14.5%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 23,862,253.23 | 22,460,963.87 | 1,401,289.36 | 6.2% |
| Payroll Related Costs | 6,245,473.63 | 5,351,511.53 | 893,962.10 | 16.7% |
| Membership Dues | 109,570.97 | - | 109,570.97 | 100.0% |
| Registration Fees/Meetings/Conferences | 112,476.79 | - | 112,476.79 | 100.0% |
| Cost of Goods Sold | 5,545.43 | 7,341.29 | (1,795.86) | -24.5% |
| Professional Fees and Services | 1,014,226.41 | 722,464.35 | 291,762.06 | 40.4% |
| Other Contracted Services | 2,443,089.07 | 2,038,904.11 | 404,184.96 | 19.8% |
| Fees and Other Charges | 101,667.73 | - | 101,667.73 | 100.0% |
| Travel | 648,289.95 | 662,047.02 | (13,757.07) | -2.1% |
| Materials and Supplies | 3,036,106.16 | 3,374,698.85 | (338,592.69) | -10.0% |
| Utilities | 804,060.19 | 769,585.08 | 34,475.11 | 4.5% |
| Communications | 239,207.43 | 179,508.44 | 59,698.99 | 33.3% |
| Repairs and Maintenance | 972,171.25 | 909,646.98 | 62,524.27 | 6.9% |
| Rentals and Leases | 171,676.21 | 231,019.10 | (59,342.89) | -25.7% |
| Printing and Reproduction | 384,017.64 | 508,669.69 | (124,652.05) | -24.5% |
| Insurance Costs/Premiums | 51,341.92 | - | 51,341.92 | 100.0% |
| Scholarships and Fellowships | 2,099,408.00 | 892,701.56 | 1,206,706.44 | 135.2% |
| Depreciation and Amortization | 5,000,000.00 | 4,538,334.48 | 461,665.52 | 10.2% |
| Other Operating Expenses | 845,486.83 | 1,315,009.69 | (469,522.86) | -35.7% |
| **Total Operating Expenses** | **48,146,068.84** | **43,962,406.04** | **4,183,662.80** | **9.5%** |
| **Operating Loss** | **(20,800,532.54)** | **(20,071,784.28)** | **(728,748.26)** | **-3.6%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 14,834,888.00 | 13,282,016.00 | 1,552,872.00 | 11.7% |
| Nonexchange Sponsored Programs | 3,711,760.00 | 3,294,836.00 | 416,924.00 | 12.7% |
| Gift Contributions for Operations | 607,339.16 | 963,853.76 | (356,514.60) | -37.0% |
| Net Investment Income | 1,460,772.57 | 1,344,661.03 | 116,111.54 | 8.6% |
| Interest Expense on Capital Asset Financings | (2,409,419.72) | (1,323,093.76) | (1,086,325.96) | -82.1% |
| **Net Other Nonoperating Adjustments** | **18,205,340.01** | **17,562,273.03** | **643,066.98** | **3.7%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(2,595,192.53)** | **(2,509,511.25)** | **(85,681.28)** | **-3.4%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-5.4%** | **-5.9%** | | |
| Investment Gain (Losses) | (395,850.03) | (2,486,580.92) | 2,090,730.89 | 84.1% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(2,991,042.56)** | **(4,996,092.17)** | **2,005,049.61** | **40.1%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-6.3%** | **-12.4%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **2,404,807.47** | **2,028,823.23** | **375,984.24** | **18.5%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **5.0%** | **4.7%** | | |

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 7,865,897.20 | 7,575,771.73 | 290,125.47 | 3.8% |
| Sponsored Programs | 191,646,749.52 | 187,581,220.43 | 4,065,529.09 | 2.2% |
| Net Sales and Services of Educational Activities | 4,227,973.15 | 4,360,371.78 | (132,398.63) | -3.0% |
| Net Sales and Services of Hospitals | 361,079,448.26 | 353,114,026.61 | 7,965,421.65 | 2.3% |
| Net Professional Fees | 204,601,890.21 | 175,392,642.33 | 29,209,247.88 | 16.7% |
| Net Auxiliary Enterprises | 10,362,037.00 | 10,157,190.55 | 204,846.45 | 2.0% |
| Other Operating Revenues | 21,046,011.18 | 20,658,369.43 | 387,641.75 | 1.9% |
| **Total Operating Revenues** | **800,830,006.52** | **758,839,592.86** | **41,990,413.66** | **5.5%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 460,274,969.33 | 426,930,310.49 | 33,344,658.84 | 7.8% |
| Payroll Related Costs | 121,282,255.49 | 111,524,550.88 | 9,757,704.61 | 8.7% |
| Membership Dues | 1,404,067.36 | - | 1,404,067.36 | 100.0% |
| Registration Fees/Meetings/Conferences | 1,897,517.82 | - | 1,897,517.82 | 100.0% |
| Cost of Goods Sold | 2,538,022.33 | 2,339,620.37 | 198,401.96 | 8.5% |
| Professional Fees and Services | 19,494,107.05 | 22,353,726.41 | (2,859,619.36) | -12.8% |
| Other Contracted Services | 39,983,474.57 | 43,520,858.65 | (3,537,384.08) | -8.1% |
| Fees and Other Charges | 2,267,673.96 | - | 2,267,673.96 | 100.0% |
| Travel | 4,127,940.03 | 4,131,423.84 | (3,483.81) | -0.1% |
| Materials and Supplies | 137,734,358.33 | 122,499,747.71 | 15,234,610.62 | 12.4% |
| Utilities | 7,781,935.74 | 8,870,980.18 | (1,089,044.44) | -12.3% |
| Communications | 4,708,736.48 | 3,923,764.38 | 784,972.10 | 20.0% |
| Repairs and Maintenance | 5,606,490.70 | 4,408,711.62 | 1,197,779.08 | 27.2% |
| Rentals and Leases | 3,033,112.53 | 2,716,251.29 | 316,861.24 | 11.7% |
| Printing and Reproduction | 732,961.89 | 967,907.20 | (234,945.31) | -24.3% |
| Royalty Payments | 796,466.40 | - | 796,466.40 | 100.0% |
| Insurance Costs/Premiums | 764,384.88 | - | 764,384.88 | 100.0% |
| Scholarships and Fellowships | 616,810.08 | 455,186.75 | 161,623.33 | 35.5% |
| Depreciation and Amortization | 54,168,645.66 | 52,410,358.55 | 1,758,287.11 | 3.4% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 563,347.12 | 872,022.07 | (308,674.95) | -35.4% |
| Other Operating Expenses | (2,111,430.57) | 17,361,177.86 | (19,472,608.43) | -112.2% |
| **Total Operating Expenses** | **867,665,847.18** | **825,286,598.25** | **42,379,248.93** | **5.1%** |
| **Operating Loss** | **(66,835,840.66)** | **(66,447,005.39)** | **(388,835.27)** | **-0.6%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 64,510,631.00 | 61,916,599.00 | 2,594,032.00 | 4.2% |
| Gift Contributions for Operations | 947,903.77 | 29,210,039.93 | (28,262,136.16) | -96.8% |
| Net Investment Income | 45,395,535.53 | 33,563,599.42 | 11,831,936.11 | 35.3% |
| Interest Expense on Capital Asset Financings | (11,203,420.52) | (10,202,050.40) | (1,001,370.12) | -9.8% |
| **Net Other Nonoperating Adjustments** | **99,650,649.78** | **114,488,187.95** | **(14,837,538.17)** | **-13.0%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **32,814,809.12** | **48,041,182.56** | **(15,226,373.44)** | **-31.7%** |
| **Adjusted Margin % including Depreciation & Amortization** | **3.6%** | **5.4%** | | |
| Investment Gain (Losses) | (20,542,423.42) | (61,272,771.52) | 40,730,348.10 | 66.5% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **12,272,385.70** | **(13,231,588.96)** | **25,503,974.66** | **192.8%** |
| **Adj. Margin % with Investment Gains (Losses)** | **1.4%** | **-1.6%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **86,983,454.78** | **100,451,541.11** | **(13,468,086.33)** | **-13.4%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **9.5%** | **11.4%** | | |

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 13,207,868.23 | 12,467,620.23 | 740,248.00 | 5.9% |
| Sponsored Programs | 61,054,855.24 | 59,814,351.14 | 1,240,504.10 | 2.1% |
| Net Sales and Services of Educational Activities | 7,265,446.81 | 5,895,506.86 | 1,369,939.95 | 23.2% |
| Net Sales and Services of Hospitals | 364,930,316.31 | 329,196,351.65 | 35,733,964.66 | 10.9% |
| Net Professional Fees | 64,235,716.14 | 56,118,505.54 | 8,117,210.60 | 14.5% |
| Net Auxiliary Enterprises | 3,986,596.31 | 3,115,615.45 | 870,980.86 | 28.0% |
| Other Operating Revenues | 23,223,305.21 | 19,353,538.88 | 3,869,766.33 | 20.0% |
| **Total Operating Revenues** | **537,904,104.25** | **485,961,489.75** | **51,942,614.50** | **10.7%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 342,783,185.66 | 317,285,307.66 | 25,497,878.00 | 8.0% |
| Payroll Related Costs | 92,167,235.60 | 84,673,390.80 | 7,493,844.80 | 8.9% |
| Membership Dues | 707,403.94 | - | 707,403.94 | 100.0% |
| Registration Fees/Meetings/Conferences | 951,740.00 | - | 951,740.00 | 100.0% |
| Cost of Goods Sold | 31,737,218.29 | 29,394,233.10 | 2,342,985.19 | 8.0% |
| Professional Fees and Services | 12,247,054.40 | 11,309,366.77 | 937,687.63 | 8.3% |
| Other Contracted Services | 38,129,588.81 | 38,423,539.53 | (293,950.72) | -0.8% |
| Fees and Other Charges | 412,436.99 | - | 412,436.99 | 100.0% |
| Travel | 2,664,601.79 | 2,617,065.35 | 47,536.44 | 1.8% |
| Materials and Supplies | 50,975,546.51 | 49,854,492.19 | 1,121,054.32 | 2.2% |
| Utilities | 12,250,052.52 | 12,716,139.40 | (466,086.88) | -3.7% |
| Communications | 3,398,965.13 | 3,267,384.90 | 131,580.23 | 4.0% |
| Repairs and Maintenance | 15,240,527.47 | 16,085,430.90 | (844,903.43) | -5.3% |
| Rentals and Leases | 8,736,113.24 | 8,809,760.52 | (73,647.28) | -0.8% |
| Printing and Reproduction | 475,603.71 | 527,543.26 | (51,939.55) | -9.8% |
| Royalty Payments | 800,199.91 | - | 800,199.91 | 100.0% |
| Insurance Costs/Premiums | 3,586,540.09 | - | 3,586,540.09 | 100.0% |
| Scholarships and Fellowships | 4,129,844.08 | 2,952,884.56 | 1,176,959.52 | 39.9% |
| Depreciation and Amortization | 50,086,272.71 | 35,427,137.61 | 14,659,135.10 | 41.4% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 136,889.07 | 166,463.64 | (29,574.57) | -17.8% |
| Other Operating Expenses | 4,653,024.73 | 8,728,118.69 | (4,075,093.96) | -46.7% |
| **Total Operating Expenses** | **676,270,044.65** | **622,238,258.88** | **54,031,785.77** | **8.7%** |
| **Operating Loss** | **(138,365,940.40)** | **(136,276,769.13)** | **(2,089,171.27)** | **-1.5%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 125,023,748.17 | 120,540,641.10 | 4,483,107.07 | 3.7% |
| Nonexchange Sponsored Programs | 339,761.00 | 398,969.20 | (59,208.20) | -14.8% |
| Gift Contributions for Operations | 3,286,909.08 | 2,827,289.29 | 459,619.79 | 16.3% |
| Net Investment Income | 15,342,353.48 | 15,034,177.08 | 308,176.40 | 2.0% |
| Interest Expense on Capital Asset Financings | (7,224,779.68) | (2,468,857.04) | (4,755,922.64) | -192.6% |
| **Net Other Nonoperating Adjustments** | **136,767,992.05** | **136,332,219.63** | **435,772.42** | **0.3%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(1,597,948.35)** | **55,450.50** | **(1,653,398.85)** | **-2,981.8%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-0.2%** | **-** | | |
| Investment Gain (Losses) | (3,699,721.15) | (18,722,501.28) | 15,022,780.13 | 80.2% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(5,297,669.50)** | **(18,667,050.78)** | **13,369,381.28** | **71.6%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-0.8%** | **-3.1%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **48,488,324.36** | **35,482,588.11** | **13,005,736.25** | **36.7%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **7.1%** | **5.7%** | | |

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 19,954,212.83 | 18,889,864.87 | 1,064,347.96 | 5.6% |
| Sponsored Programs | 239,669,958.34 | 234,510,013.63 | 5,159,944.71 | 2.2% |
| Net Sales and Services of Educational Activities | 11,114,707.13 | 12,507,083.04 | (1,392,375.91) | -11.1% |
| Net Sales and Services of Hospitals | 23,373,170.32 | 25,779,686.54 | (2,406,516.22) | -9.3% |
| Net Professional Fees | 116,680,455.79 | 111,645,942.82 | 5,034,512.97 | 4.5% |
| Net Auxiliary Enterprises | 9,437,165.24 | 9,300,969.91 | 136,195.33 | 1.5% |
| Other Operating Revenues | 5,410,339.52 | 4,157,975.29 | 1,252,364.23 | 30.1% |
| **Total Operating Revenues** | **425,640,009.17** | **416,791,536.10** | **8,848,473.07** | **2.1%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 303,128,891.10 | 275,303,857.18 | 27,825,033.92 | 10.1% |
| Payroll Related Costs | 62,209,702.68 | 58,955,235.74 | 3,254,466.94 | 5.5% |
| Membership Dues | 496,985.00 | - | 496,985.00 | 100.0% |
| Registration Fees/Meetings/Conferences | 940,641.00 | - | 940,641.00 | 100.0% |
| Cost of Goods Sold | 6,807,058.12 | 8,469,200.96 | (1,662,142.84) | -19.6% |
| Professional Fees and Services | 21,351,111.66 | 24,025,469.45 | (2,674,357.79) | -11.1% |
| Other Contracted Services | 26,101,845.25 | 25,403,395.76 | 698,449.49 | 2.7% |
| Fees and Other Charges | 4,090,053.00 | - | 4,090,053.00 | 100.0% |
| Travel | 3,814,459.99 | 3,537,262.33 | 277,197.66 | 7.8% |
| Materials and Supplies | 18,872,245.64 | 19,009,533.46 | (137,287.82) | -0.7% |
| Utilities | 5,809,670.72 | 5,773,480.29 | 36,190.43 | 0.6% |
| Communications | 2,180,730.51 | 1,861,923.02 | 318,807.49 | 17.1% |
| Repairs and Maintenance | 4,883,210.83 | 5,046,911.72 | (163,700.89) | -3.2% |
| Rentals and Leases | 11,560,559.45 | 11,516,086.99 | 44,472.46 | 0.4% |
| Printing and Reproduction | 2,163,284.81 | 2,010,184.29 | 153,100.52 | 7.6% |
| Royalty Payments | 622,222.00 | - | 622,222.00 | 100.0% |
| Insurance Costs/Premiums | 2,801,875.00 | - | 2,801,875.00 | 100.0% |
| Scholarships and Fellowships | 1,515,624.21 | 2,217,951.90 | (702,327.69) | -31.7% |
| Depreciation and Amortization | 20,418,997.65 | 20,490,496.14 | (71,498.49) | -0.3% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 2,076,560.76 | 2,024,206.42 | 52,354.34 | 2.6% |
| Other Operating Expenses | 5,985,968.10 | 13,564,942.23 | (7,578,974.13) | -55.9% |
| **Total Operating Expenses** | **507,831,697.48** | **479,210,137.88** | **28,621,559.60** | **6.0%** |
| **Operating Loss** | **(82,191,688.31)** | **(62,418,601.78)** | **(19,773,086.53)** | **-31.7%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 72,277,060.33 | 68,282,357.96 | 3,994,702.37 | 5.9% |
| Nonexchange Sponsored Programs | 34,648.21 | 66,593.00 | (31,944.79) | -48.0% |
| Gift Contributions for Operations | 9,161,387.22 | 7,310,072.87 | 1,851,314.35 | 25.3% |
| Net Investment Income | 11,730,597.66 | 10,839,266.53 | 891,331.13 | 8.2% |
| Interest Expense on Capital Asset Financings | (4,752,668.24) | (3,629,811.24) | (1,122,857.00) | -30.9% |
| **Net Other Nonoperating Adjustments** | **88,451,025.18** | **82,868,479.12** | **5,582,546.06** | **6.7%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **6,259,336.87** | **20,449,877.34** | **(14,190,540.47)** | **-69.4%** |
| **Adjusted Margin % including Depreciation & Amortization** | **1.2%** | **4.1%** | | |
| Investment Gain (Losses) | (4,759,208.14) | (18,200,989.88) | 13,441,781.74 | 73.9% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **1,500,128.73** | **2,248,887.46** | **(748,758.73)** | **-33.3%** |
| **Adj. Margin % with Investment Gains (Losses)** | **0.3%** | **0.5%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **26,678,334.52** | **40,940,373.48** | **(14,262,038.96)** | **-34.8%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **5.1%** | **8.1%** | | |

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 13,474,659.33 | 12,838,925.67 | 635,733.66 | 5.0% |
| Sponsored Programs | 96,759,252.64 | 100,379,347.55 | (3,620,094.91) | -3.6% |
| Net Sales and Services of Educational Activities | 8,064,462.46 | 8,427,358.68 | (362,896.22) | -4.3% |
| Net Professional Fees | 59,939,329.72 | 62,462,310.49 | (2,522,980.77) | -4.0% |
| Net Auxiliary Enterprises | 1,762,105.97 | 1,762,107.17 | (1.20) | - |
| Other Operating Revenues | 3,369,666.23 | 4,197,728.18 | (828,061.95) | -19.7% |
| **Total Operating Revenues** | **183,369,476.35** | **190,067,777.74** | **(6,698,301.39)** | **-3.5%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 146,572,752.29 | 139,997,432.55 | 6,575,319.74 | 4.7% |
| Payroll Related Costs | 38,567,694.58 | 36,741,297.00 | 1,826,397.58 | 5.0% |
| Membership Dues | 1,465,074.75 | - | 1,465,074.75 | 100.0% |
| Registration Fees/Meetings/Conferences | 2,498,122.45 | - | 2,498,122.45 | 100.0% |
| Professional Fees and Services | 7,676,595.82 | 7,236,672.78 | 439,923.04 | 6.1% |
| Other Contracted Services | 4,769,899.17 | 6,200,080.87 | (1,430,181.70) | -23.1% |
| Fees and Other Charges | 711,977.87 | - | 711,977.87 | 100.0% |
| Travel | 1,598,736.82 | 1,495,604.83 | 103,131.99 | 6.9% |
| Materials and Supplies | 14,464,951.88 | 14,117,609.13 | 347,342.75 | 2.5% |
| Utilities | 6,192,230.00 | 6,198,856.00 | (6,626.00) | -0.1% |
| Communications | 5,446,534.57 | 3,262,233.97 | 2,184,300.60 | 67.0% |
| Repairs and Maintenance | 2,409,385.87 | 1,830,612.29 | 578,773.58 | 31.6% |
| Rentals and Leases | 1,503,166.72 | 1,934,826.59 | (431,659.87) | -22.3% |
| Printing and Reproduction | 722,418.20 | 545,347.71 | 177,070.49 | 32.5% |
| Royalty Payments | 15,562.01 | - | 15,562.01 | 100.0% |
| Insurance Costs/Premiums | 319,145.56 | - | 319,145.56 | 100.0% |
| Scholarships and Fellowships | 3,574,133.99 | 2,545,705.17 | 1,028,428.82 | 40.4% |
| Depreciation and Amortization | 17,333,333.33 | 17,666,666.67 | (333,333.34) | -1.9% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 583,333.33 | 516,666.67 | 66,666.66 | 12.9% |
| Other Operating Expenses | 7,587,144.70 | 12,193,445.09 | (4,606,300.39) | -37.8% |
| **Total Operating Expenses** | **264,012,193.91** | **252,483,057.32** | **11,529,136.59** | **4.6%** |
| **Operating Loss** | **(80,642,717.56)** | **(62,415,279.58)** | **(18,227,437.98)** | **-29.2%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 57,865,588.00 | 56,206,379.33 | 1,659,208.67 | 3.0% |
| Nonexchange Sponsored Programs | 416,666.67 | 433,333.33 | (16,666.66) | -3.8% |
| Gift Contributions for Operations | 19,242,620.68 | 9,595,327.61 | 9,647,293.07 | 100.5% |
| Net Investment Income | 13,064,438.70 | 12,527,591.63 | 536,847.07 | 4.3% |
| Interest Expense on Capital Asset Financings | (3,881,164.56) | (2,737,624.28) | (1,143,540.28) | -41.8% |
| **Net Other Nonoperating Adjustments** | **86,708,149.49** | **76,025,007.62** | **10,683,141.87** | **14.1%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **6,065,431.93** | **13,609,728.04** | **(7,544,296.11)** | **-55.4%** |
| **Adjusted Margin % including Depreciation & Amortization** | **2.2%** | **5.1%** | | |
| Investment Gain (Losses) | (3,227,808.59) | (23,215,099.41) | 19,987,290.82 | 86.1% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **2,837,623.34** | **(9,605,371.37)** | **12,442,994.71** | **129.5%** |
| **Adj. Margin % with Investment Gains (Losses)** | **1.0%** | **-3.9%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **23,398,765.26** | **31,276,394.71** | **(7,877,629.45)** | **-25.2%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **8.5%** | **11.6%** | | |

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 1,417,317.43 | 536,673.68 | 880,643.75 | 164.1% |
| Sponsored Programs | 103,548,583.25 | 96,795,264.11 | 6,753,319.14 | 7.0% |
| Net Sales and Services of Educational Activities | 960,131.97 | 907,279.55 | 52,852.42 | 5.8% |
| Net Sales and Services of Hospitals | 985,867,313.38 | 1,108,916,721.32 | (123,049,407.94) | -11.1% |
| Net Professional Fees | 130,002,848.13 | 138,249,731.53 | (8,246,883.40) | -6.0% |
| Net Auxiliary Enterprises | 14,773,469.91 | 14,012,694.35 | 760,775.56 | 5.4% |
| Other Operating Revenues | 27,049,860.91 | 29,341,421.97 | (2,291,561.06) | -7.8% |
| **Total Operating Revenues** | **1,263,619,524.98** | **1,388,759,786.51** | **(125,140,261.53)** | **-9.0%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 649,149,956.95 | 613,818,280.22 | 35,331,676.73 | 5.8% |
| Payroll Related Costs | 190,536,829.50 | 175,912,288.19 | 14,624,541.31 | 8.3% |
| Membership Dues | 2,088,231.25 | - | 2,088,231.25 | 100.0% |
| Registration Fees/Meetings/Conferences | 1,364,390.29 | - | 1,364,390.29 | 100.0% |
| Cost of Goods Sold | 690,398.62 | 965,947.39 | (275,548.77) | -28.5% |
| Professional Fees and Services | 53,210,160.48 | 63,756,128.85 | (10,545,968.37) | -16.5% |
| Other Contracted Services | 41,874,808.67 | 44,097,656.45 | (2,222,847.78) | -5.0% |
| Fees and Other Charges | 5,000,792.79 | - | 5,000,792.79 | 100.0% |
| Travel | 6,651,319.32 | 11,051,425.41 | (4,400,106.09) | -39.8% |
| Materials and Supplies | 278,016,604.77 | 276,128,981.20 | 1,887,623.57 | 0.7% |
| Utilities | 15,524,653.33 | 15,218,845.63 | 305,807.70 | 2.0% |
| Communications | 4,712,550.84 | 3,366,496.80 | 1,346,054.04 | 40.0% |
| Repairs and Maintenance | 36,662,335.77 | 31,488,312.16 | 5,174,023.61 | 16.4% |
| Rentals and Leases | 14,742,069.65 | 14,711,338.16 | 30,731.49 | 0.2% |
| Printing and Reproduction | 1,826,523.43 | 1,594,122.47 | 232,400.96 | 14.6% |
| Royalty Payments | 246,114.91 | - | 246,114.91 | 100.0% |
| Insurance Costs/Premiums | 2,814,331.90 | - | 2,814,331.90 | 100.0% |
| Scholarships and Fellowships | 1,363,079.80 | 1,911,410.88 | (548,331.08) | -28.7% |
| Depreciation and Amortization | 126,669,712.16 | 113,842,154.11 | 12,827,558.05 | 11.3% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 19,329.52 | 101,455.63 | (82,126.11) | -80.9% |
| State Sponsored Program Pass-Through to Other State Agencies | 552,365.42 | 178,213.22 | 374,152.20 | 209.9% |
| Other Operating Expenses | 3,728,525.68 | 11,298,736.16 | (7,570,210.48) | -67.0% |
| **Total Operating Expenses** | **1,437,445,085.05** | **1,379,441,792.93** | **58,003,292.12** | **4.2%** |
| **Operating Loss** | **(173,825,560.07)** | **9,317,993.58** | **(183,143,553.65)** | **-1,965.5%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 69,765,964.43 | 67,334,312.96 | 2,431,651.47 | 3.6% |
| Nonexchange Sponsored Programs | 1,211,499.88 | 1,495,987.88 | (284,488.00) | -19.0% |
| Gift Contributions for Operations | 52,235,534.23 | 61,079,677.20 | (8,844,142.97) | -14.5% |
| Net Investment Income | 39,288,804.75 | 36,176,660.81 | 3,112,143.94 | 8.6% |
| Interest Expense on Capital Asset Financings | (11,881,844.80) | (11,317,334.40) | (564,510.40) | -5.0% |
| **Net Other Nonoperating Adjustments** | **150,619,958.49** | **154,769,304.45** | **(4,149,345.96)** | **-2.7%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(23,205,601.58)** | **164,087,298.03** | **(187,292,899.61)** | **-114.1%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-1.6%** | **10.6%** | | |
| Investment Gain (Losses) | (28,344,428.01) | (1,492,578.33) | (26,851,849.68) | -1,799.0% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(51,550,029.59)** | **162,594,719.70** | **(214,144,749.29)** | **-131.7%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-3.7%** | **10.5%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **103,464,110.58** | **277,929,452.14** | **(174,465,341.56)** | **-62.8%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **7.3%** | **17.9%** | | |

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2016

| | December Year-to-Date FY 2017 | December Year-to-Date FY 2016 | Variance | Fluctuation Percentage |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Net Student Tuition and Fees | 32,016.32 | 44,803.22 | (12,786.90) | -28.5% |
| Sponsored Programs | 9,561,001.58 | 8,272,766.67 | 1,288,234.91 | 15.6% |
| Net Sales and Services of Educational Activities | 1,089,520.08 | 661,652.59 | 427,867.49 | 64.7% |
| Net Sales and Services of Hospitals | 20,196,452.18 | 17,808,923.82 | 2,387,528.36 | 13.4% |
| Net Professional Fees | 6,401,422.72 | 4,730,361.06 | 1,671,061.66 | 35.3% |
| Net Auxiliary Enterprises | 71,484.72 | 88,427.58 | (16,942.86) | -19.2% |
| Other Operating Revenues | 5,965,590.77 | 5,018,219.63 | 947,371.14 | 18.9% |
| **Total Operating Revenues** | **43,317,488.37** | **36,625,154.57** | **6,692,333.80** | **18.3%** |
| **Operating Expenses** | | | | |
| Salaries and Wages | 33,129,265.53 | 31,201,234.66 | 1,928,030.87 | 6.2% |
| Payroll Related Costs | 10,561,660.12 | 8,800,256.16 | 1,761,403.96 | 20.0% |
| Membership Dues | 97,023.41 | - | 97,023.41 | 100.0% |
| Registration Fees/Meetings/Conferences | 124,408.91 | - | 124,408.91 | 100.0% |
| Cost of Goods Sold | 40,135.74 | 59,566.26 | (19,430.52) | -32.6% |
| Professional Fees and Services | 4,557,855.91 | 3,168,904.77 | 1,388,951.14 | 43.8% |
| Other Contracted Services | 3,609,129.63 | 3,695,688.34 | (86,558.71) | -2.3% |
| Fees and Other Charges | 314,093.92 | - | 314,093.92 | 100.0% |
| Travel | 276,947.61 | 223,850.74 | 53,096.87 | 23.7% |
| Materials and Supplies | 7,730,575.96 | 7,595,368.07 | 135,207.89 | 1.8% |
| Utilities | 753,108.96 | 613,823.00 | 139,285.96 | 22.7% |
| Communications | 371,926.65 | 391,974.03 | (20,047.38) | -5.1% |
| Repairs and Maintenance | 2,171,206.23 | 1,709,147.72 | 462,058.51 | 27.0% |
| Rentals and Leases | 586,279.28 | 356,499.22 | 229,780.06 | 64.5% |
| Printing and Reproduction | 26,791.94 | 18,769.66 | 8,022.28 | 42.7% |
| Insurance Costs/Premiums | 61,032.33 | - | 61,032.33 | 100.0% |
| Scholarships and Fellowships | 33,576.32 | 44,888.22 | (11,311.90) | -25.2% |
| Depreciation and Amortization | 3,898,028.78 | 3,608,470.42 | 289,558.36 | 8.0% |
| Federal Sponsored Program Pass-Through to Other State Agencies | 130,746.36 | 77,680.44 | 53,065.92 | 68.3% |
| Other Operating Expenses | 787,332.09 | 1,271,988.32 | (484,656.23) | -38.1% |
| **Total Operating Expenses** | **69,261,125.68** | **62,838,110.03** | **6,423,015.65** | **10.2%** |
| **Operating Loss** | **(25,943,637.31)** | **(26,212,955.46)** | **269,318.15** | **1.0%** |
| **Other Nonoperating Adjustments** | | | | |
| State Appropriations | 18,601,529.01 | 17,945,759.33 | 655,769.68 | 3.7% |
| Gift Contributions for Operations | 291,652.74 | 203,203.62 | 88,449.12 | 43.5% |
| Net Investment Income | 1,371,687.76 | 1,389,962.80 | (18,275.04) | -1.3% |
| Interest Expense on Capital Asset Financings | (614,604.12) | (441,231.24) | (173,372.88) | -39.3% |
| **Net Other Nonoperating Adjustments** | **19,650,265.39** | **19,097,694.51** | **552,570.88** | **2.9%** |
| **Adjusted Income (Loss) including Depreciation & Amortization** | **(6,293,371.92)** | **(7,115,260.95)** | **821,889.03** | **11.6%** |
| **Adjusted Margin % including Depreciation & Amortization** | **-9.9%** | **-12.7%** | | |
| Investment Gain (Losses) | (21,208.81) | (1,751,553.94) | 1,730,345.13 | 98.8% |
| **Adj. Inc. (Loss) with Investment Gains (Losses)** | **(6,314,580.73)** | **(8,866,814.89)** | **2,552,234.16** | **28.8%** |
| **Adj. Margin % with Investment Gains (Losses)** | **-9.9%** | **-16.3%** | | |
| **Adjusted Income (Loss) excluding Depreciation & Amortization** | **(2,395,343.14)** | **(3,506,790.53)** | **1,111,447.39** | **31.7%** |
| **Adjusted Margin % excluding Depreciation & Amortization** | **-3.8%** | **-6.2%** | | |

## 3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2016

### INTRODUCTION

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-Time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2012 through Fiscal Year 2016.

### REPORT

The 2016 Analysis of Financial Condition, which is set forth on the following pages, is a broad annual financial evaluation that rates U. T. System institutions based on factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 146 - 202. U. T. El Paso's rating was downgraded from "Satisfactory" to "Watch" as a result of a downward trend in the financial condition over the past several years. U. T. Permian Basin's rating was maintained as “Watch” for Fiscal Year 2016. U. T. Rio Grande Valley was not rated as Fiscal Year 2016 was the first year of operations and there are no historical trends or meaningful analysis that can be performed. With the exception of U. T. El Paso and U. T. Permian Basin, all of the other U. T. System institution's ratings were “Satisfactory” for Fiscal Year 2016.

# 2016 Analysis of Financial Condition

February 2017

# The University of Texas System
# 2016 Analysis of Financial Condition

## Executive Summary

The Analysis of Financial Condition (AFC) was performed from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Since debt is reported at the System level and not on the individual institution's books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net position to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net position generated by operations.
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Return on Net Position Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
- *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net position balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income is used as defined above for this ratio <u>only</u>.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either "Satisfactory," "Watch," or "Unsatisfactory" based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. El Paso's rating was downgraded to "Watch" for 2016 as a result of a downward trend in the financial condition over the past several years. U. T. El Paso incurred operating deficits during the past four years, and the operating expense coverage ratio fell below the System's benchmark of 2.0 months for the past two years. The operating expense coverage ratio of 1.6 months was the second lowest of all the U. T. institutions in 2016.

U. T. Permian Basin's rating was maintained as "Watch" for 2016. U. T. Permian Basin incurred operating deficits during the past four years. The operating expense coverage ratio increased by 0.4 months to 0.9 months in 2016, but is still below the System's benchmark of 2.0 months and was the lowest operating expense coverage ratio of all the U. T. institutions.

While UTHSC-Tyler's rating remained "Satisfactory," there is still concern over UTHSC-Tyler's core operations. Although UTHSC-Tyler's annual operating margin remained positive in 2016, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) had on UTHSC-Tyler's operating results. If the net DSRIP revenue had not been recognized in 2016, UTHSC-Tyler's annual operating deficit would have been ($18.0) million or (10.7%). UTHSC-Tyler is working diligently to improve the margin from core operations by the time DSRIP is expected expire in fiscal year 2017.

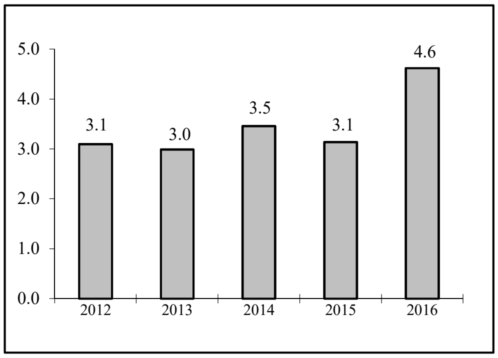
Given that 2016 is the first year of operations for U. T. Rio Grande Valley, which became operational on September 1, 2015, there are no historical trends or meaningful analysis that can be performed on the ratios analyzed. Therefore, U. T. Rio Grande Valley was not rated for 2016. The accounting merger of U. T. Brownsville and U. T. Pan American, which created U. T. Rio Grande Valley, combined the student enrollment from U. T. Brownsville and U. T. Pan American, as well as new medical school students. U. T. Rio Grande Valley enrolled its first academic class in the fall of 2015 and enrolled its first medical student class in the fall of 2016. In accordance with the statute creating U. T. Rio Grande Valley, U. T. Pan American was abolished by the System's Board of Regents effective September 1, 2015. U. T. Brownsville remained operational as an institution with minimal administrative staff for the purpose of maintaining the accreditation of Texas Southmost College, a community college with which it had a contractual partnership. U. T. Brownsville was abolished by the System's Board of Regents effective August 31, 2016.

With the exception of U. T. El Paso and U. T. Permian Basin, all of the other U. T. institutions' ratings were "Satisfactory" for 2016. The operating expense coverage ratios for the institutions rated "Satisfactory" were above the System's benchmark of 2.0 months. The majority of the institutions rated as "Satisfactory" also reported positive operating margins.

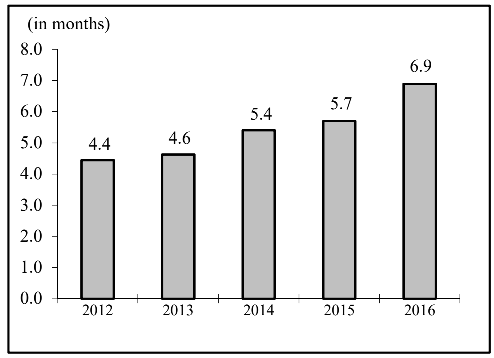
# The University of Texas at Arlington
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

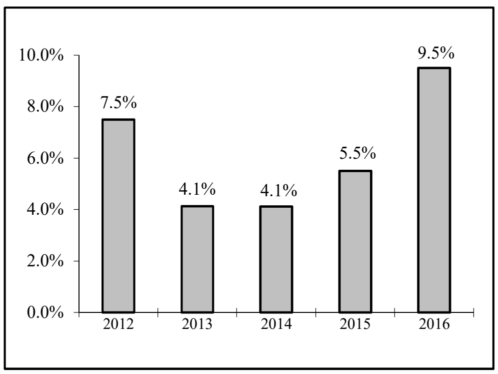
### Composite Financial Index



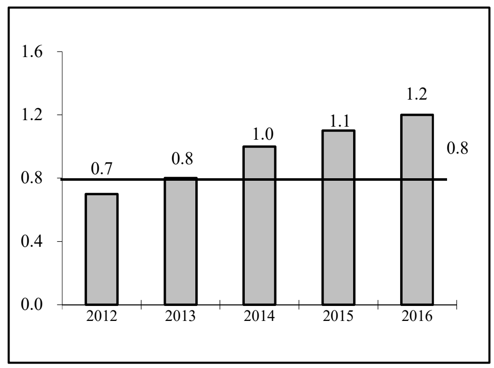

### Operating Expense Coverage Ratio



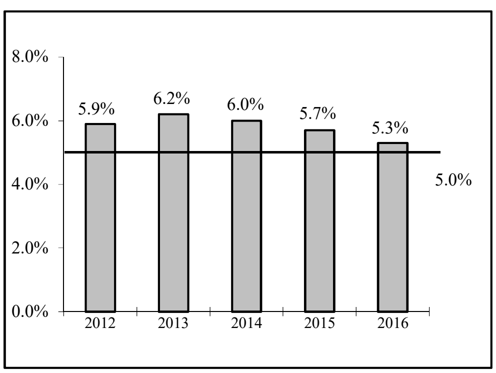

### Annual Operating Margin Ratio



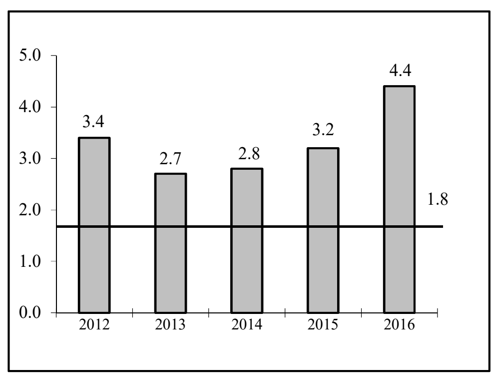

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

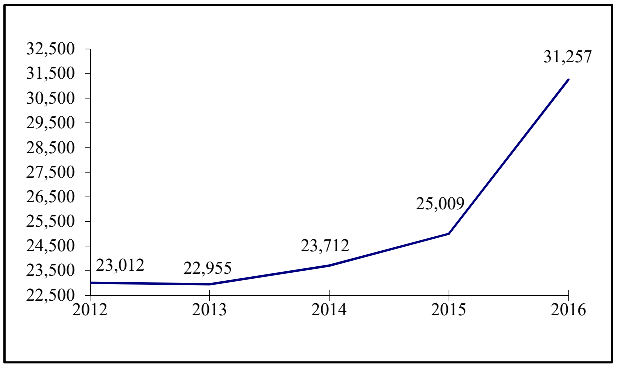



### Debt Service Coverage Ratio



# The University of Texas at Arlington
# 2016 Summary of Financial Condition

## Full-time Equivalent
## Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. Arlington's CFI increased from 3.1 in 2015 to 4.6 in 2016 as a result of increases in all four core ratios. The increase in the return on net position ratio was primarily driven by the activity in designated funds, as discussed below, as well as an increase in the amount of bond proceeds transferred to U. T. Arlington from U. T. System for capital projects. The increase in the primary reserve ratio was a result of the growth in total unrestricted net position, as discussed below. The increase in the annual operating margin ratio and expendable resources to debt ratio are also discussed below.

*Operating Expense Coverage Ratio* - U. T. Arlington's operating expense coverage ratio increased from 5.7 months in 2015 to 6.9 months in 2016 due to the growth in total unrestricted net position of $74.1 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds, which was largely driven by a $40.3 million increase in net tuition and fees resulting from a 6.1% increase in enrollment and increases in the non-resident tuition and guaranteed tuition of 4%. Additionally, an increase in the fair value of investments allocated to designated funds of $3.5 million in 2016 as compared to a net decrease of ($14.0) million in 2015 also contributed to the increase.

*Annual Operating Margin Ratio* - U. T. Arlington's annual operating margin ratio increased from 5.5% for 2015 to 9.5% for 2016 as the growth in total operating revenues of $69.2 million outpaced the growth in total operating expenses (including interest expense) of $40.0 million. The increase in total operating revenues was primarily due to the following: a $40.3 million increase in net tuition and fees, as discussed above; an $11.9 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely attributable to an increase of $6.8 million in Texas Research Incentive Program funding over the prior year, as well as an increase in federal and federal pass through sponsored programs from new faculty recruits for Kinesiology and Mechanical and Aerospace Engineering, state pass through awards from TxDOT, private sponsored programs, and Pell Grants and FSEOG federal non-exchange sponsored programs; a $9.6 million increase in state appropriations; a $4.9 million increase in auxiliary enterprises revenue driven by increases in dormitory and meal receipts, revenue from the College Park Center, ground leases and increases in parking revenue; a $2.0 million increase in other operating revenues due to funds received from U. T. System Administration to offset expenses for Surge efforts related to PeopleSoft; and a $1.9 million increase in investment income (excluding realized gains/losses and including the GEF transfer). Total operating expenses increased primarily due to the following: a $24.2 million increase in salaries and wages and payroll related costs as a result of merit increases and corresponding increases in payroll related costs and premium sharing, as well as the correction of a conversion entry after PeopleSoft was implemented for retiree premium sharing; a $4.0 million increase in depreciation and amortization expense due to additions to buildings of $18.0 million, including renovations to existing buildings of $13.0 million and new construction of $5.0 million; a $2.9 million increase in materials and supplies resulting from increases in noncapitalized expenses for furnishings and equipment, computer software, online subscriptions and controlled computer equipment; a $2.8 million increase in scholarships and fellowships related to graduate tuition assistance scholarships, Federal Supplemental Educational Opportunity Grants and institutional scholarships including Texas Public Education Grants; a $2.8 million increase in other operating expenses generated by an increase in federal pass-through expenses to non-state entities; a $2.4 million increase in professional fees and services primarily attributable to increases in computer services and information technology consultants for computer operations, educational training expenses, and other professional services; and a $2.2 million increase in other contracted services related to an increase in student service expenses for Accelerated Online Programs.

*Expendable Resources to Debt Ratio* - U. T. Arlington's expendable resources to debt ratio increased from 1.1 in 2015 to 1.2 in 2016. The increase in this ratio was attributable to the growth in total unrestricted net position of $74.1 million, as discussed above, which was partially offset by an increase of $39.1 million in the amount of debt outstanding for the Science and Engineering Innovation and Research building.

*Debt Burden Ratio* - U. T. Arlington's debt burden ratio decreased from 5.7% in 2015 to 5.3% in 2016 as a result of a decline in debt service payments combined with the increase in total operating expenses as previously discussed.

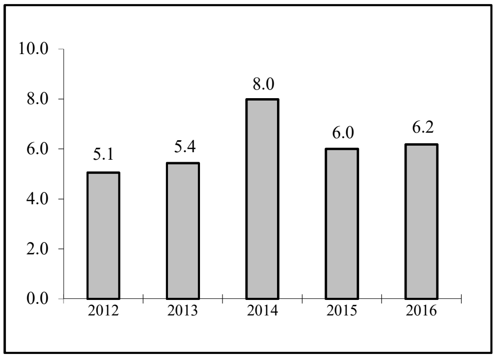
*Debt Service Coverage Ratio* - U. T. Arlington's debt service coverage ratio increased from 3.2 in 2015 to 4.4 in 2016. The increase in this ratio was a result of the improved operating performance as discussed in the annual operating margin ratio along with the decrease in debt service payments.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Arlington's FTE student enrollment increased as a result of overall enrollment growth.

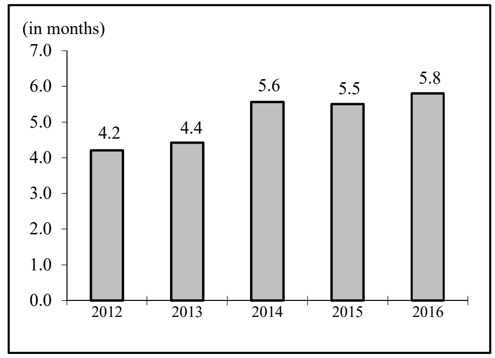
# The University of Texas at Austin
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

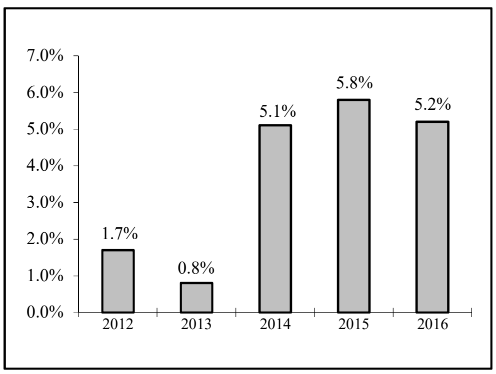
### Composite Financial Index



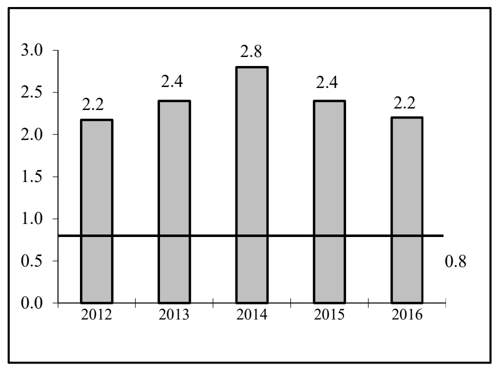

### Operating Expense Coverage Ratio



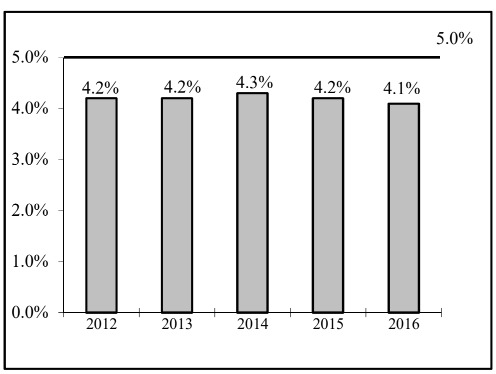

### Annual Operating Margin Ratio



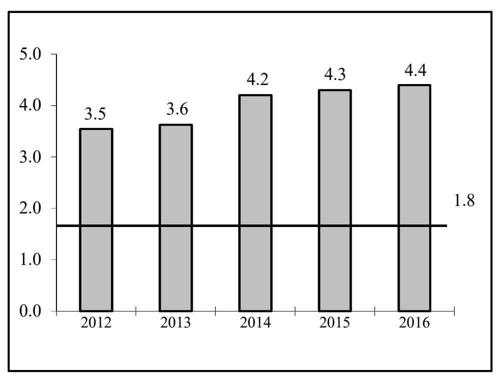

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

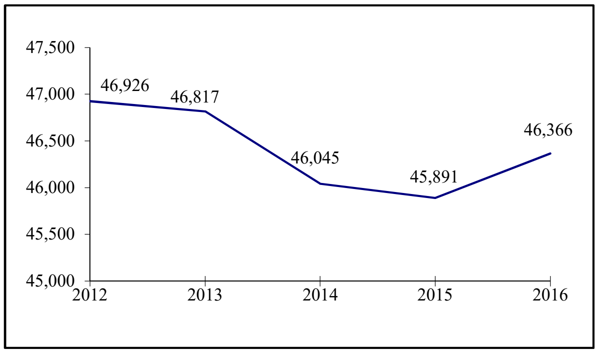



### Debt Service Coverage Ratio



# The University of Texas at Austin
# 2016 Summary of Financial Condition

**Full-time Equivalent**
**Student Enrollment - Fall**




*Composite Financial Index (CFI)* - U. T. Austin's CFI increased from 6.0 in 2015 to 6.2 in 2016 was primarily due to an increase in the return on net position ratio, which was partially offset by a decrease in the expendable resources to debt ratio. The increase in the return on net position ratio was largely attributable to the amount of bond proceeds transferred to U. T. Austin for capital projects as well as an increase in educational and general funds and designated funds discussed below. The decrease in the expendable resources to debt ratio is also discussed below.

*Operating Expense Coverage Ratio* - U. T. Austin's operating expense coverage ratio increased from 5.5 months in 2015 to 5.8 months in 2016 due to an increase of $120.0 million in total unrestricted net position. The growth in total unrestricted net position was primarily driven by the activity in educational and general funds and designated funds, including an increase in the transfer from the Available University Fund (AUF) for operations and for the new Dell Medical School, an increase in state appropriations and increases in the fair value of investments allocated to these fund groups, combined with an increase in unrestricted funding intended for capital projects.

*Annual Operating Margin Ratio* - U. T. Austin's annual operating margin ratio decreased from 5.8% for 2015 to 5.2% for 2016 as a result of the growth in total operating expenses (including interest expense) of $123.9 million exceeding the growth in total operating revenues of $112.7 million. The increase in total operating expenses was primarily attributable to the following: a $71.5 million increase in salaries and wages and payroll related costs due to the implementation of a merit-based salary increase policy to attract and retain faculty and staff; a $19.0 million increase in depreciation and amortization expense resulting from the completion of several assets within the Medical District, as well as newly purchased computers for the Texas Advanced Computing Center; a $10.3 million increase in materials and supplies attributable to an increase in software costs related to the Administrative Systems Modernization Program (ASMP) Workday software conversion and changes in the reporting of electronic library resources; a $9.1 million increase in other contracted services due to the ASMP Workday conversion project and Service Now implementations; a $9.1 million increase in state sponsored program pass-throughs to other state agencies as a result of the transfer of Darrell K. Royal Alzheimer's funds and OnRamps Program revenue pass-through expense to Texas Tech University; and a $6.0 million increase in repairs and maintenance generated by room renovations at the AT&T Executive Education and Conference Center, multi-residence hall project for heating, ventillation and air conditioning maintenance, and the demolition and related projects for the Printing & Press Building. Total operating revenues increased primarily due to the following: a $51.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) generated largely by the reclassification of Central Health funds received for the Dell Medical School from sales and services of educational activities, which decreased $42.1 million, to local nonexchange sponsored programs, combined with an overall increase in federal activity; a $33.6 million increase in state appropriations; a $29.4 million increase in the transfer from the AUF; a $26.6 million increase in gifts for operations as a result of a large increase in foundation gifts related to the law school combined with the receipt of $15.0 million in new gift pledges; and an $8.3 million increase in net auxiliary enterprises revenue driven by an increase in athletic ticket sales and prices.

*Expendable Resources to Debt Ratio* - U. T. Austin's expendable resources to debt ratio decreased from 2.4 in 2015 to 2.2 in 2016. The decrease in this ratio was attributable to an increase of $161.6 million in the amount of debt outstanding related to the Dell Medical School, Rowling Hall, the Engineering Education and Research Center and the Welch Hall renovation.

*Debt Burden Ratio* - U. T. Austin's debt burden ratio decreased from 4.2% in 2015 to 4.1% in 2016 due to the increase in total operating expenses discussed above.

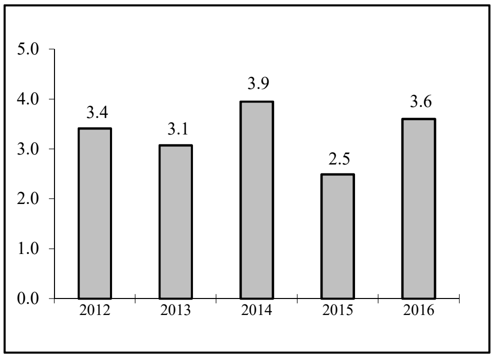
*Debt Service Coverage Ratio* - U. T. Austin's debt service coverage ratio increased from 4.3 in 2015 to 4.4 in 2016. The increase in this ratio was attributable to the increase in normalized investment income used in the calculation of this ratio only.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Austin's FTE student enrollment experienced an overall increase due to an increase in undergraduate enrollment. The fall 2016 semester had a 549 student increase from fall 2015.

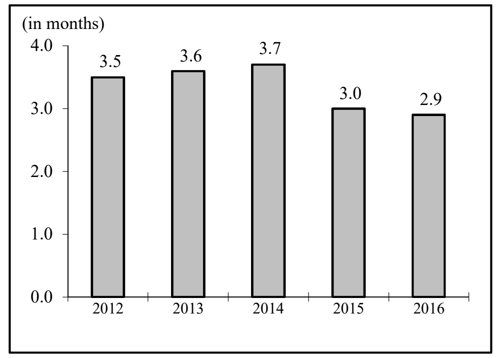
# The University of Texas at Dallas
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

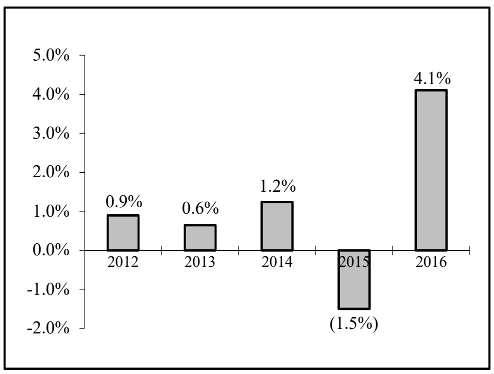
### Composite Financial Index



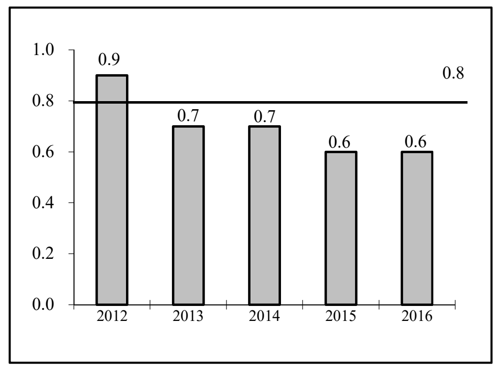

### Operating Expense Coverage Ratio



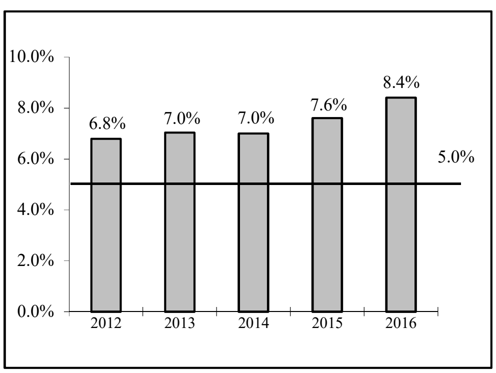

### Annual Operating Margin Ratio



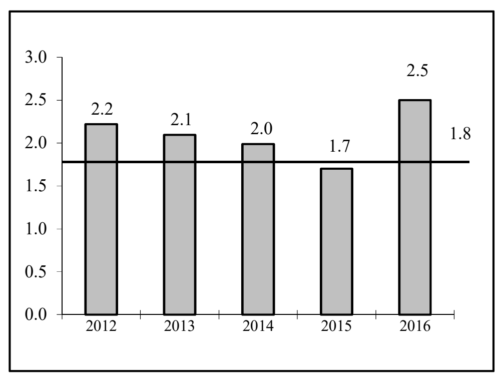

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

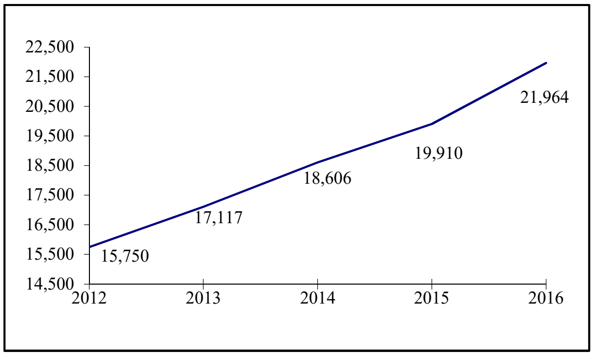



### Debt Service Coverage Ratio



# The University of Texas at Dallas
# 2016 Summary of Financial Condition

## Full-time Equivalent
## Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. Dallas' CFI increased from 2.5 in 2015 to 3.6 in 2016 as a result of increases in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was primarily driven by the following: an increase in Texas Research Incentive Program (TRIP) funding in 2016; an increase in gifts for operations; and an increase in bond proceeds transferred to U. T. Dallas for capital projects. The improvement in the annual operating margin ratio is discussed below.

*Operating Expense Coverage Ratio* - U. T. Dallas' operating expense coverage ratio decreased from 3.0 months in 2015 to 2.9 months in 2016 primarily due to an increase in total operating expenses (including interest expense) of $43.9 million. The increase in total operating expenses was largely attributable to the following: a $22.4 million increase in salaries and wages and payroll related costs as a result of merit increases, new faculty to accommodate the growth in student enrollment and increases in the amounts paid for insurance and retirement benefits for employees; a $6.8 million increase in depreciation and amortization expense due to the Bioengineering & Sciences Building, the Callier Richardson Expansion, the Parking Structure IV and Landscape Enhancement II, which were all placed into service in 2016; a $5.1 million increase in scholarships and fellowships driven by a 9.5% increase in student enrollment; a $3.7 million increase in interest expense; and a $2.7 million increase in repairs and maintenance attributable to increased building and grounds maintenance and non-capitalized renovations.

*Annual Operating Margin Ratio* - U. T. Dallas' annual operating margin ratio increased from (1.5%) for 2015 to 4.1% for 2016 as a result of the growth in total operating revenues of $77.5 million outpacing the growth in total operating expenses of $43.9 million. The increase in total operating revenues was primarily due to the following: a $35.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely as a result of an increase in TRIP funding, combined with increases in Pell Grants and other federal sponsored programs; an $18.4 million increase in net tuition and fees driven by enrollment growth; a $16.5 million increase in gifts for operations; and a $4.2 million increase in net auxiliary enterprises revenue due to increased revenue from the Living/Learning Communities, University Village and University Commons, combined with increased revenue from transportation fees and the Activities Center.

*Expendable Resources to Debt Ratio* - U. T. Dallas' expendable resources to debt ratio remained unchanged at 0.6 in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $4.7 million, which was largely offset by a decrease of $3.6 million in total restricted expendable net position (excluding restricted expendable for capital projects). The increase in total unrestricted net position was primarily generated by an increase in TRIP funding as mentioned above. The decrease in total restricted expendable net position was due to the increase in funds restricted for capital projects in 2016 which are excluded from this calculation.

*Debt Burden Ratio* - U. T. Dallas' debt burden ratio increased from 7.6% in 2015 to 8.4% in 2016 as a result of a $7.5 million increase in debt service payments.

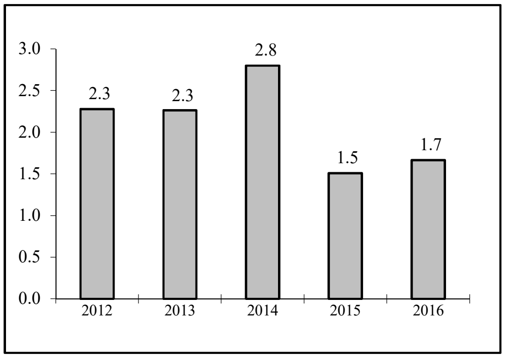
*Debt Service Coverage Ratio* - U. T. Dallas' debt service coverage ratio increased from 1.7 in 2015 to 2.5 in 2016. The increase in this ratio was attributable to the improvement in operating performance as previously discussed.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Dallas' FTE student enrollment increased by 10.3% from 2015 to 2016. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2016, undergraduate FTE rose 11.8% over the fall of 2015 while the FTE for masters student enrollment increased by 1.4%.

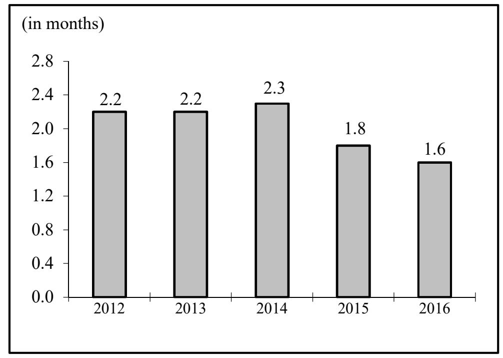
# The University of Texas at El Paso
## 2016 Summary of Financial Condition

Financial Condition: **Watch**

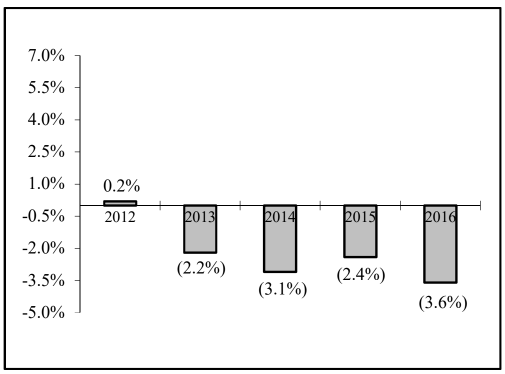
### Composite Financial Index



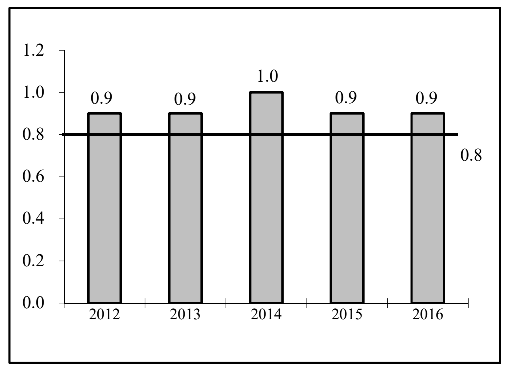

### Operating Expense Coverage Ratio



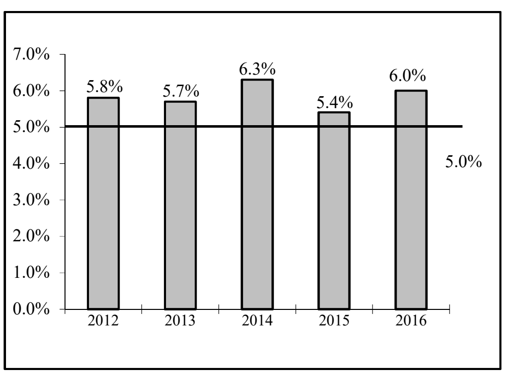

### Annual Operating Margin Ratio



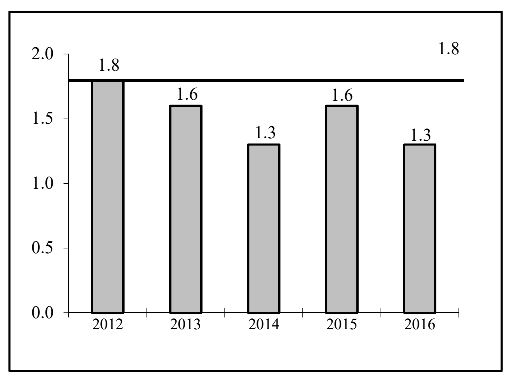

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

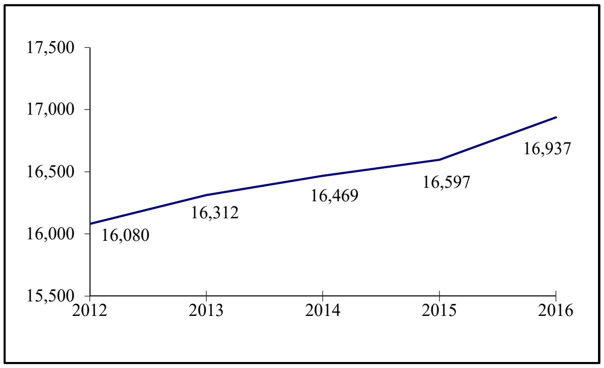



### Debt Service Coverage Ratio



# The University of Texas at El Paso
# 2016 Summary of Financial Condition

## Full-time Equivalent
## Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. El Paso's CFI increased from 1.5 in 2015 to 1.7 in 2016 as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was attributable to a decrease of $9.6 million in the amount of debt outstanding.

*Operating Expense Coverage Ratio* - U. T. El Paso's operating expense coverage ratio decreased from 1.8 months in 2015 to 1.6 months in 2016 due to a decrease in unrestricted net position of $3.9 million combined with an increase in total operating expenses (including interest expense) of $8.1 million. The decline in total unrestricted net position was primarily attributable to a decrease in Texas Research Incentive Program matching revenue reported in designated funds, as well as the operating results in designated funds and auxiliary enterprises funds, offset by an increase in unexpended plant funds related to changes in anticipated bond proceeds. The increase in total operating expenses was largely attributable to the following: a $15.8 million increase in salaries and wages and payroll related costs resulting from a 2% merit pool for faculty and staff, and increases in academic and research full-time equivalents, as well as corresponding increase in benefits; a $3.3 million increase in professional fees and services driven by increases in legal fees related to the one-time cancellation of the Pearson Agreement and for intellectual property legal services, consultant fees for continued PeopleSoft operating corrections, technical support for the Blackboard Collaborative, and communication infrastructure for new campus housing; and a $1.8 million increase in interest expense largely attributable to the Campus Transformation Project and Student Housing Phase III. These increases in expenses were partially offset by the following: a $7.0 million decrease in other contracted services attributable to a reduction in performer fees stemming from lower grossing events and the elimination of payments for a facilities services custodial contract; a decrease of $3.3 million in other operating expenses directly related to a decrease in spending for various sponsored program projects which expired in 2015; and a $2.4 million decrease in scholarships and fellowships as a result of tuition discounting increases partially attributable to the Hazelwood Exemption.

*Annual Operating Margin Ratio* - U. T. El Paso's annual operating margin ratio decreased from (2.4%) for 2015 to (3.6%) for 2016 as the growth in total operating expenses of $8.1 million exceeded the growth in total operating revenues of $2.7 million. The increase in total operating revenues was primarily attributable to the following: a $6.8 million increase in other operating revenues mainly due to a $5.2 million reversal of a one-time prior year accrual associated with Employee Benefits, plus funds received from U. T. System Administration to offset expenses for Surge efforts related to PeopleSoft; a $3.8 million increase in state appropriations; and a $2.9 million increase in gifts for operations. These increases in revenue were partially offset by the following: a decrease of $4.6 million in net auxiliary enterprises revenue due to lower grossing events in 2016; and a decrease of $6.2 million in sponsored programs revenue (including nonexchange sponsored programs) as a result of the recognition of a TxDOT award of $8.0 million in 2015 for the Campus Transformation project with no comparable award in 2016.

*Expendable Resources to Debt Ratio* - U. T. El Paso's expendable resources to debt ratio stayed constant at 0.9 in 2015 and 2016. The stability of this ratio was attributable to the $3.9 million decrease in total unrestricted net position combined with a decrease of $9.6 million in the amount of debt outstanding.

*Debt Burden Ratio* - U. T. El Paso's debt burden ratio increased from 5.4% in 2015 to 6.0% in 2016. The increase in this ratio was caused by a $2.5 million increase in debt service payments.

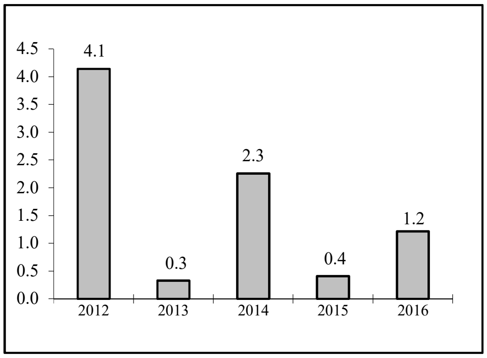
*Debt Service Coverage Ratio* - U. T. El Paso's debt service coverage ratio decreased from 1.6 in 2015 to 1.3 in 2016 as a result of the decline in operating performance combined with the increase in debt service payments.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. El Paso's FTE student enrollment increased slightly due to a 1.9% increase in undergraduate enrollment.

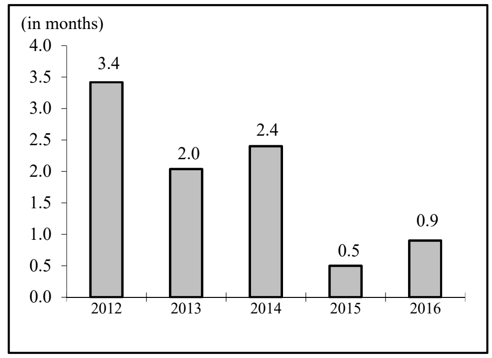
## The University of Texas of the Permian Basin
## 2016 Summary of Financial Condition

Financial Condition: **Watch**

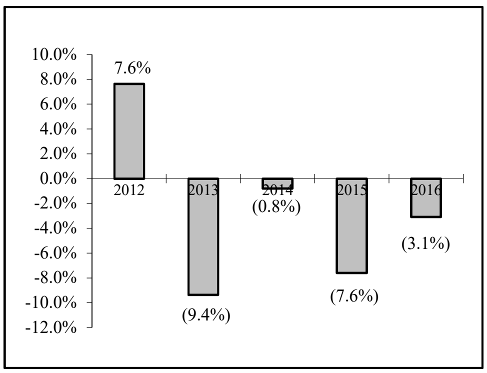
### Composite Financial Index



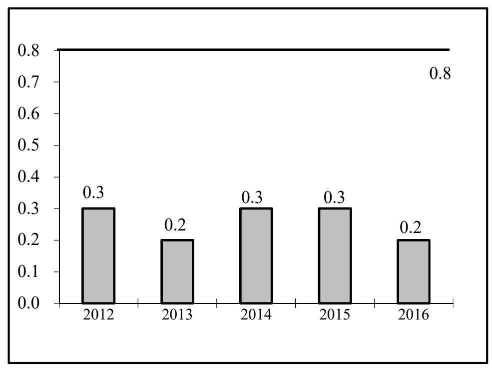

### Operating Expense Coverage Ratio



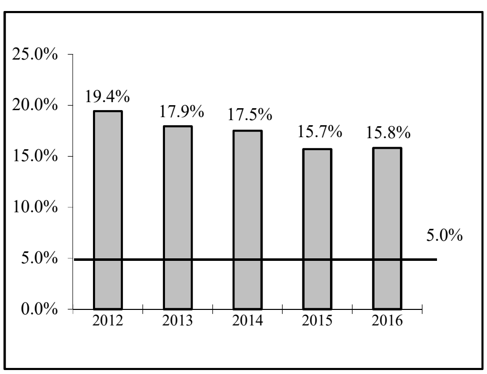

### Annual Operating Margin Ratio



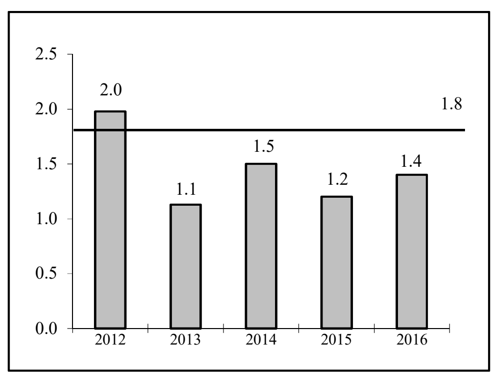

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

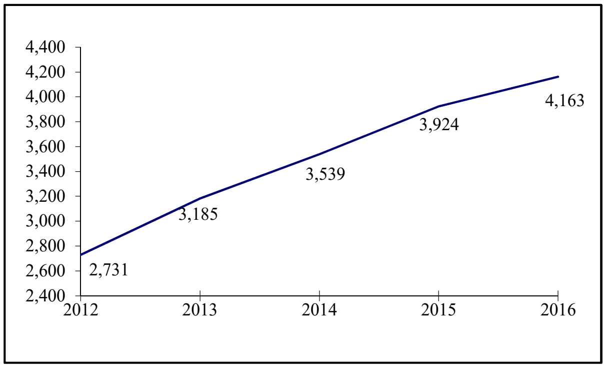



### Debt Service Coverage Ratio



# The University of Texas of the Permian Basin
# 2016 Summary of Financial Condition

## Full-time Equivalent
## Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. Permian Basin's CFI increased from 0.4 in 2015 to 1.2 in 2016 due to increases in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was due to an increase in the change in net position of $22.9 million in 2016 as opposed to ($11.1) million in 2015 which was attributable to a decrease in anticipated bond proceeds of $30.6 million between the years as a result of completion of the Residence and Dining Hall in 2016. The increase in the annual operating margin ratio is discussed below.

*Operating Expense Coverage Ratio* - U. T. Permian Basin's operating expense coverage ratio increased from 0.5 months in 2015 to 0.9 months in 2016 as a result of the growth in total unrestricted net position of $2.9 million. The increase in total unrestricted net position was primarily attributable to an increase in designated tuition due to tuition and fees received in August 2014 for the fall of 2015 which were not deferred, thus resulting in the understatement of net tuition and fees in 2015.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved from a (7.6%) for 2015 to (3.1%) for 2016 due to a decrease in total operating expenses (including interest expense) of $3.1 million combined with an increase in total operating revenues of $0.5 million. The decrease in total operating expenses was primarily attributable to the following: a $6.2 million decrease in scholarships and fellowships as a result of a reduction in institutional aid funded by designated tuition, a decrease in scholarships awarded to students funded by gifts and endowments, and the timing of financial aid awards; a decrease of $1.3 million in repairs and maintenance due to the overstatement in 2015 of these expenses; a $0.6 million decrease in professional fees and services attributable to the timing of service contracts; a $0.4 million decrease in utilities resulting from energy conservation efforts; and a $0.3 million decrease in interest expense. These decreases in expenses were partially offset by the following: a $4.0 million increase in salaries and wages and payroll related costs driven by merit increases and additional faculty to support enrollment growth; a $1.2 million increase in materials and supplies due to purchases of football and band supplies for the start of football in fiscal year 2017; a $0.3 million increase in other operating expenses as a result of expenses associated with grant activity; and a $0.2 million increase in bad debt expense related to student receivables.

*Expendable Resources to Debt Ratio* - U. T. Permian Basin's expendable resources to debt ratio decreased from 0.3 in 2015 to 0.2 in 2016. The decrease in this ratio was attributable to a $19.6 million increase in the amount of debt outstanding for the Residence and Dining Hall.

*Debt Burden Ratio* - U. T. Permian Basin's debt burden ratio increased from 15.7% in 2015 to 15.8% in 2016 due to an increase in debt service payments of $0.6 million.

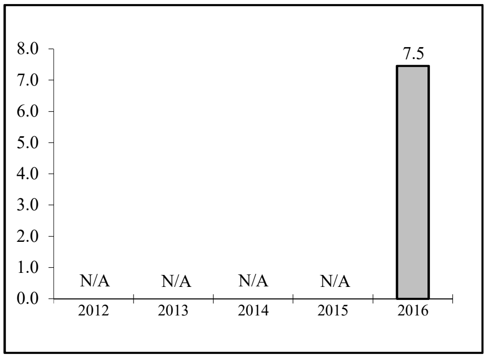
*Debt Service Coverage Ratio* - U. T. Permian Basin's debt service coverage ratio increased from 1.2 in 2015 to 1.4 in 2016 due to the normalized investment income used in the calculation of this ratio combined with slightly improved operating performance as discussed above.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Permian Basin's FTE student enrollment increased from 3,924 in 2015 to 4,163 in 2016 as a result of dual credit and the Academic Partnerships program.

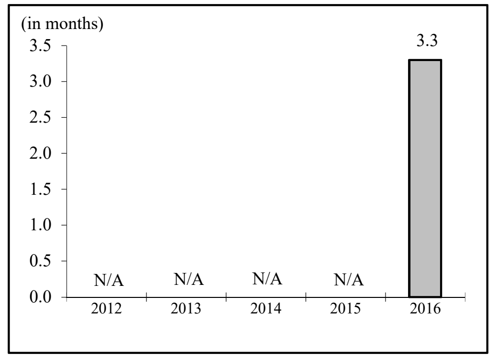
**The University of Texas Rio Grande Valley**
**2016 Summary of Financial Condition**

Financial Condition: **Not Rated Due to Commencement of Institution 9/1/15**

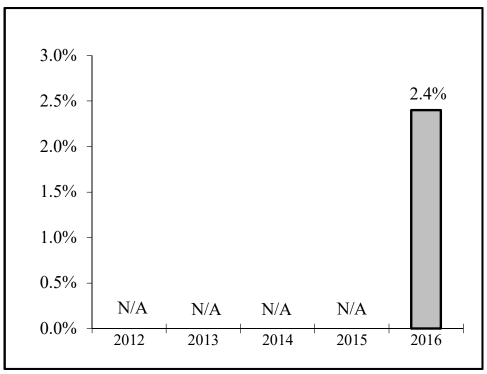
**Composite Financial Index**



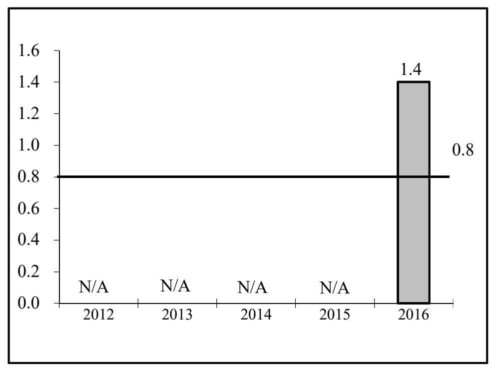

**Operating Expense Coverage Ratio**



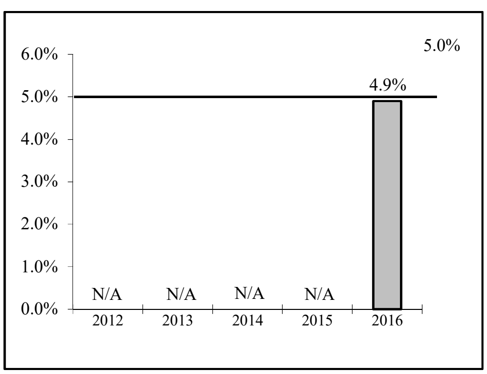

**Annual Operating Margin Ratio**



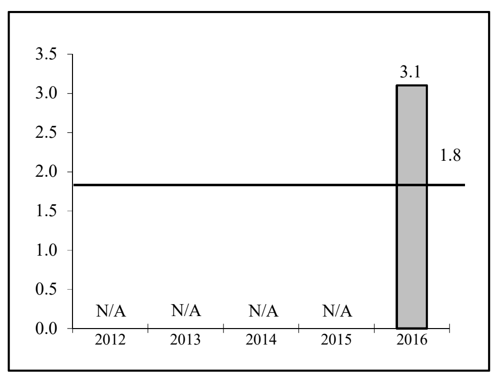

**Expendable Resources to Debt Ratio**




**Debt Burden Ratio**

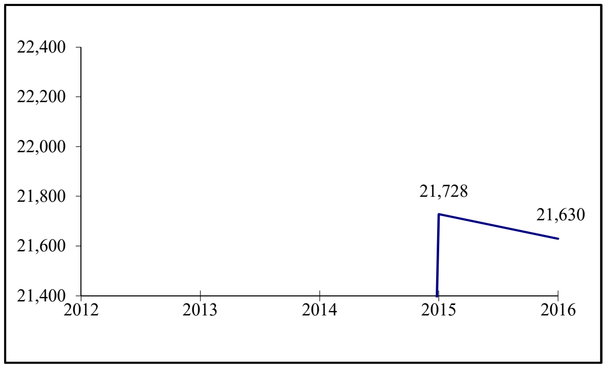



**Debt Service Coverage Ratio**



# The University of Texas Rio Grande Valley
# 2016 Summary of Financial Condition

## Full-time Equivalent
## Student Enrollment - Fall



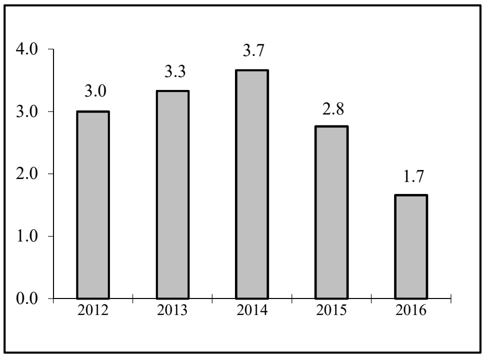

U. T. Rio Grande Valley became operational on September 1, 2015. The accounting merger of U. T. Brownsville and U. T. Pan American, which created U. T. Rio Grande Valley, combined the student enrollment from U. T. Brownsville and U. T. Pan American, as well as new medical school students. U. T. Rio Grande Valley enrolled its first academic class in the fall of 2015 and enrolled its first medical student class in the fall of 2016. In accordance with the statute creating U. T. Rio Grande Valley, U. T. Pan American was abolished by U. T. System's Board of Regents effective September 1, 2015. U. T. Brownsville remained operational as an institution with minimal administrative staff for the purpose of maintaining the accreditation of Texas Southmost College, a community college with which it had a contractual partnership. U. T. Brownsville was abolished by the U. T. System Board of Regents effective August 31, 2016.

Given that 2016 was the first year of operations for U. T. Rio Grande Valley, there are no historical trends or meaningful analysis that can be performed on the ratios graphed above. When the 2017 Analysis of Financial Condition is prepared, two years of data will be available to compare. U. T. Rio Grande Valley will not be rated for 2016 given the lack of financial analysis that can be performed.

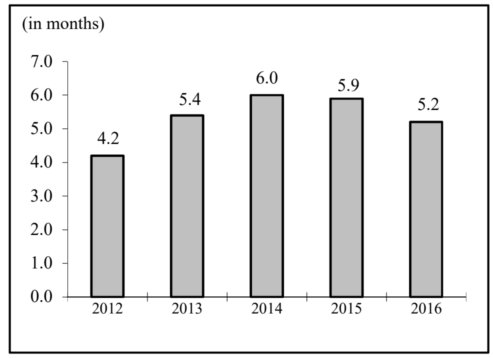
# The University of Texas at San Antonio
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

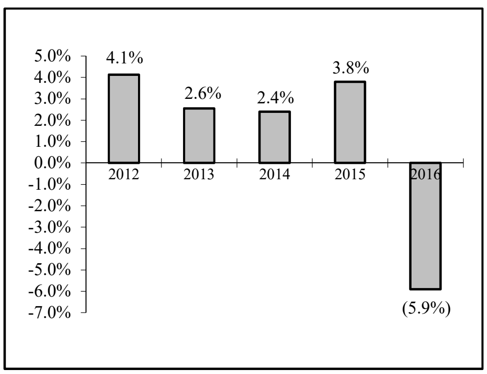
### Composite Financial Index



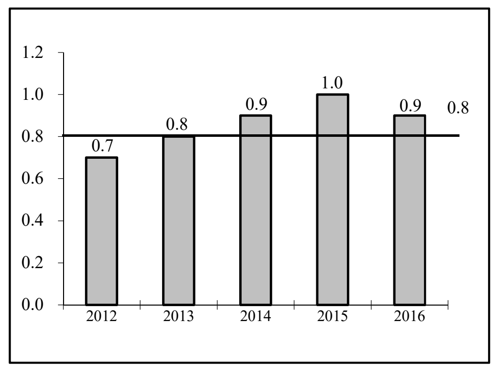

### Operating Expense Coverage Ratio



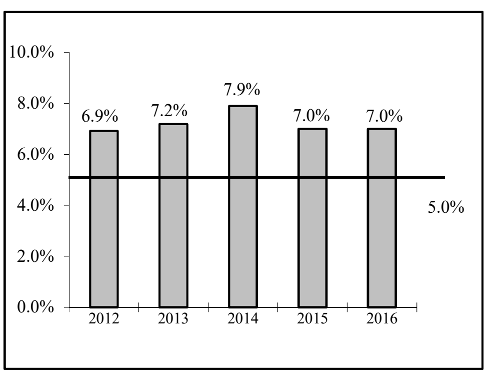

### Annual Operating Margin Ratio



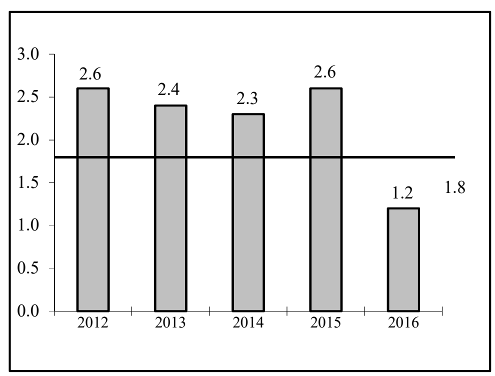

### Expendable Resources to Debt Ratio



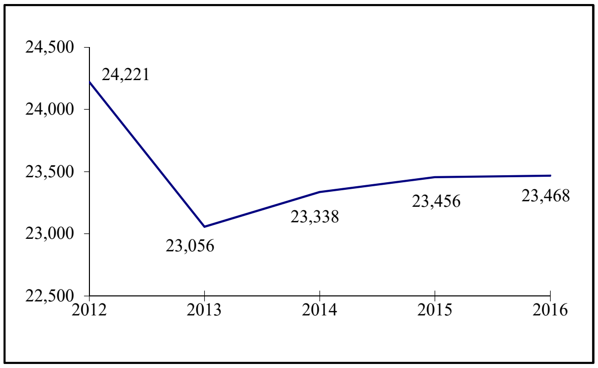

### Debt Burden Ratio




### Debt Service Coverage Ratio



# The University of Texas at San Antonio
## 2016 Summary of Financial Condition
## Full-time Equivalent
## Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. San Antonio's CFI decreased from 2.8 in 2015 to 1.7 in 2016 primarily as a result of decreases in the annual operating margin and return on net position ratios. The decline in the annual operating margin ratio is discussed below. The decrease in the return on net position ratio was also driven by the decline in operating performance.

*Operating Expense Coverage Ratio* - U. T. San Antonio's operating expense coverage ratio decreased from 5.9 months in 2015 to 5.2 months in 2016 due to a $15.6 million decrease in total unrestricted net position combined with an increase in total operating expenses (including interest expense) of $27.8 million. The decrease in total unrestricted net position was primarily attributable to the decline in operating results in designated funds. Total operating expenses increased due to the following: a $16.9 million increase in salaries and wages and payroll related costs as a result of recruitment and retention efforts associated with the Goldstar Initiative to recruit top-tier researchers, merit increases and increased benefits costs; a $12.4 million increase in scholarships and fellowships expense primarily attributable to a $6.4 million correction of a cash entry related to the conversion to PeopleSoft, as well as a decrease in discounts and adjustments driven by the decrease in the number of days for the fall semester recognized in August from 10 days in 2015 to 7 days in 2016, and an increase in exemptions of $1.4 million; and a $6.0 million increase in other operating expenses largely due to $3.0 million in conversion clean-up adjustments, as well as increases in Intensive English, student official occasions and athletics expenses. These increases in operating expenses were partially offset by a decrease of $7.3 million in materials and supplies primarily due to expenses incurred in 2015 to outfit the North Paseo Building and furnishing purchases for housing with no such comparable purchases in 2016.

*Annual Operating Margin Ratio* - U. T. San Antonio's annual operating margin ratio declined from 3.8% for 2015 to (5.9%) for 2016 due to a decrease in total operating revenues of $21.3 million and an increase in total operating expenses of $27.8 million. The driving forces behind the increase in total operating expenses are discussed above. The decrease in total operating revenues was primarily attributable to the following: a $7.2 million decrease in net tuition and fees resulting from a decrease in non-resident credit hours and fewer number of days recognized as revenue for the subsequent fall term; a $7.1 million decrease in gifts for operations due to the write-off of a $3.9 million pledge for an endowment that was erroneously recorded as an operating gift combined with the end of the capital campaign in 2015; a $5.7 million decrease in state appropriations as a result of a drop in statutory tuition dollars related to fewer non-resident students; and a $3.5 million decrease in net investment income (excluding realized gains/losses and including the GEF transfer).

*Expendable Resources to Debt Ratio* - U. T. San Antonio's expendable resources to debt ratio decreased from 1.0 in 2015 to 0.9 in 2016. The decrease in this ratio was due to decreases in both total unrestricted net position of $15.6 million, as previously discussed, and total restricted expendable net position (excluding expendable for capital projects) of $5.3 million. Total restricted expendable net position (excluding restricted for capital projects) decreased as a result of expenses exceeding the revenues in restricted funds, including the write-off of a $3.9 million pledge for an endowment that was erroneously recorded as an operating gift.

*Debt Burden Ratio* - U. T. San Antonio's debt burden ratio remained unchanged at 7.0% in 2016. The stability of this ratio was attributable to the growth in scholarships expense which is excluded from total operating expenses for purposes of this calculation and the relative stability in the debt service payments between years.

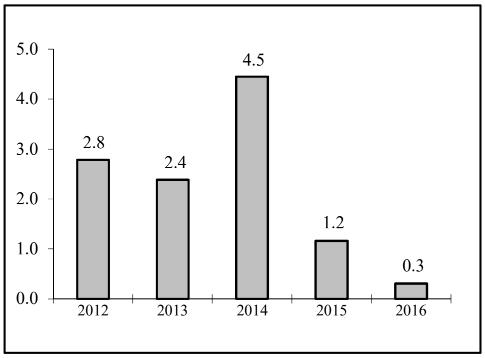
*Debt Service Coverage Ratio* - U. T. San Antonio's debt service coverage ratio decreased from 2.6 in 2015 to 1.2 in 2016. The decrease in this ratio was a result of the decline in operating performance as discussed in the annual operating margin ratio above.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. San Antonio's FTE student enrollment remained close to the fall 2015 level, as increases in graduate semester credit hours were offset by decreases in undergraduate and doctoral semester credit hours.

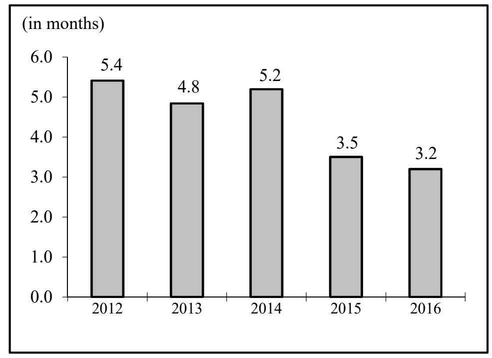
# The University of Texas at Tyler
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

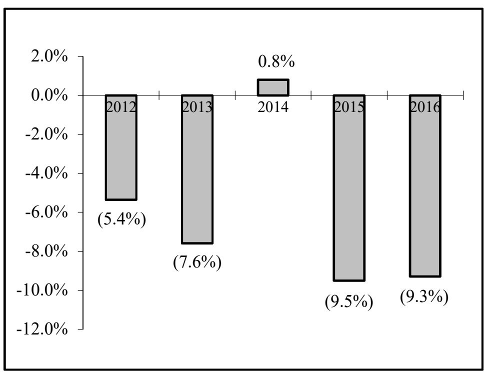
### Composite Financial Index



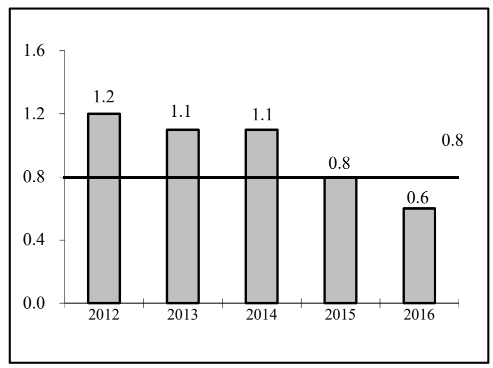

### Operating Expense Coverage Ratio



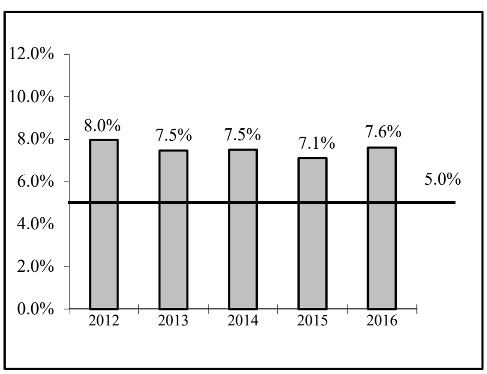

### Annual Operating Margin Ratio



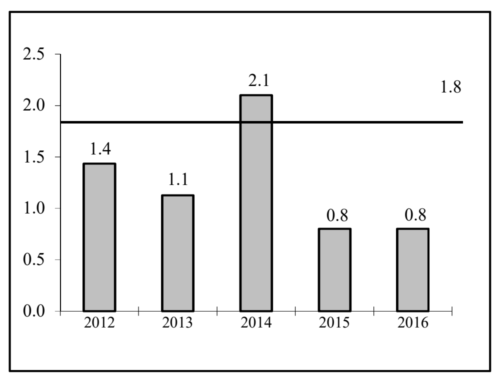

### Expendable Resources to Debt Ratio




### Debt Burden Ratio

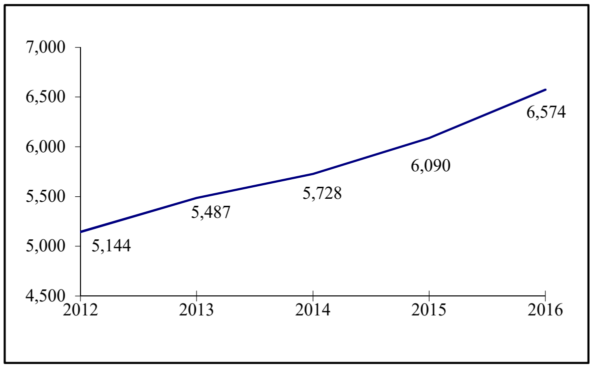



### Debt Service Coverage Ratio



# The University of Texas at Tyler
## 2016 Summary of Financial Condition

### Full-time Equivalent Student Enrollment - Fall




*Composite Financial Index (CFI)* - U. T. Tyler's CFI decreased from 1.2 in 2015 to 0.3 in 2016 as a result of decreases in three of the core ratios, primarily due to a budgeted deficit in operating income in order to reduce excess net position. The decrease in the return on net position ratio was attributable to the increase in the amount of debt outstanding of $42.1 million for the STEM building. The decrease in the primary reserve ratio was a result of the increase in total operating expenses as discussed in more detail below. The decrease in expendable resources to debt ratio is also discussed below.

*Operating Expense Coverage Ratio* - U. T. Tyler's operating expense coverage ratio decreased from 3.5 months in 2015 to 3.2 months in 2016 due to an increase in total operating expenses (including interest expense) of $11.1 million. The increase in total operating expenses was primarily attributable to the following: a $6.4 million increase in salaries and wages and payroll related costs as a result of additional full-time equivalents for the new College of Pharmacy and implementation of PeopleSoft, combined with merit and market increases and an increase in retiree premium sharing costs; a $1.3 million increase in depreciation and amortization expense due to a full year of depreciation expense recognized on the Pharmacy Building; a $1.1 million increase in materials and supplies for one-time expenses associated with various campus-wide repairs and maintenance projects; a $1.0 million increase in other contracted services driven by an increase in the Academic Partnership contract; a $0.9 million increase in other operating expenses largely attributable to an increase in credit card charges and conferences; and a $0.6 million increase in scholarships and fellowships caused by increased set-asides and scholarship awards.

*Annual Operating Margin Ratio* - Although U. T. Tyler's annual operating margin ratio improved slightly from (9.5%) for 2015 to (9.3%) for 2016 due to growth in revenues in the denominator of this ratio, the operating deficit actually increased by $0.7 million as the growth in total operating expenses (including interest expense) of $11.1 million exceeded the growth in total operating revenues of $10.4 million. The increase in total operating expenses is discussed above. Total operating revenues increased primarily due to the following: a $3.5 million increase in net tuition and fees as a result of enrollment growth; a $2.9 million increase in state appropriations; a $2.3 million increase in net sales and services of educational activities attributable to revenue from the pharmacy which began operations in the fall of 2016; and a $0.8 million increase in net auxiliary enterprises revenue driven by increased revenue for housing, which was at full capacity in 2016, and Fine Arts season tickets.

*Expendable Resources to Debt Ratio* - U. T. Tyler's expendable resources to debt ratio decreased from 0.8 in 2015 to 0.6 in 2016. The decline in this ratio was due to an increase of $42.1 million in the amount of debt outstanding related to the STEM Building.

*Debt Burden Ratio* - U. T. Tyler's debt burden ratio increased from 7.1% in 2015 to 7.6% in 2016 due to an increase of $1.3 million in debt service payments.

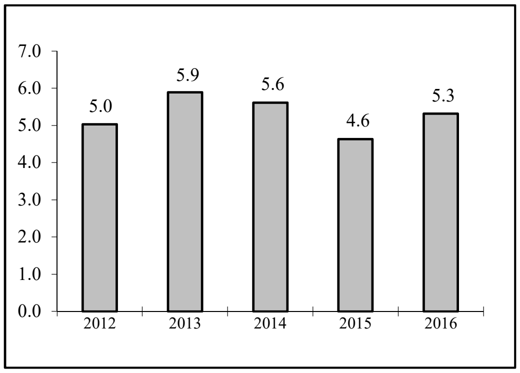
*Debt Service Coverage Ratio* - U. T. Tyler's debt service coverage ratio remained unchanged at 0.8 in 2016. The stability of this ratio was attributable to the increase in depreciation and amortization expense, which is excluded from operating expenses for this calculation, offset by the increase in debt service payments.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Tyler's FTE student enrollment increased by 484 or 7.9% from 2015. The increase was due to continued efforts in student recruitment and retention.

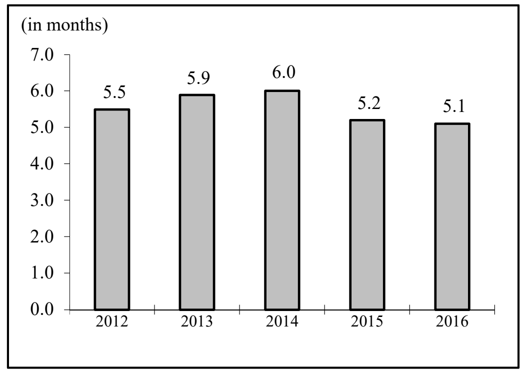
# The University of Texas Southwestern Medical Center
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

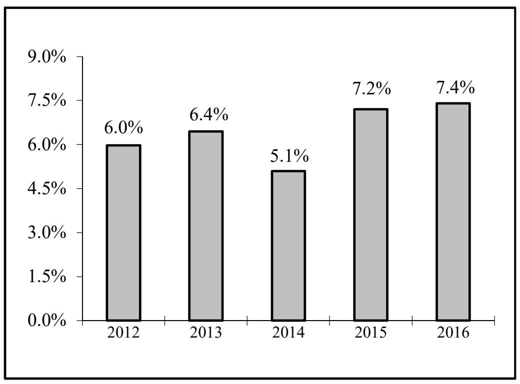
## Composite Financial Index



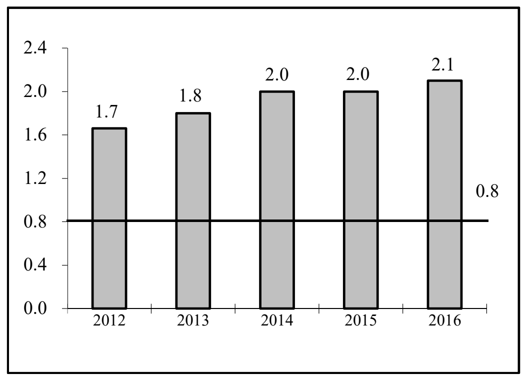

## Operating Expense Coverage Ratio



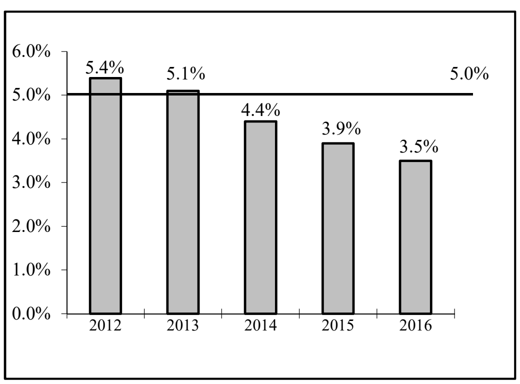

## Annual Operating Margin Ratio



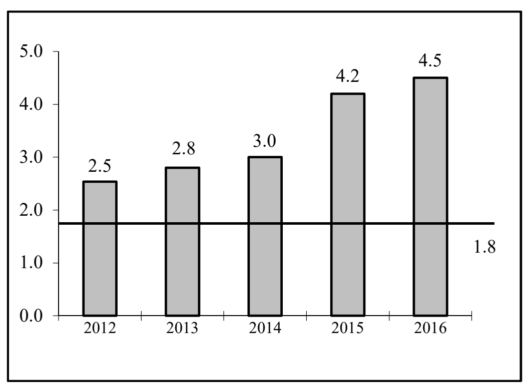

## Expendable Resources to Debt Ratio




## Debt Burden Ratio




## Debt Service Coverage Ratio



# The University of Texas Southwestern Medical Center
## 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. Southwestern Medical Center's (Southwestern) CFI increased from 4.6 in 2015 to 5.3 in 2016 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by the following: continued strong earnings from the practice plan and hospital operations; an increase of $166.1 million in the amount of bond proceeds transferred to Southwestern from U. T. System, mainly for the redevelopment of the West Campus; and a net decrease in the fair value of investments of ($6.2) million in 2016 as compared to a net decrease of ($138.3) million in 2015 for a net change between years of $132.1 million.

*Operating Expense Coverage Ratio* - Southwestern's operating expense coverage ratio decreased from 5.2 months in 2015 to 5.1 months in 2016 primarily due to a $240.8 million increase in total operating expenses (including interest expense). The increase in total operating expenses was largely attributable to the following: a $228.9 million increase in salaries and wages and payroll related costs as a result of an increase in employee head count combined with a 3.0% merit increase and a 7.0% increase in premium sharing rates; a $32.8 million increase in materials and supplies driven by drug costs due to growth in patient care volumes and the expiration of participation in the 340B drug discount program, which ended in February 2016; an $11.6 million increase in depreciation and amortization expense primarily resulting from the recognition of a full year of depreciation on the William P. Clements University Hospital, which was placed into service in 2015; a $5.4 million increase in other contracted services attributable to higher building maintenance costs, hospital services, and Graduate Medical Education related expenses; a $2.8 million increase in interest expense; and a $2.7 million increase in travel due to out-of-state travel in Academic departments. These increases in expenses were partially offset by the following: an $18.3 million decrease in professional fees and services caused by a reduction in contract nursing; a $9.7 million decrease in utilities as a result of decreases in the weighted average rates for electricity, gas and water; and a $5.7 million decrease in repairs and maintenance due to reductions in repairs to buildings and equipment.

*Annual Operating Margin Ratio* - Southwestern's annual operating margin ratio increased from 7.2% for 2015 to 7.4% for 2016 as the growth in total operating revenues of $264.8 million outpaced the growth in total operating expenses of $240.8 million. The increase in total operating revenues was primarily attributable to the following: a $102.5 million increase in net sales and services of hospitals as a result of increased outpatient and inpatient visits; a $93.2 million increase in net professional fees largely due to increased patient volumes; a $38.7 million increase in other operating revenues driven by increases in revenue from the Network Access Improvement Program, the Obstetrics/Gynecology agreement with Children's Medical Center and earnings from Southwestern's Accountable Care Organization; a $16.7 million increase in net investment income (excluding realized gains/losses and including the GEF transfer); $15.6 million increase in state appropriations; and an $11.5 million increase in net sales and services of educational activities due to an increase in pass-through grants received from the Cancer Prevention Research Institute of Texas.

*Expendable Resources to Debt Ratio* - Southwestern's expendable resources to debt ratio increased from 2.0 in 2015 to 2.1 in 2016 as a result of the growth in total unrestricted net position of $97.3 million. The increase in total unrestricted net position was primarily attributable to the operating activity of the practice plan and hospitals combined with an increase in the fair value of investments allocated to designated funds of $5.0 million in 2016 as compared a net decrease of ($49.3) million in 2015.

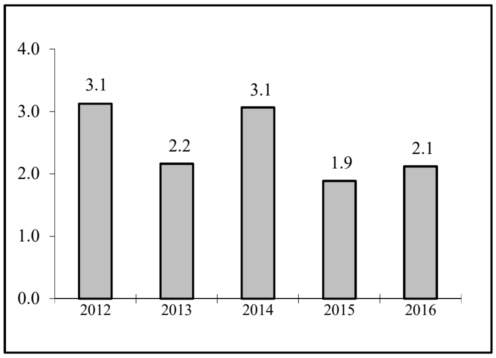
*Debt Burden Ratio* - Southwestern's debt burden ratio decreased from 3.9% in 2015 to 3.5% in 2016. The decrease in this ratio was caused by the increase in total operating expenses of $240.8 million as discussed above.

*Debt Service Coverage Ratio* - Southwestern's debt service coverage ratio increased from 4.2 in 2015 to 4.5 in 2016. The increase in this ratio was due to the improvement in operating performance, as well as a slight decrease in debt service payments of $0.2 million.

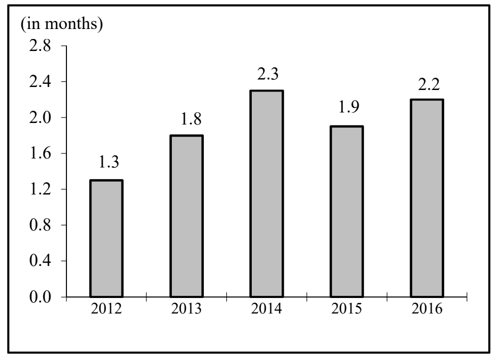
**The University of Texas Medical Branch at Galveston**
**2016 Summary of Financial Condition**

Financial Condition: **Satisfactory**

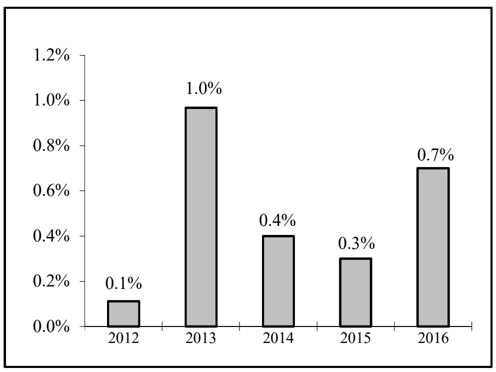
### Composite Financial Index



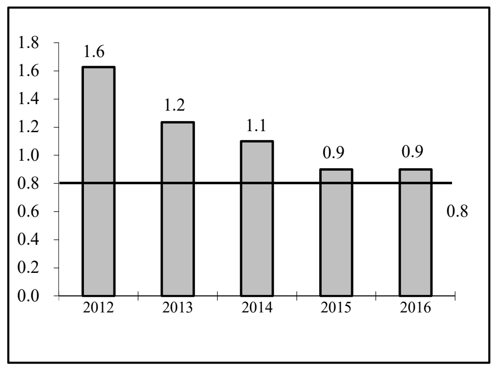

### Operating Expense Coverage Ratio



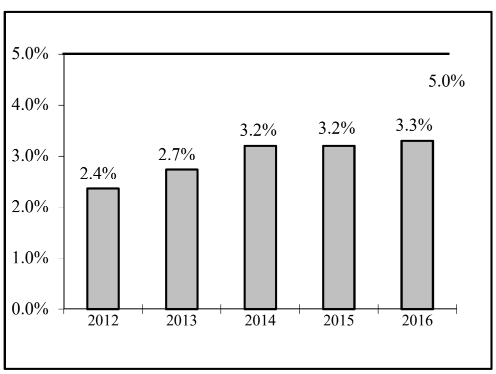

### Annual Operating Margin Ratio



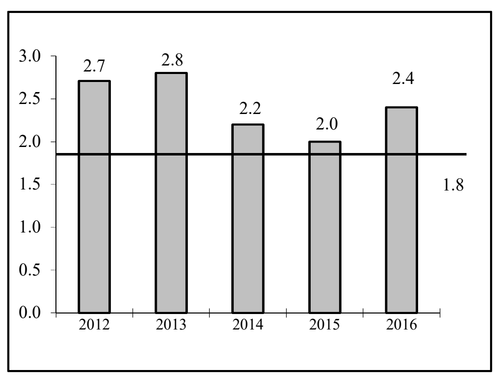

### Expendable Resources to Debt Ratio




### Debt Burden Ratio




### Debt Service Coverage Ratio



# The University of Texas Medical Branch at Galveston
## 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. Medical Branch - Galveston's (UTMB) CFI increased from 1.9 in 2015 to 2.1 in 2016 as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by the improvement in the operating margin combined with an increase in the amount of bond proceeds transferred to UTMB from U. T. System for the Jennie Sealy Hospital, League City Hospital, and Hurricane *Ike* related projects.

*Operating Expense Coverage Ratio* - UTMB's operating expense coverage ratio increased from 1.9 months in 2015 to 2.2 months in 2016 due to the growth in total unrestricted net position of $69.1 million. The increase in total unrestricted net position was primarily attributable to the operating activity in educational and general funds and designated funds, as well as an increase in the fair value of investments allocated to educational and general funds and designated funds of $0.2 million in 2016 as compared to a net decrease of ($27.4) million in 2015 for a net change between years of $27.2 million.

UTMB's operating expenses include those expenses incurred in the delivery of care to the offender population through a contract with Texas Department of Criminal Justice (TDCJ). This contract is a cost reimbursement contract and as such is not expected to generate a net position. Reviewing UTMB's operating expense coverage ratio excluding the TDCJ contract expenses of $502.5 million presents a ratio that more clearly reflects UTMB’s ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract would equal 3.0 months as compared to 2.2 months when included.

*Annual Operating Margin Ratio* - UTMB's annual operating margin ratio increased from 0.3% for 2015 to 0.7% for 2016 as the growth in total operating revenues of $156.3 million exceeded the growth in total operating expenses (including interest expense) of $147.7 million. The increase in total operating revenues was largely driven by the following:  a $99.9 million increase in net sales and services of hospitals as a result of increases in discharges of 1.1%, patient days of 5.3% and outpatient encounters of 7.7% combined with an overall estimated rate increase of 1.9% effective March 1, 2016; a $31.8 million increase in net professional fees primarily due to a 10.4% increase in Work Relative Value Units; a $14.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) resulting from increased funding from the Federal Emergency Management Agency related to Hurricane *Ike* activity, an increase in state funding for Family Health Services funded by the Texas Department of State Health Services, an increase in funding from the Cancer Prevention Research Institute of Texas, combined with an increase in private grant and contract awards; a $7.5 million increase in state appropriations after adjusting for House Bill 2 (HB 2) supplemental funding discussed below; a $3.8 million increase in net investment income (excluding realized gains/losses and including the GEF transfer); and a $3.6 million increase in net tuition and fees as a result of a reduction in the number of non-resident waivers issued to students. These increases in revenue were partially offset by a decrease of $17.2 million in other operating revenues primarily attributable to a reduction of $13.6 million in Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration and a decrease in Meaningful Use revenue of $1.4 million.

The increase in total operating expenses was due to the following:  planned increases related to the opening of the Jennie Sealy Hospital and League City Campus Hospital; an $82.9 million increase in salaries and wages and payroll related costs as a result of planned merit increases and incentive-based compensation programs for faculty and staff to promote and reward outstanding performance; a $26.1 million increase in depreciation and amortization expense due to the opening of the new Jennie Sealy Hospital and League City Campus Hospital in 2016; a $15.6 million increase in other contracted services primarily attributable to increases in the TDCJ offsite expenses and new TDCJ contracts, contingency staffing, general collaboration with other institutions, environmental services primarily related to the additional square footage of the new Jennie Sealy Hospital, and cafeteria operations; a $12.6 million increase in cost of goods sold due to an increase in the use of antihemophilic factor products in select patients and cost increases for chemotherapeutic agents, implementation of TDCJ Hepatitis C protocol, and El Paso County Jail and Management Training Corporation start-up pharmacy costs for operations; an $8.2 million increase in interest expense; a $6.9 million increase in materials and supplies attributable to volume and case mix index increases and start-up supplies related to the opening of the League City Campus Hospital in 2016; and a $5.2 million increase in professional fees and services as a result of an increase in consulting services and increased use of legal services. These increase in expenses were partially offset by a decrease of $8.4 million in other operating expenses primarily due to lower net expenses in service centers.

In 2015, UTMB received $8.2 million in HB 2 supplemental funding to construct a biocontainment critical care facility. None of the supplemental funding was spent in 2015. Therefore, in order to more appropriately match revenues with expenses, the entire $8.2 million was removed from 2015 revenues. For the 2016 Analysis of Financial Condition (AFC) $4.1 million of the $8.2 million was added back to revenues. The same adjustment will be made to the 2017 AFC. UTMB plans to begin construction on the biocontainment facility in 2017.

*Expendable Resources to Debt Ratio* - UTMB's expendable resources to debt ratio remained unchanged at 0.9 in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $69.1 million, which was offset by an increase of $102.7 million in the amount of debt outstanding related to the Jennie Sealy Hospital and Hurricane *Ike* Recovery Infrastructure.

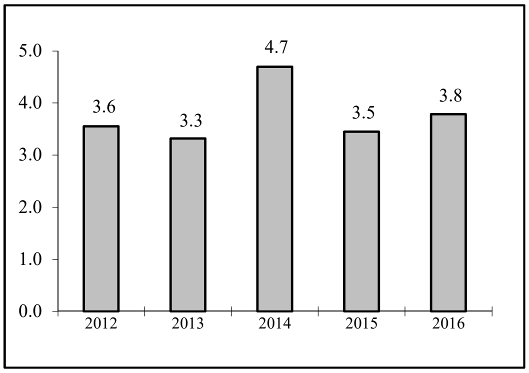
*Debt Burden Ratio* - UTMB's debt burden ratio increased from 3.2% in 2015 to 3.3% in 2016 due to an increase of $7.0 million in debt service payments.

*Debt Service Coverage Ratio* - UTMB's debt service coverage ratio increased from 2.0 in 2015 to 2.4 in 2016. The increase in this ratio was due to the improvement in operating performance.

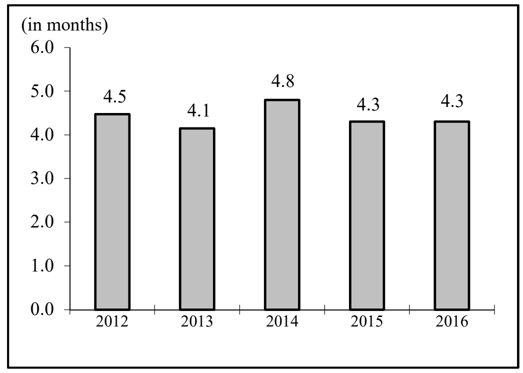
# The University of Texas Health Science Center at Houston
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

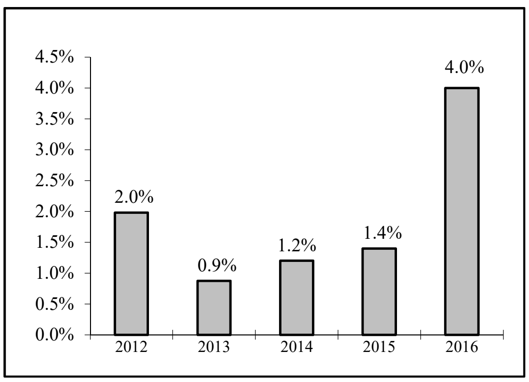
## Composite Financial Index



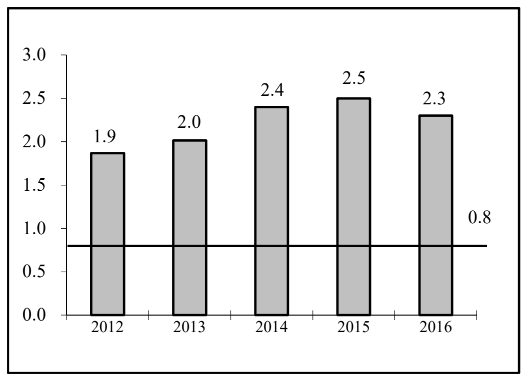

## Operating Expense Coverage Ratio



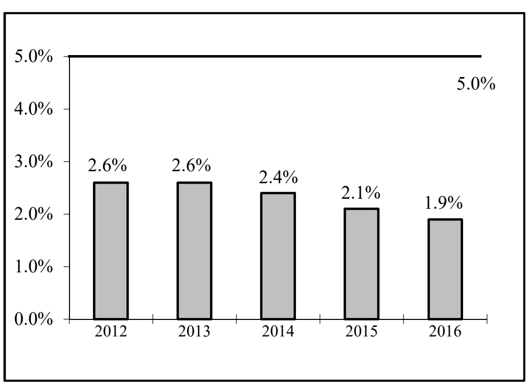

## Annual Operating Margin Ratio



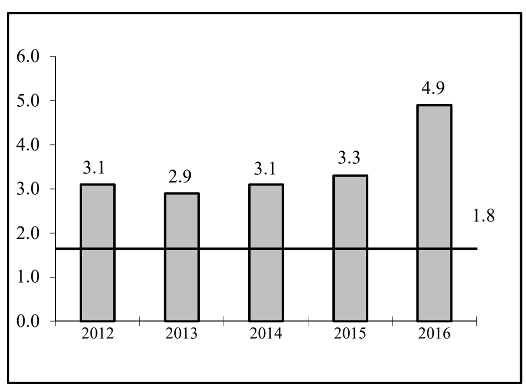

## Expendable Resources to Debt Ratio




## Debt Burden Ratio




## Debt Service Coverage Ratio



# The University of Texas Health Science Center at Houston
## 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI increased from 3.5 in 2015 to 3.8 in 2016 due to increases in the return on net position and annual operating margin ratios, which were partially offset by a decrease in the expendable resources to debt ratio. The increase in the return on net position ratio was primarily due to the following: the expansion and increased performance of the physician practice plan; a much smaller decrease in the fair value of investments of ($0.5) million in 2016 as compared to ($39.8) million in 2015; and an increase in bond proceeds transferred to UTHSC-Houston for the purchase of the Jesse Jones Library land and building, as well as the new faculty STARs awards distributed in 2016. The increase in the annual operating margin ratio and the decrease in the expendable resources to debt ratio are both discussed in detail below.

*Operating Expense Coverage Ratio* - UTHSC-Houston's operating expense coverage ratio remained unchanged at 4.3 months in 2016. The stability of this ratio was attributable to the growth in total unrestricted net position of $53.4 million offset by the growth in total operating expenses (including interest expense) of $152.7 million. The increase in total unrestricted net position was primarily due to the growth in the physician practice plan, as well as an increase in unrestricted funding intended for capital projects. The increase in total operating expenses was also driven by the growth in the physician practice plan. The operating expenses with the largest increases were as follows: a $108.7 million increase in salaries and wages and payroll related costs as a result of more than 400 additional full-time equivalents hired to accommodate the growth of the physician practice plan; a $16.9 million increase in professional fees and services generated by the growth of the physician practice plan, such as increases in the cost of processing/collecting professional fees, administrative fees related to the Network Access Improvement Program (NAIP) and expenses related to the branding campaign; a $9.1 million increase in materials and supplies primarily attributable to the purchase of medical supplies and pharmaceuticals for the physician practice plan, along with the purchase of communications equipment at the School of Nursing; a $4.5 million increase in depreciation and amortization expense primarily due to an adjustment to the useful life of leasehold improvements; a $3.3 million increase in cost of goods sold directly related to the increase in revenue in the Hemophilia/Thrombophilia Pharmacy Program; and a $2.6 million increase in rentals and leases as a result of new locations leased to accommodate the growth.

*Annual Operating Margin Ratio* - UTHSC-Houston's annual operating margin ratio increased from 1.4% for 2015 to 4.0% for 2016 as the growth in total operating revenues of $195.7 million exceeded the growth in total operating expenses of $152.7 million. Total operating revenues increased primarily due to the following: a $106.4 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to expanded contracted services with teaching partners Memorial Hermann Healthcare System and Harris County Hospital District, as well as the first full year of activity from the NAIP; a $53.2 million increase in net professional fees attributable to increased gross charge volumes resulting from the growth in the physician practice plan; a $9.7 million increase in net sales and services of educational activities due to a change in the billing and reporting of revenue received from M. D. Anderson and an increase in Cancer Prevention and Research Institute of Texas awards; a $6.6 million increase in net sales and services of hospitals primarily due to the growth in revenue in the Hemophilia/Thrombophilia Pharmacy Program combined with an increase in funding amounts per bed and beds funded at Harris County Psychiatric Center; a $5.9 million increase in state appropriations; a $5.1 million increase in net tuition and fees resulting from an increase in supplemental designated tuition at both the McGovern Medical School and the School of Dentistry, as well as an increase in the number of students at the School of Dentistry; a $4.1 million increase in other operating revenues primarily due to increases in Delivery System Reform Incentive Payments revenue of $1.6 million, stop loss insurance reimbursements received by UTHSC-Houston's blended component unit of $0.7 million, and UT Brain Awards of $0.4 million; and a $3.1 million increase in net investment income (excluding realized gains/losses and including the GEF transfer). The increase in total operating expenses is discussed above.

*Expendable Resources to Debt Ratio* - UTHSC-Houston's expendable resources to debt ratio decreased from 2.5 in 2015 to 2.3 in 2016. The decrease in this ratio was due to an increase of $53.3 million in the amount of debt outstanding.

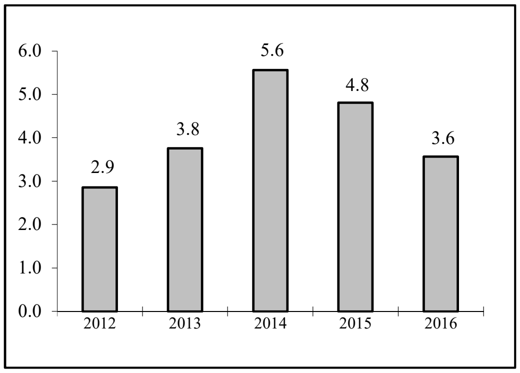
*Debt Burden Ratio* - UTHSC-Houston's debt burden ratio decreased from 2.1% in 2015 to 1.9% in 2016 as a result of the increase in total operating expenses as previously discussed.

*Debt Service Coverage Ratio* - UTHSC-Houston's debt service coverage ratio increased from 3.3 in 2015 to 4.9 in 2016. The increase in this ratio was attributable to the improved operating performance as discussed in the annual operating margin ratio.

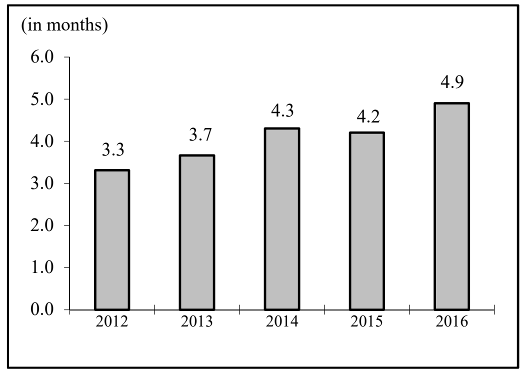
# The University of Texas Health Science Center at San Antonio
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

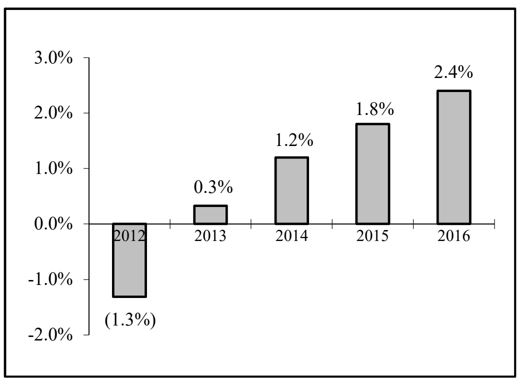
## Composite Financial Index



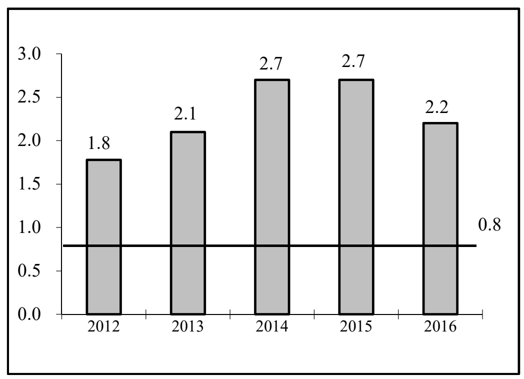

## Operating Expense Coverage Ratio



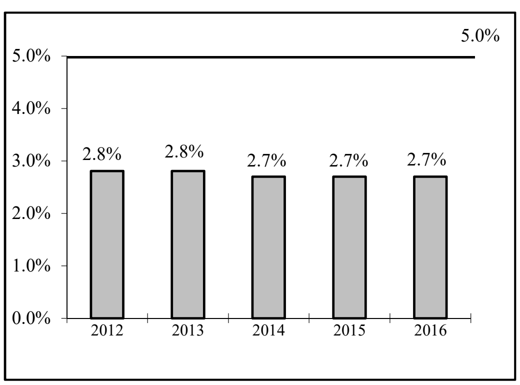

## Annual Operating Margin Ratio



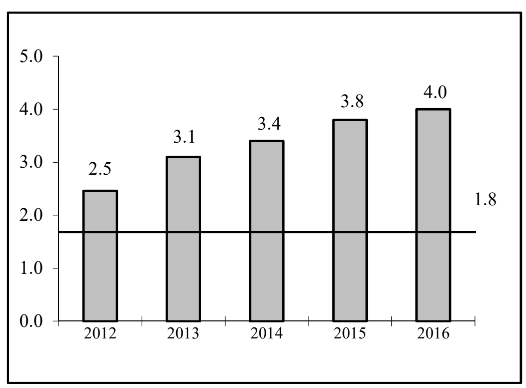

## Expendable Resources to Debt Ratio




## Debt Burden Ratio




## Debt Service Coverage Ratio



# The University of Texas Health Science Center at San Antonio
## 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI decreased from 4.8 in 2015 to 3.6 in 2016 as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was primarily attributable to the transfer of $103.4 million in capital assets associated with the Regional Academic Health Center (RAHC) to U. T. Rio Grande Valley in 2016 and an increase in the amount of debt outstanding for the construction of new and the renovation of existing facilities. The decrease in the expendable resources to debt ratio is discussed below.

*Operating Expense Coverage Ratio* - UTHSC-San Antonio's operating expense coverage ratio increased from 4.2 months in 2015 to 4.9 months in 2016 due to the growth in total unrestricted net position of $52.7 million. Total unrestricted net position increased primarily due to clinical activities in designated funds combined with an increase of $20.6 million in the change in fair value of investments allocated to designated funds.

*Annual Operating Margin Ratio* - UTHSC-San Antonio's annual operating margin ratio increased from 1.8% for 2015 to 2.4% for 2016 as the growth in total operating revenues of $30.1 million exceeded the growth in total operating expenses (including interest expense) of $24.5 million. The increase in total operating revenues was primarily attributable to the following: a $20.7 million increase in net professional fees resulting largely from a continued strategic focus on the *Patient First* initiative targeted at applying productivity standards and process improvements to enhance clinical performance; a $13.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily due to increases in clinical contracts and increased funding from the Cancer Prevention and Research Institute of Texas; a $3.3 million increase in gifts for operations as a result of increased giving from foundations; and a $2.8 million increase in net investment income (excluding realized gains/losses and including the GEF transfer). These increases in revenue were partially offset by a decrease in state appropriations of $10.7 million due to the transfer of RAHC general revenue to U. T. Rio Grande Valley and a decrease of $4.9 million in other operating revenues driven by a decrease in the Delivery System Reform Incentive Payments (DSRIP) associated with South Texas programs. UTHSC-San Antonio negotiated a service contract with U. T. Rio Grande Valley to assist with the start-up of their School of Medicine, and U. T. Rio Grande Valley was authorized to transfer state appropriations to UTHSC-San Antonio to pay for these contracted services. A transfer of $2.6 million from U. T. Rio Grande Valley to UTHSC-San Antonio is included in operating revenues for purposes of this analysis.

The increase in total operating expenses was largely due to the following: an $11.6 million increase in other contracted services driven by higher costs associated with the South Texas DSRIP contracts with Doctor's Hospital Renaissance and other South Texas DSRIP projects related to U. T. Rio Grande Valley's School of Medicine, and a pediatric contract settlement payment with University Health System; a $4.1 million increase in materials and supplies due to increased drug and medication supplies at the Cancer Therapy Research Center Pharmacy and other UT Medicine clinics resulting from increased clinical volumes; a $3.0 million increase in other operating expenses primarily due to non-capitalizable facilities renovations; and a $1.5 million increase in professional fees and services related to marketing and branding efforts.

*Expendable Resources to Debt Ratio* - UTHSC-San Antonio's expendable resources to debt ratio decreased from 2.7 in 2015 to 2.2 in 2016. The decrease in this ratio was caused by an increase of $67.7 million in the amount of debt outstanding primarily related to the appropriation of $80.0 million in Tuition Revenue Bonds for the Facilities Renewal and Renovation project. UTHSC-San Antonio also incurred debt in 2016 under the U. T. System Revenue Financing System program to acquire the Medical Center Plaza building (renamed the Professional Administrative Resource Center, or PARC) and to construct a new ambulatory facility (UT Medicine Hill Country).

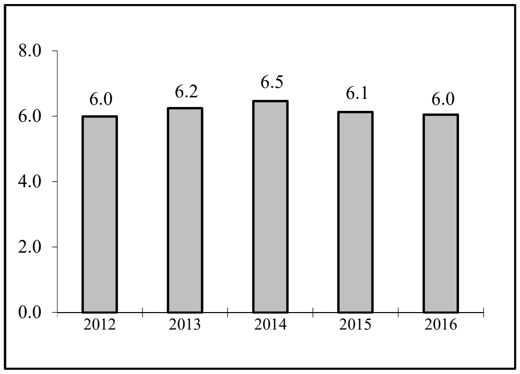
*Debt Burden Ratio* - UTHSC-San Antonio's debt burden ratio was 2.7% in 2015 and 2016. The small increase in debt service payments combined with the controlled growth of the operating expenses created the stability in this ratio.

*Debt Service Coverage Ratio* - UTHSC-San Antonio's debt service coverage ratio increased from 3.8 in 2015 to 4.0 in 2016 as a result of the improved operating performance as discussed in the annual operating margin ratio.

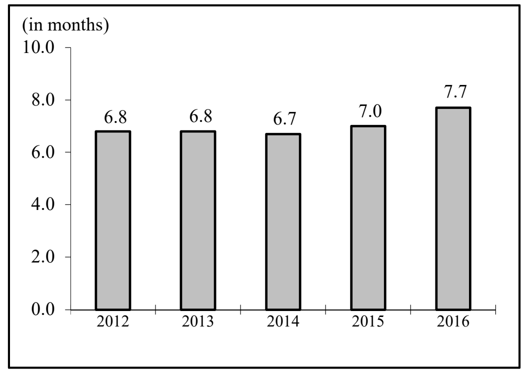
# The University of Texas M. D. Anderson Cancer Center
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

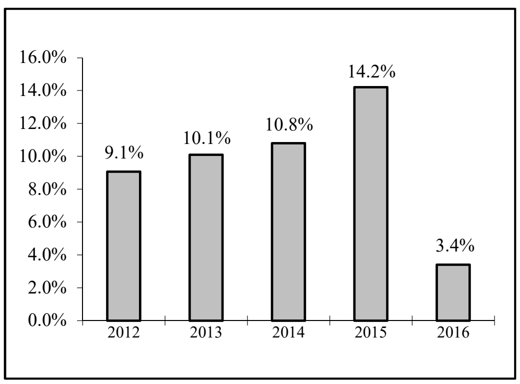
### Composite Financial Index



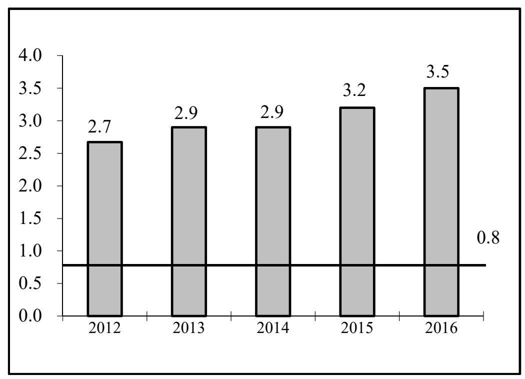

### Operating Expense Coverage Ratio



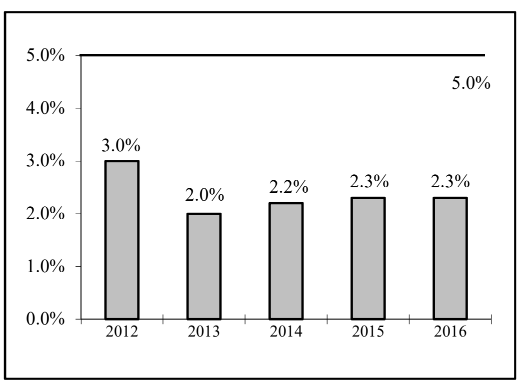

### Annual Operating Margin Ratio



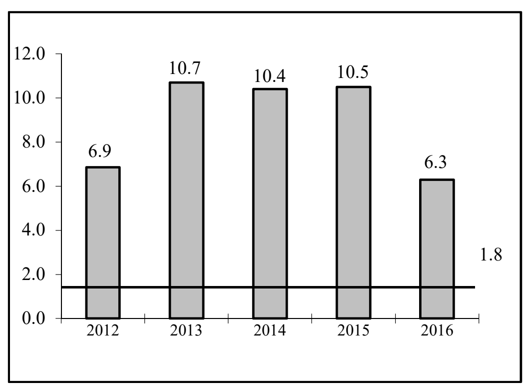

### Expendable Resources to Debt Ratio




### Debt Burden Ratio




### Debt Service Coverage Ratio



# The University of Texas M. D. Anderson Cancer Center
## 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI decreased from 6.1 in 2015 to 6.0 in 2016 as a result of a decrease in the annual operating margin ratio, which was largely offset by increases in the primary reserve, expendable resources to debt and return on net position ratios. The decrease in the annual operating margin ratio and the increase in the expendable resources to debt ratio are discussed below. The increase in the primary reserve ratio was driven by the growth in total unrestricted net position of $443.7 million primarily due to the following: a net increase in the fair value of investments allocated to educational and general funds and designated funds of $55.6 million in 2016 as compared to a net decrease of ($116.8) million in 2015 for a net change between years of $172.4 million; and a decrease in liabilities in designated funds related to technology stocks. The return on net position ratio increased primarily due to a change in the accounting for technology stocks which included a one-time adjustment to record technology stocks at fair market value implemented in 2016.

*Operating Expense Coverage Ratio* - M. D. Anderson's operating expense coverage ratio increased from 7.0 months in 2015 to 7.7 months in 2016 due to the growth in total unrestricted net position of $443.7 million. The increase in total unrestricted net position was primarily attributable to investment activity in educational and general funds and designated funds as discussed above.

*Annual Operating Margin Ratio* - M. D. Anderson's annual operating margin ratio decreased from 14.2% for 2015 to 3.4% for 2016 due to an increase in total operating expenses (including interest expense) of $343.6 million and a decrease in total operating revenues of $163.9 million. The increase in total operating expenses was largely attributable to the following: a $131.5 million increase in salaries and wages and payroll related costs resulting from merit increases, as well as appropriate staffing of clinical care teams for the transition to the new EPIC Electronic Health Record system (EHR) and staffing for new patient care facilities; a $56.0 million increase in materials and supplies primarily due to an increase in medical drugs and supplies as a result of a higher utilization of more expensive chemotherapy drugs, increases in non-capital laboratory equipment and supplies, and computer software licenses related to the EPIC EHR project; a $55.8 million increase in other contracted services caused by an increase in temporary personnel for the EPIC EHR project, increases in advertising expenses, other purchased services across various clinical areas, collection agency fees, research patient care costs, and laboratory and animal maintenance services; a $53.3 million increase in professional fees and services largely driven by consulting expenses for the EPIC EHR project and for the Financial Clearance Improvement Program; a $41.4 million increase in depreciation and amortization due to the recognition of a full year of depreciation expense on the Zayed building, as well as the Pavilion building, the EPIC EHR system, and upgrades to the Rotary House International, which were placed into service in 2016, and various other capital projects placed into service at the end of 2015; and a $7.0 million increase in repairs and maintenance related to a $3.5 million increase in maintenance and support for CT and MRI equipment, as well as a $3.5 million maintenance agreement with Thyssenkrupp Elevator Group.

The decrease in total operating revenues was primarily due to the following: a $140.6 million decrease in net investment income (excluding realized gains/losses and including the GEF transfer) due to shares of technology stocks in Ziopharm Oncology, Inc. and Intrexon Corporation received in 2015 as consideration for licenses created by M. D. Anderson with no such comparable transaction in 2016; and a $107.7 million decrease in net sales and services of hospitals as a result of the implementation of the new EPIC EHR system. These decreases in revenues were partially offset by the following: a $36.4 million increase in gifts for operations due to a large gift from the Parker Foundation received in 2016, as well as gifts from various foundations; a $27.8 million increase in sponsored programs revenue largely attributable to funding opportunities and sponsored program projects received in support of the Strategic Industry Ventures, and an increase in funding from the Cancer Prevention Research Institute of Texas; and an increase of $14.5 million in state appropriations due to the Legislative increase in formula funding of $8.6 million for M. D. Anderson's Cancer Center operations, $1.1 million for research enhancement, $3.5 million for educational and general space support and $1.3 million in state paid benefits.

M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

*Expendable Resources to Debt Ratio* - M. D. Anderson's expendable resources to debt ratio increased from 3.2 in 2015 to 3.5 in 2016. The increase in this ratio was due to the growth in total unrestricted net position of $443.7 million as discussed above.

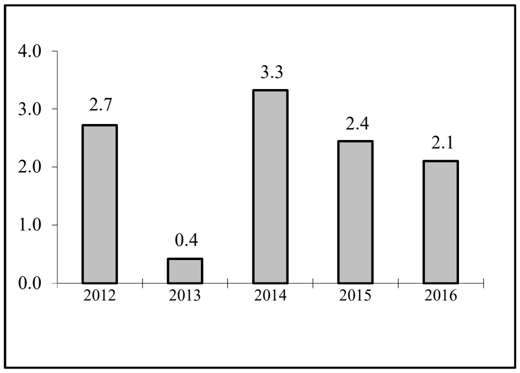
*Debt Burden Ratio* - M. D. Anderson's debt burden ratio remained unchanged at 2.3% in 2016. The stability of this ratio was attributable to an increase of $10.6 million in debt service payments which was offset by the increase in total operating expenses of $343.6 million.

*Debt Service Coverage Ratio* - M. D. Anderson's debt service coverage ratio decreased from 10.5 in 2015 to 6.3 in 2016 as a result of the decline in operating performance, as previously discussed, combined with the increase in debt service payments.

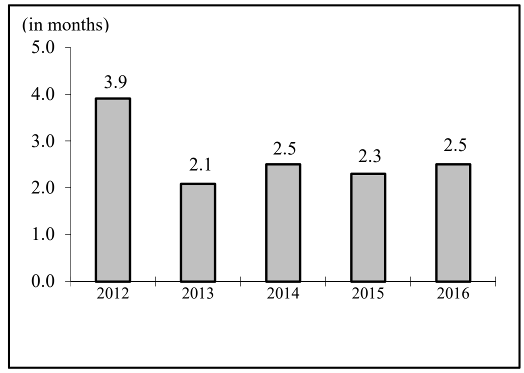
# The University of Texas Health Science Center at Tyler
# 2016 Summary of Financial Condition

Financial Condition: **Satisfactory**

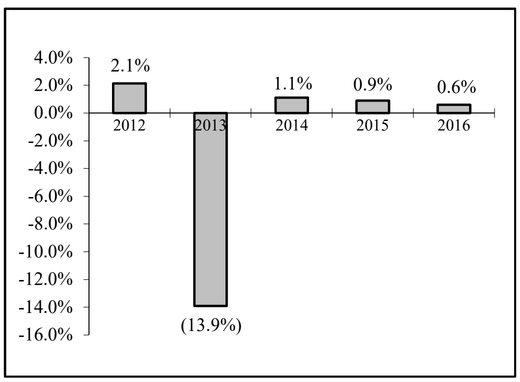
## Composite Financial Index



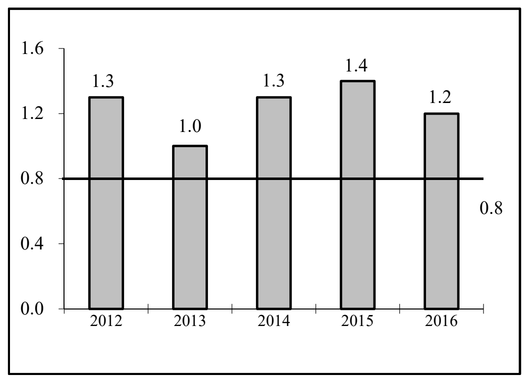

## Operating Expense Coverage Ratio



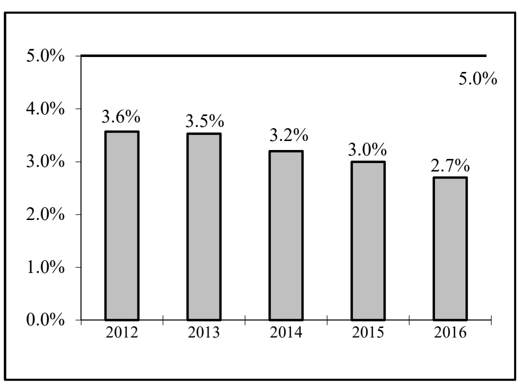

## Annual Operating Margin Ratio



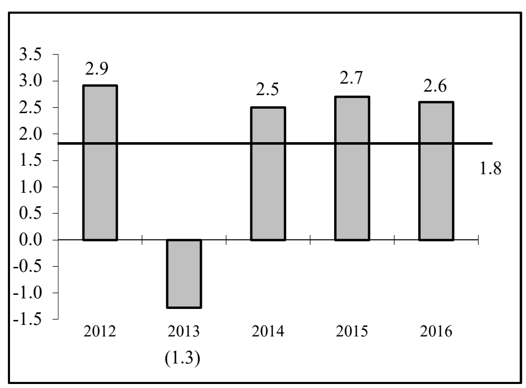

## Expendable Resources to Debt Ratio




## Debt Burden Ratio




## Debt Service Coverage Ratio



# The University of Texas Health Science Center at Tyler
# 2016 Summary of Financial Condition

*Composite Financial Index (CFI)* - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 2.4 in 2015 to 2.1 in 2016 as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was driven by the increase in the amount of debt outstanding related to equipment and facility renovations for resident physicians and critical infrastructure and equipment investments in key clinical areas, information technology systems, and research laboratories. The decrease in the expendable resources to debt ratio is discussed below.

*Operating Expense Coverage Ratio* - UTHSC-Tyler's operating expense coverage ratio increased from 2.3 months in 2015 to 2.5 months in 2016 due to the growth in total unrestricted net position of $8.0 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds combined with a net increase in the fair value of investments allocated to designated funds of $0.5 million in 2016 as compared to a net decrease of ($1.4) million in 2015.

*Annual Operating Margin Ratio* - UTHSC-Tyler's annual operating margin ratio decreased from 0.9% for 2015 to 0.6% for 2016 as the growth in total operating expenses (including interest expense) of $24.7 million exceeded the growth in total operating revenues of $24.4 million. The increase in total operating expenses was largely due to the following: an $18.7 million increase in salaries and wages and payroll related costs as a result of hiring 66 behavioral health employees due to the dissolution of the main psychiatric subcontractor, as well as the addition of employees for the new Population/Community Health program and for the opening of the clinic in Lindale; a $3.0 million increase in materials and supplies primarily driven by increases in pharmaceutical drugs and drugs for nuclear medicine, as well as supplies purchased to establish the new clinic in Lindale; and a $2.7 million increase in professional fees and services due to contracts that were paid by East Texas Quality Care Network, Inc., the blended component unit of UTHSC-Tyler, in 2015 and reported as other contracted services. In 2016, the contracts were paid directly by UTHSC-Tyler and reported as professional fees and services. Professional fees and services also increased due to the Northeast Texas Consortium of Colleges and Universities (NETnet) contract with Texarkana College and increased information technology consulting services to optimize systems and enhance security. The increase in total operating revenues was primarily due to the following: an $11.8 million increase in state appropriations; a $6.6 million increase in net sales and services of hospitals generated by growth in significant service lines including behavioral health, oncology, cardiology, surgical services, pharmacy, and related ancillary services; a $4.2 million increase in net professional fees due to increased volumes in a number of clinical areas; and a $3.3 million increase in sponsored programs revenue as a result of several new private grants and completion of sponsored program deliverables.

While UTHSC-Tyler's annual operating margin remained positive in 2016, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized $19.2 million of net DSRIP revenue in 2016 as compared to $17.9 million in 2015. If the net DSRIP revenue had not been recognized in 2016, then UTHSC-Tyler's annual operating margin would have been ($18.0) million or (10.7%).

*Expendable Resources to Debt Ratio* - UTHSC-Tyler's expendable resources to debt ratio decreased from 1.4 in 2015 to 1.2 in 2016. The decrease in this ratio was attributable to the $14.8 million increase in the amount of debt outstanding related to equipment and facility renovations for resident physicians and critical infrastructure and equipment investments in key clinical areas, information technology systems, and research labs.

*Debt Burden Ratio* - UTHSC-Tyler's debt burden ratio decreased from 3.0% in 2015 to 2.7% in 2016 as a result of the increase in total operating expenses.

*Debt Service Coverage Ratio* - UTHSC-Tyler's debt service coverage ratio decreased from 2.7 in 2015 to 2.6 in 2016. The decrease in this ratio was due to the decline in operating performance as discussed in the annual operating margin ratio above.

# Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net position ratio, and annual operating margin ratio.

| Core Ratio Values | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|
| Primary Reserve | / | 0.133 | = | Strength Factor | x | 35.0% | = | Score |
| Annual Operating Margin | / | 1.3% | = | Strength Factor | x | 10.0% | = | Score |
| Return on Net Position | / | 2.0% | = | Strength Factor | x | 20.0% | = | Score |
| Expendable Resources to Debt | / | 0.417 | = | Strength Factor | x | 35.0% | = | Score |
| | | | | | | **CFI** | = | Total Score |

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Appr+Hazelwood Trans–Op Exp \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Approp+Hazelwood Trans}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net position balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Restricted Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

## Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio** – This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, normalized investment income as defined above is used for the calculation of this ratio only. Debt capacity thresholds are provided by the Office of Finance. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+NSERB+Hazelwood Trans–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net position to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator.

$$\frac{\text{Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Position Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Position (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Position – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

## Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch," and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

**Satisfactory** – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for the System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

**Watch** – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

**Unsatisfactory** – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the System Offices of Business, Academic, and/or Health Affairs, as appropriate.

**Appendix B - Calculation of Composite Financial Index**
**Academic Institutions**
**As of August 31, 2016**

**U. T. Arlington**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.70 | / | 0.133 | = | 5.26 | x | 35.0% | = | 1.84 |
| Annual Operating Margin | 9.50% | / | 1.3% | = | 7.31 | x | 10.0% | = | 0.73 |
| Return on Net Position | 10.40% | / | 2.0% | = | 5.20 | x | 20.0% | = | 1.04 |
| Expendable Resources to Debt | 1.20 | / | 0.417 | = | 2.88 | x | 35.0% | = | 1.01 |
| | | | | | | | CFI | | 4.6 |

**U. T. Austin**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 1.30 | / | 0.133 | = | 9.77 | x | 35.0% | = | 3.42 |
| Annual Operating Margin | 5.20% | / | 1.3% | = | 4.00 | x | 10.0% | = | 0.40 |
| Return on Net Position | 5.60% | / | 2.0% | = | 2.80 | x | 20.0% | = | 0.56 |
| Expendable Resources to Debt | 2.20 | / | 0.417 | = | 5.28 | x | 35.0% | = | 1.85 |
| | | | | | | | CFI | | 6.2 |

**U. T. Dallas**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.60 | / | 0.133 | = | 4.51 | x | 35.0% | = | 1.58 |
| Annual Operating Margin | 4.10% | / | 1.3% | = | 3.15 | x | 10.0% | = | 0.32 |
| Return on Net Position | 12.00% | / | 2.0% | = | 6.00 | x | 20.0% | = | 1.20 |
| Expendable Resources to Debt | 0.60 | / | 0.417 | = | 1.44 | x | 35.0% | = | 0.50 |
| | | | | | | | CFI | | 3.6 |

**U. T. El Paso**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.50 | / | 0.133 | = | 3.76 | x | 35.0% | = | 1.32 |
| Annual Operating Margin | -3.60% | / | 1.3% | = | -2.77 | x | 10.0% | = | -0.28 |
| Return on Net Position | -1.30% | / | 2.0% | = | -0.65 | x | 20.0% | = | -0.13 |
| Expendable Resources to Debt | 0.90 | / | 0.417 | = | 2.16 | x | 35.0% | = | 0.76 |
| | | | | | | | CFI | | 1.7 |

**Appendix B - Calculation of Composite Financial Index**
**Academic Institutions**
**As of August 31, 2016**
**(continued)**

**U. T. Permian Basin**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.40 | / | 0.133 | = | 3.01 | x | 35.0% | = | 1.05 |
| Annual Operating Margin | -3.10% | / | 1.3% | = | -2.38 | x | 10.0% | = | -0.24 |
| Return on Net Position | 2.30% | / | 2.0% | = | 1.15 | x | 20.0% | = | 0.23 |
| Expendable Resources to Debt | 0.20 | / | 0.417 | = | 0.48 | x | 35.0% | = | 0.17 |
| | | | | | | | CFI | | 1.2 |

**U. T. Rio Grande Valley**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.40 | / | 0.133 | = | 3.01 | x | 35.0% | = | 1.05 |
| Annual Operating Margin | 2.40% | / | 1.3% | = | 1.85 | x | 10.0% | = | 0.18 |
| Return on Net Position | 50.50% | / | 2.0% | = | 25.25 | x | 20.0% | = | 5.05 |
| Expendable Resources to Debt | 1.40 | / | 0.417 | = | 3.36 | x | 35.0% | = | 1.18 |
| | | | | | | | CFI | | 7.5 |

**U. T. San Antonio**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.60 | / | 0.133 | = | 4.51 | x | 35.0% | = | 1.58 |
| Annual Operating Margin | -5.90% | / | 1.3% | = | -4.54 | x | 10.0% | = | -0.45 |
| Return on Net Position | -2.20% | / | 2.0% | = | -1.10 | x | 20.0% | = | -0.22 |
| Expendable Resources to Debt | 0.90 | / | 0.417 | = | 2.16 | x | 35.0% | = | 0.76 |
| | | | | | | | CFI | | 1.7 |

**U. T. Tyler**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.60 | / | 0.133 | = | 4.51 | x | 35.0% | = | 1.58 |
| Annual Operating Margin | -9.30% | / | 1.3% | = | -7.15 | x | 10.0% | = | -0.72 |
| Return on Net Position | -10.60% | / | 2.0% | = | -5.30 | x | 20.0% | = | -1.06 |
| Expendable Resources to Debt | 0.60 | / | 0.417 | = | 1.44 | x | 35.0% | = | 0.50 |
| | | | | | | | CFI | | 0.3 |

**Appendix B - Calculation of Composite Financial Index**
**Health Institutions**
**As of August 31, 2016**

**Southwestern**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.80 | / | 0.133 | = | 6.02 | x | 35.0% | = | 2.11 |
| Annual Operating Margin | 7.40% | / | 1.3% | = | 5.69 | x | 10.0% | = | 0.57 |
| Return on Net Position | 8.80% | / | 2.0% | = | 4.40 | x | 20.0% | = | 0.88 |
| Expendable Resources to Debt | 2.10 | / | 0.417 | = | 5.04 | x | 35.0% | = | 1.76 |
| | | | | | | | CFI | | 5.3 |

**UTMB**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.30 | / | 0.133 | = | 2.26 | x | 35.0% | = | 0.79 |
| Annual Operating Margin | 0.70% | / | 1.3% | = | 0.54 | x | 10.0% | = | 0.05 |
| Return on Net Position | 5.20% | / | 2.0% | = | 2.60 | x | 20.0% | = | 0.52 |
| Expendable Resources to Debt | 0.90 | / | 0.417 | = | 2.16 | x | 35.0% | = | 0.76 |
| | | | | | | | CFI | | 2.1 |

**UTHSC-Houston**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.50 | / | 0.133 | = | 3.76 | x | 35.0% | = | 1.32 |
| Annual Operating Margin | 4.00% | / | 1.3% | = | 3.08 | x | 10.0% | = | 0.31 |
| Return on Net Position | 2.30% | / | 2.0% | = | 1.15 | x | 20.0% | = | 0.23 |
| Expendable Resources to Debt | 2.30 | / | 0.417 | = | 5.52 | x | 35.0% | = | 1.93 |
| | | | | | | | CFI | | 3.8 |

**UTHSC-San Antonio**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.70 | / | 0.133 | = | 5.26 | x | 35.0% | = | 1.84 |
| Annual Operating Margin | 2.40% | / | 1.3% | = | 1.85 | x | 10.0% | = | 0.18 |
| Return on Net Position | -3.10% | / | 2.0% | = | -1.55 | x | 20.0% | = | -0.31 |
| Expendable Resources to Debt | 2.20 | / | 0.417 | = | 5.28 | x | 35.0% | = | 1.85 |
| | | | | | | | CFI | | 3.6 |

**M. D. Anderson**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.80 | / | 0.133 | = | 6.02 | x | 35.0% | = | 2.11 |
| Annual Operating Margin | 3.40% | / | 1.3% | = | 2.62 | x | 10.0% | = | 0.26 |
| Return on Net Position | 7.40% | / | 2.0% | = | 3.70 | x | 20.0% | = | 0.74 |
| Expendable Resources to Debt | 3.50 | / | 0.417 | = | 8.39 | x | 35.0% | = | 2.94 |
| | | | | | | | CFI | | 6.0 |

**UTHSC-Tyler**

| Ratio | Ratio Value | | Conversion Factor | | Strength Factor | | Weighting Factor | | Score |
|---|---|---|---|---|---|---|---|---|---|
| Primary Reserve | 0.30 | / | 0.133 | = | 2.26 | x | 35.0% | = | 0.79 |
| Annual Operating Margin | 0.60% | / | 1.3% | = | 0.46 | x | 10.0% | = | 0.05 |
| Return on Net Position | 2.60% | / | 2.0% | = | 1.30 | x | 20.0% | = | 0.26 |
| Expendable Resources to Debt | 1.20 | / | 0.417 | = | 2.88 | x | 35.0% | = | 1.01 |
| | | | | | | | CFI | | 2.1 |

# Appendix C - Calculation of Expendable Net Position
## Academic Institutions
## As of August 31, 2016
## (In Millions)

| Institution | Restricted Expendable Net Position: Capital Projects | Restricted Expendable Net Position: Funds Functioning Restricted | Restricted Expendable Net Position: Other Expendable | Restricted Expendable Net Position: Total | Total Unrestricted Net Position | Total Expendable Net Position | Less: Restricted Exp for Cap. Projects | Total Exp. Net Position Excluding Cap. Projects |
|---|---|---|---|---|---|---|---|---|
| U. T. Arlington | $ 59.5 | 4.1 | 62.5 | 126.2 | 330.1 | 456.3 | (59.5) | 396.8 |
| U. T. Austin | 168.6 | 235.8 | 1,795.5 | 2,199.9 | 1,256.3 | 3,456.2 | (168.6) | 3,287.6 |
| U. T. Dallas | 79.9 | 23.5 | 185.8 | 289.2 | 141.3 | 430.5 | (79.9) | 350.6 |
| U. T. El Paso | (0.3) | 17.7 | 131.6 | 149.1 | 59.4 | 208.4 | 0.3 | 208.7 |
| U. T. Permian Basin | 3.0 | 0.4 | 26.8 | 30.2 | 6.2 | 36.4 | (3.0) | 33.3 |
| U. T. Rio Grande Valley | 18.9 | 1.3 | 52.4 | 72.6 | 121.9 | 194.6 | (18.9) | 175.7 |
| U. T. San Antonio | 1.3 | 1.5 | 64.9 | 67.8 | 230.8 | 298.6 | (1.3) | 297.3 |
| U. T. Tyler | 32.8 | 1.6 | 46.1 | 80.6 | 37.2 | 117.8 | (32.8) | 85.0 |

# Appendix C - Calculation of Expendable Net Position
## Health Institutions
## As of August 31, 2016
## (In Millions)

| Institution | Restricted Expendable Net Position: Capital Projects | Restricted Expendable Net Position: Funds Functioning Restricted | Restricted Expendable Net Position: Other Expendable | Restricted Expendable Net Position: Total | Total Unrestricted Net Position | Total Expendable Net Position | Less: Restricted Exp for Cap. Projects | Total Exp. Net Position Excluding Cap. Projects |
|---|---|---|---|---|---|---|---|---|
| Southwestern | $ 122.4 | 53.1 | 953.0 | 1,128.5 | 1,102.7 | 2,231.2 | (122.4) | 2,108.8 |
| UTMB | (41.2) | 30.9 | 202.4 | 192.1 | 363.4 | 555.5 | 41.2 | 596.7 |
| UTHSC-Houston | 2.5 | 22.5 | 152.2 | 177.2 | 534.0 | 711.2 | (2.5) | 708.7 |
| UTHSC-San Antonio | 43.5 | 18.6 | 218.8 | 280.9 | 331.1 | 611.9 | (43.5) | 568.5 |
| M. D. Anderson | 262.3 | 68.3 | 541.9 | 872.5 | 2,758.2 | 3,630.7 | (262.3) | 3,368.4 |
| UTHSC-Tyler | 6.1 | 1.0 | 18.2 | 25.2 | 40.4 | 65.6 | (6.1) | 59.6 |

**Appendix D - Calculation of Annual Operating Margin**
**Academic Institutions**
**As of August 31, 2016**
**(In Millions)**

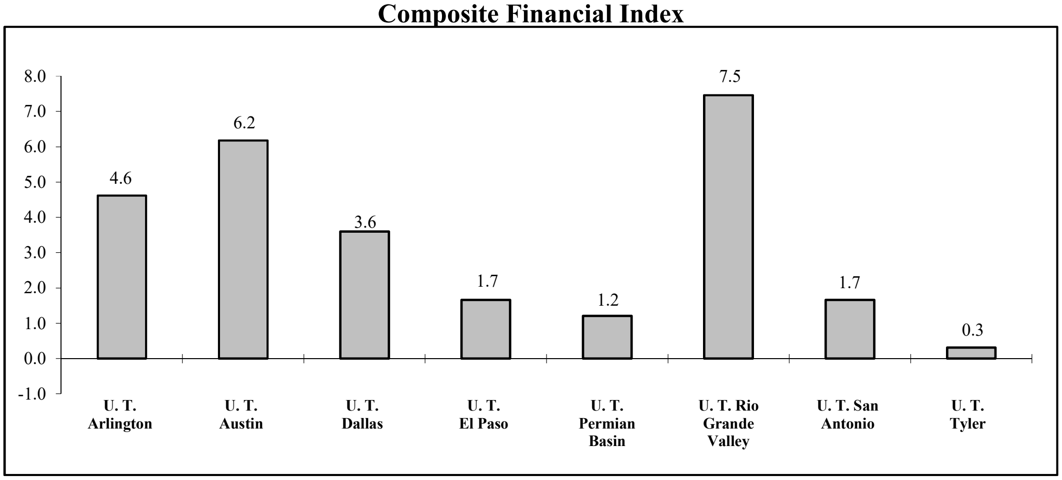
| Institution | Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers | Less: Nonoperating Items — Other Nonop. Revenues | Other Nonop. Expenses | Gain/Loss on Sale of Cap. Assets | Net Increase/ (Decrease) in FV of Inv. | Margin From SRECNA | Other Adjustments — Minus: Realized Gains/ (Losses) | Plus: AUF, RAHC & NSERB | Plus: GEF Transfer | Plus: Hazelwood Transfers | Plus: Interest Expense | Annual Operating Margin |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U. T. Arlington | $ 70.4 | - | (0.9) | (0.8) | 2.0 | 69.8 | - | - | 1.4 | 0.9 | (11.6) | 60.5 |
| U. T. Austin | (183.5) | 26.7 | (0.7) | (19.3) | (39.7) | (150.5) | (0.1) | 297.7 | 34.3 | 1.9 | (42.5) | 141.1 |
| U. T. Dallas | 34.3 | - | - | (1.9) | (10.3) | 46.5 | 13.9 | 6.5 | 4.0 | 0.5 | (18.2) | 25.4 |
| U. T. El Paso | (12.2) | 0.1 | (0.2) | (2.1) | (2.3) | (7.6) | 0.8 | - | 1.9 | 0.5 | (9.2) | (15.2) |
| U. T. Permian Basin | 2.1 | 0.1 | - | - | (0.1) | 2.1 | (0.3) | - | 0.4 | 0.1 | (5.4) | (2.5) |
| U. T. Rio Grande Valley | 15.3 | 0.3 | - | (1.3) | 0.7 | 15.6 | (0.2) | 0.6 | 0.5 | 0.5 | (6.3) | 11.2 |
| U. T. San Antonio | (18.6) | 0.1 | - | (0.4) | (0.2) | (18.0) | 0.3 | - | 1.4 | 1.7 | (14.4) | (29.6) |
| U. T. Tyler | (9.6) | - | - | - | (0.2) | (9.3) | - | - | 0.8 | 0.2 | (3.6) | (11.8) |

# Appendix D - Calculation of Annual Operating Margin
## Health Institutions
## As of August 31, 2016
## (In Millions)

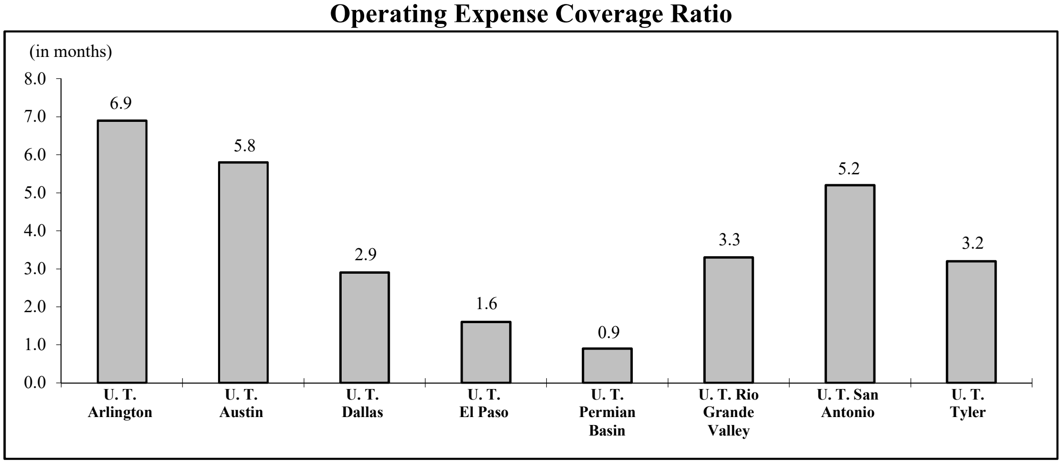
| | | Less: Nonoperating Items | | | | | Other Adjustments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Institution | Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers | Other Nonop. Revenues | Other Nonop. Expenses | Gain/Loss on Sale of Cap. Assets | Net Increase/ (Decrease) in FV of Inv. | Margin From SRECNA | Minus: Realized Gains/ (Losses) | Plus: GEF Transfer | Plus: Other | Plus: Interest Expense | Annual Operating Margin |
| Southwestern | $ 214.7 | 3.7 | (1.2) | (1.9) | (6.2) | 220.2 | (6.9) | 10.1 | - | (31.3) | 206.0 |
| UTMB | 14.0 | - | (0.1) | - | (5.8) | 20.0 | 0.4 | 5.1 | 4.1 | (14.7) | 14.1 |
| UTHSC-Houston | 67.9 | - | - | (0.9) | (0.5) | 69.4 | 0.7 | 2.7 | 1.5 | (11.0) | 61.8 |
| UTHSC-San Antonio | 19.4 | - | - | (0.5) | (3.5) | 23.5 | 0.1 | 2.3 | 2.6 | (8.3) | 20.1 |
| M. D. Anderson | 207.5 | - | (0.6) | (2.6) | 39.7 | 171.0 | (8.8) | 5.3 | - | (34.5) | 150.5 |
| UTHSC-Tyler | 1.1 | - | (0.9) | - | (0.1) | 2.2 | (0.2) | 0.1 | - | (1.4) | 1.1 |

## Appendix E - Academic Institutions' Evaluation Factors
## 2016 Analysis of Financial Condition

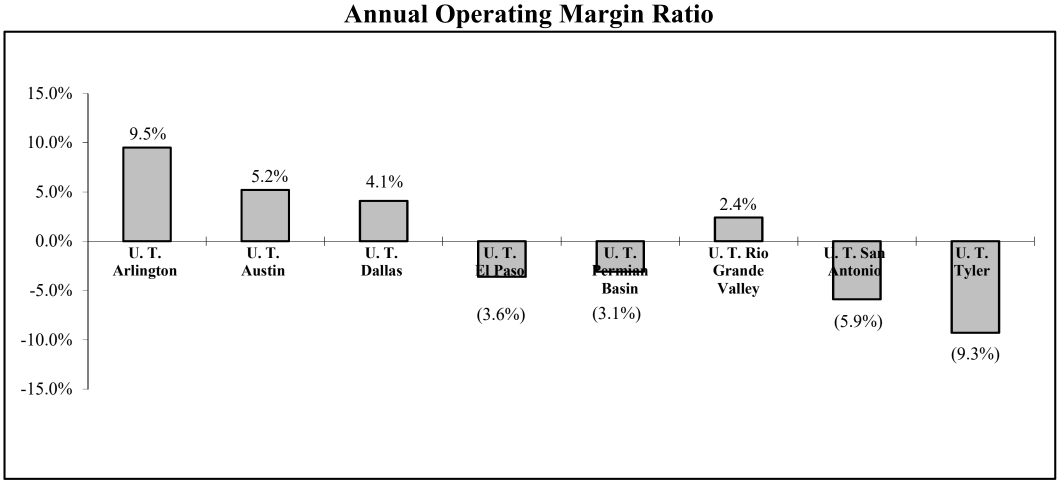
### Composite Financial Index




### Operating Expense Coverage Ratio

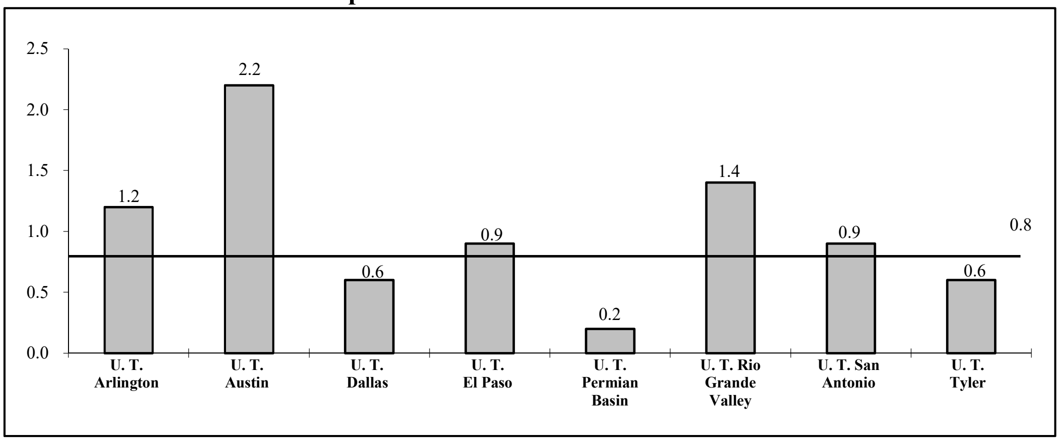



### Annual Operating Margin Ratio

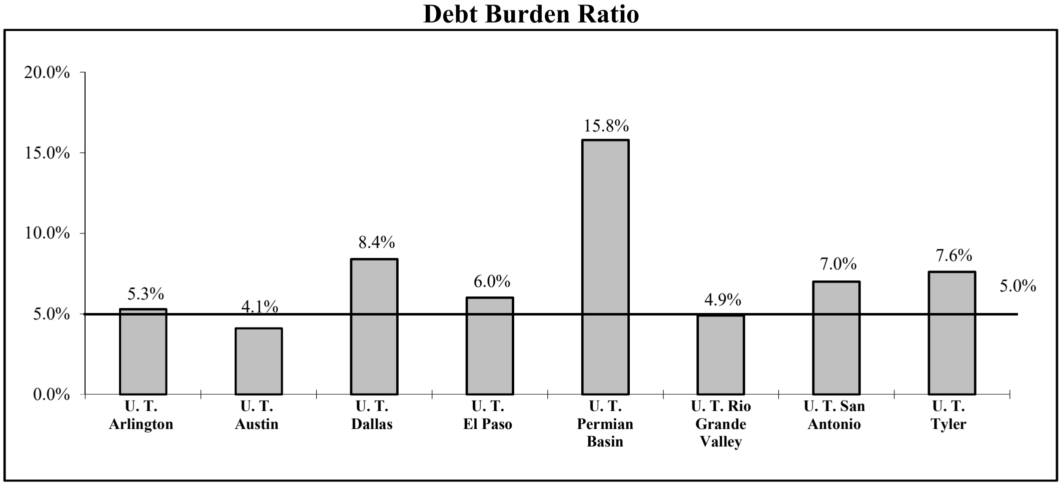


## Appendix E - Academic Institutions' Evaluation Factors
## 2016 Analysis of Financial Condition

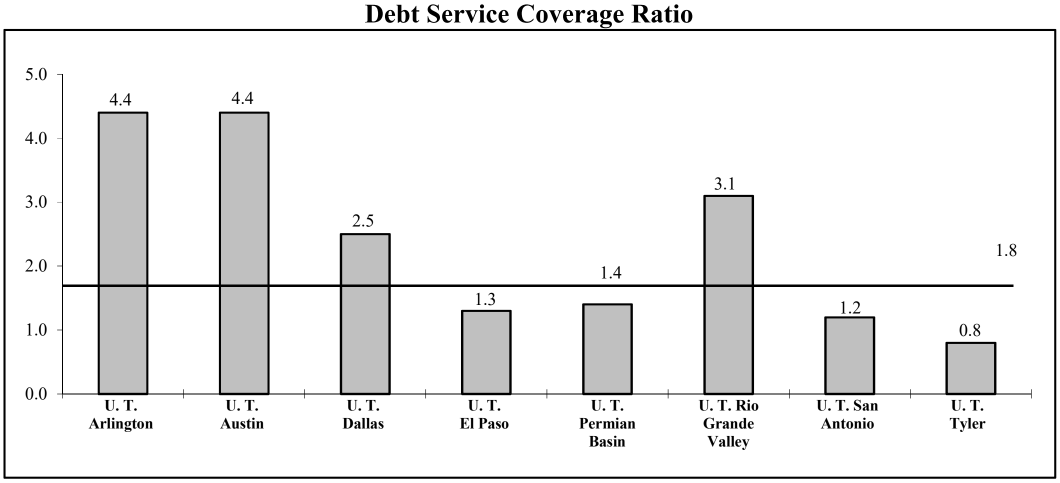
### Expendable Resources to Debt Ratio




### Debt Burden Ratio

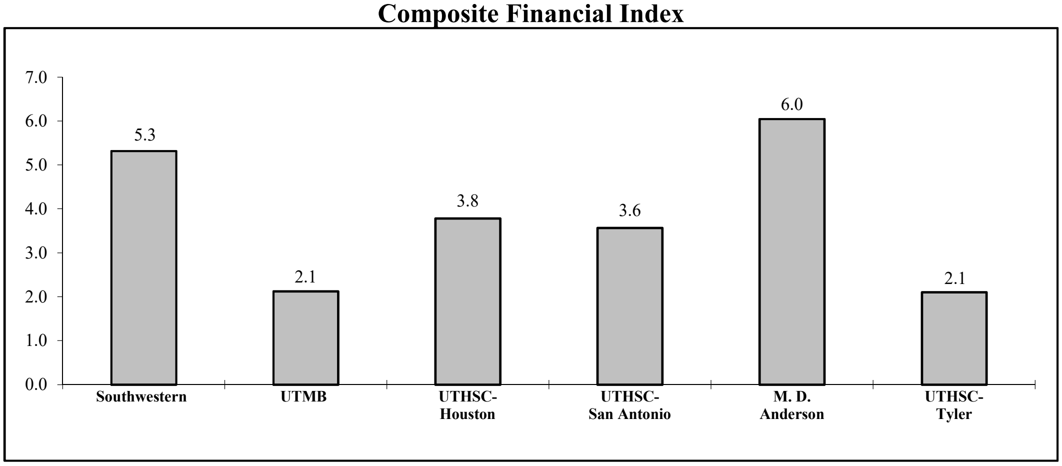



### Debt Service Coverage Ratio

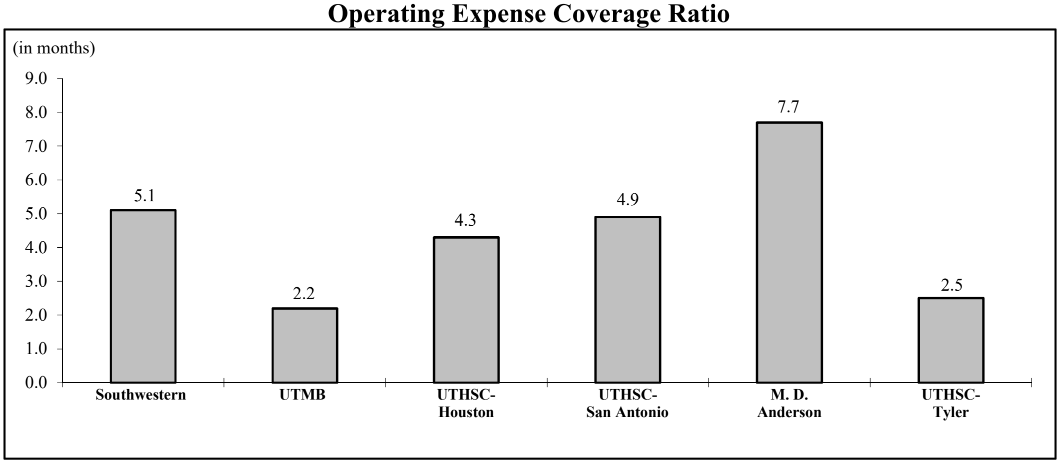


**Appendix E - Health Institutions' Evaluation Factors**
**2016 Analysis of Financial Condition**

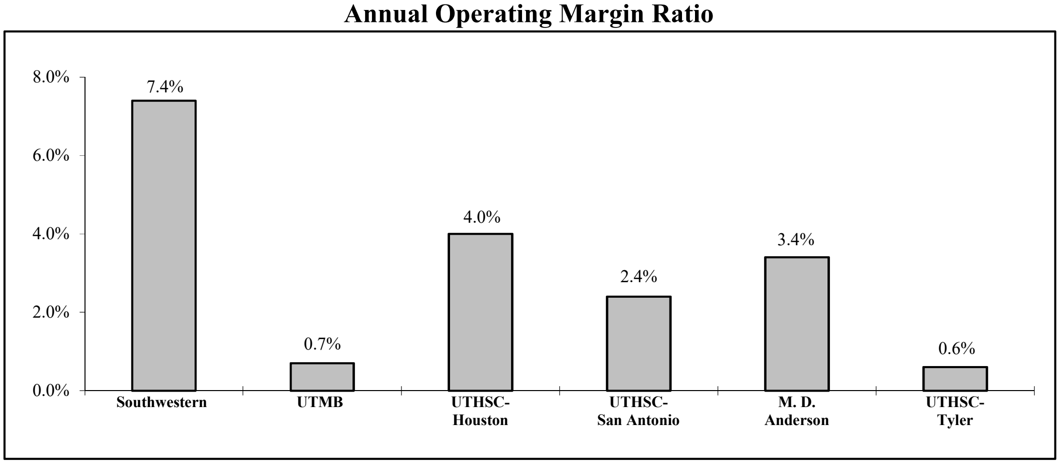
**Composite Financial Index**




**Operating Expense Coverage Ratio**

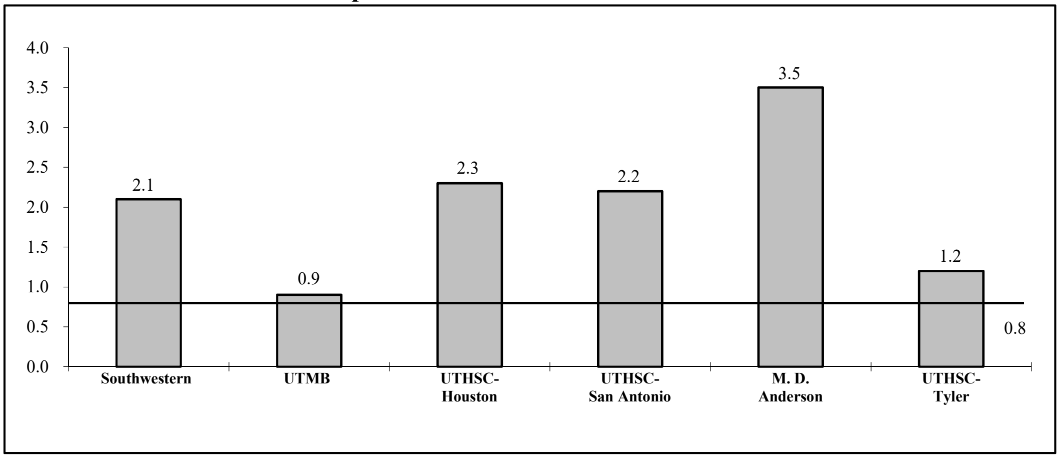



**Annual Operating Margin Ratio**

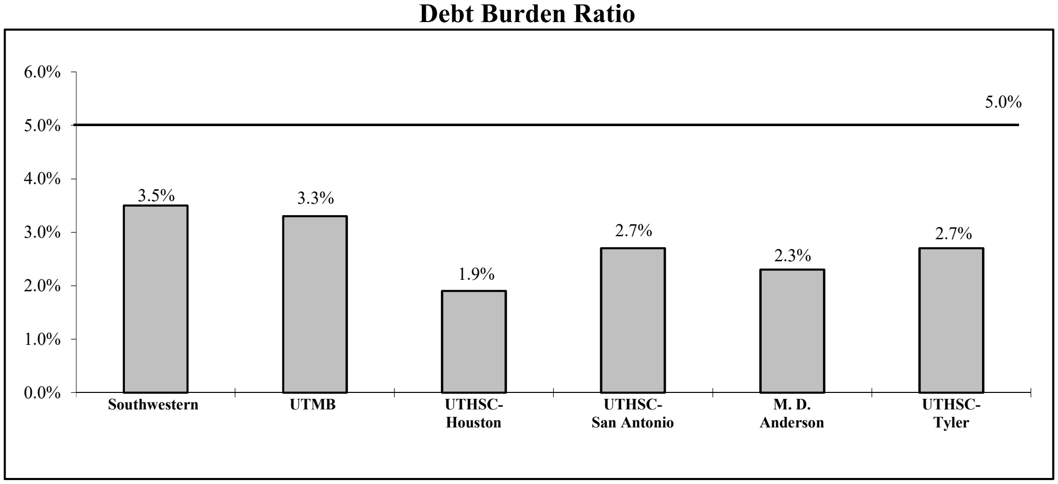


## Appendix E - Health Institutions' Evaluation Factors
## 2016 Analysis of Financial Condition

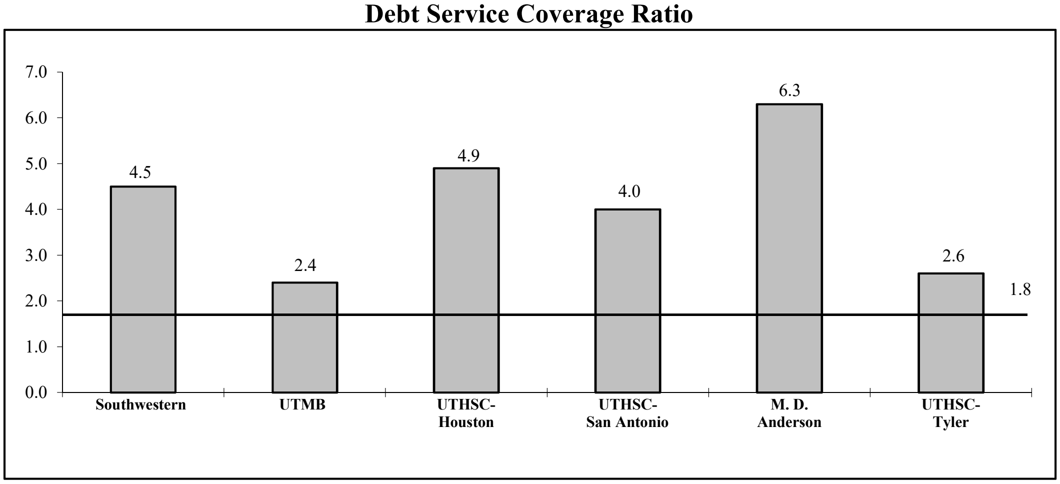
### Expendable Resources to Debt Ratio



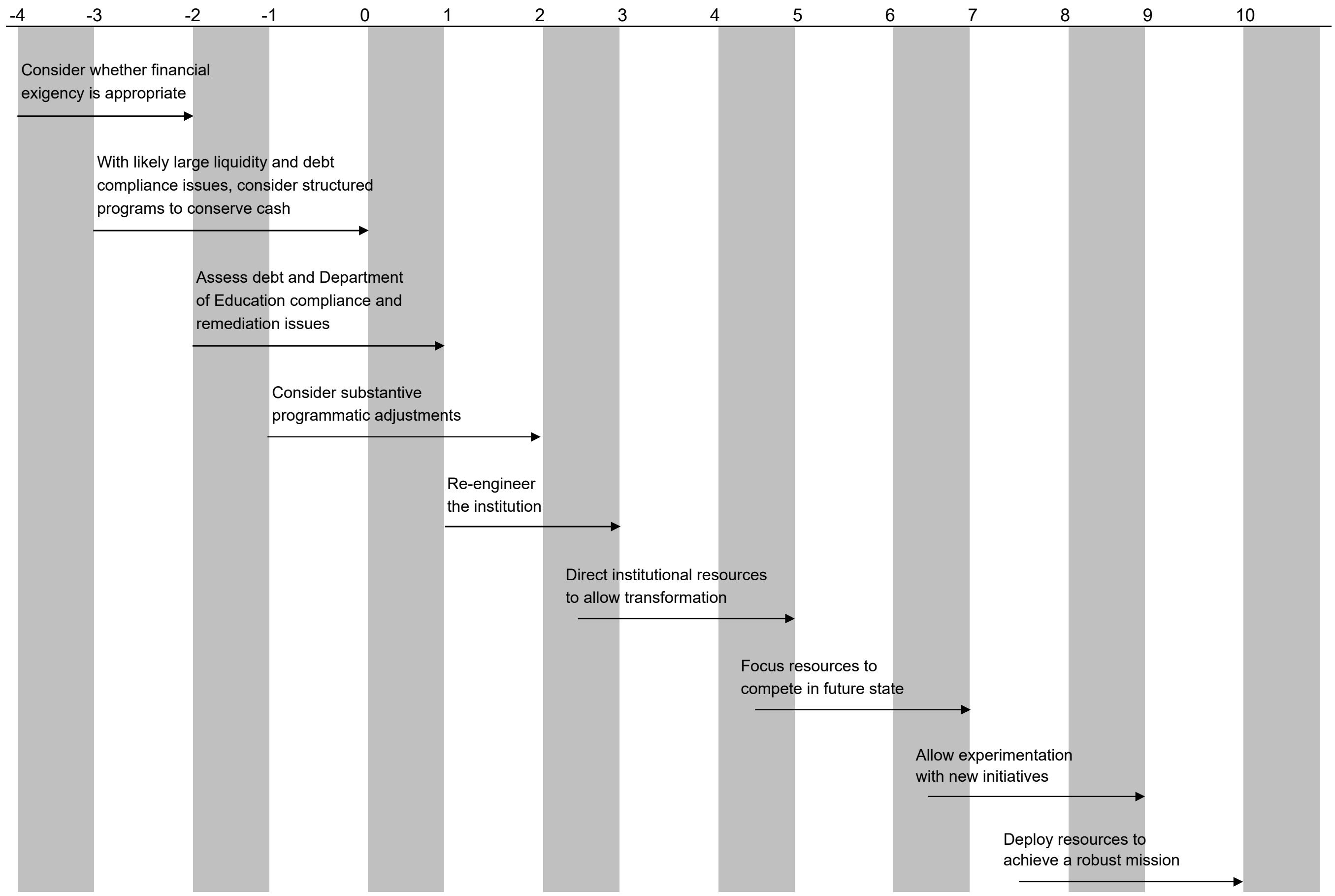

### Debt Burden Ratio




### Debt Service Coverage Ratio

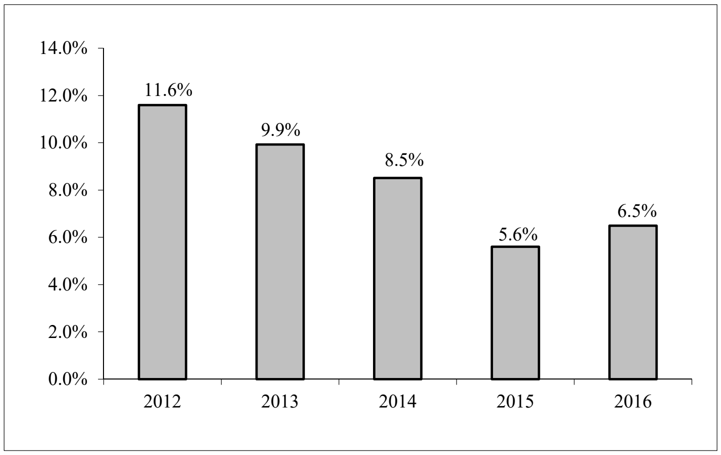


## Appendix F - Scale for Charting CFI Performance



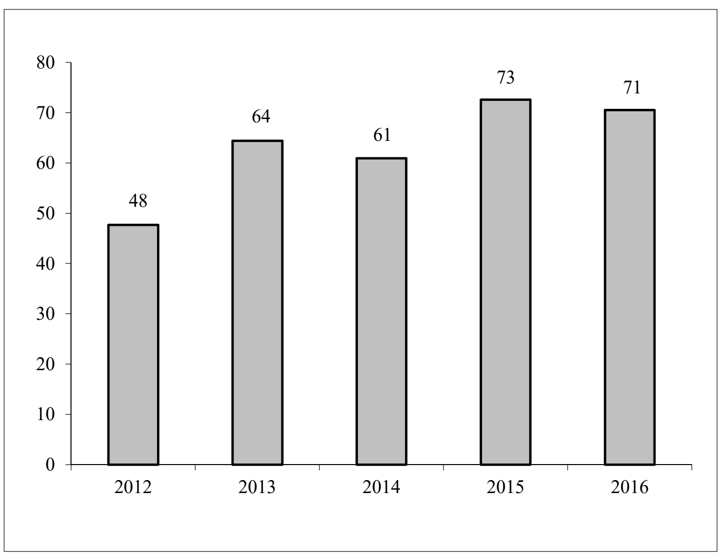
# Appendix G - Key Hospital Operating Factors
# The University of Texas Southwestern Medical Center

## Annual Operating Margin Ratio




The annual operating margin ratio increased from 5.6% for 2015 to 6.5% for 2016 as a result of year over year volume increases of 10.5%. Resources were added to meet those demands (a 9.8% increase). The differential in volumes and improved rates against additional resources resulted in an improved annual operating margin.

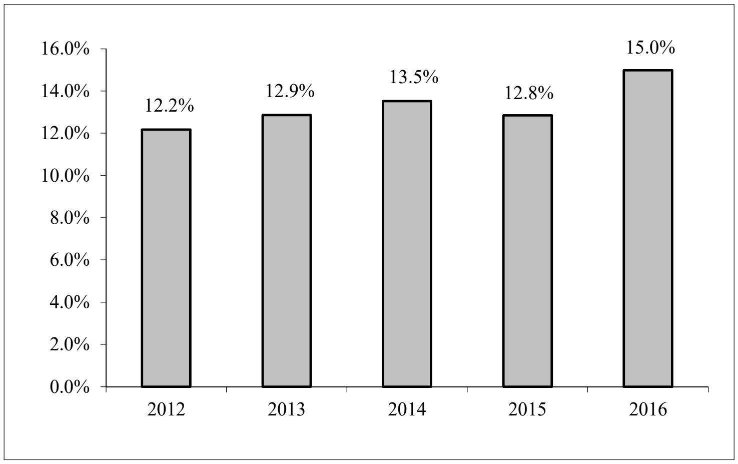
## Net Accounts Receivable (in days)




Net accounts receivable in days decreased from 73 days in 2015 to 71 days in 2016 due to the completion of the training for the 10th revision of the International Statistical Classification of Diseases and Related Health Problems, a medical classification list by the World Health Organization.

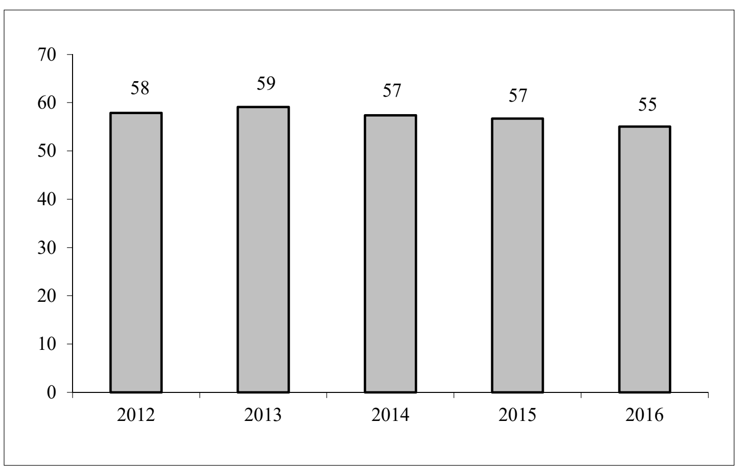
# Appendix G - Key MSRDP & NPHC Operating Factors
# The University of Texas Southwestern Medical Center

## Annual Operating Margin Ratio




The annual operating margin ratio increased from 12.8% for 2015 to 15.0% for 2016. The increase in this ratio was primarily attributable to the accrual of $21.4 million in 2015 associated with the audit of the Physician Upper Payment Limit (UPL) for the periods May 1, 2004 through September 30, 2007. The annual operating margin ratio for 2015 would have been 15.2% instead of 12.8% if the $21.4 million UPL accrual was excluded. The physician practice plan recognized $41.3 million in other operating revenue from the Delivery System Reform Incentive Payment program, which was a slight decrease from the $42.5 million recognized in the prior year.

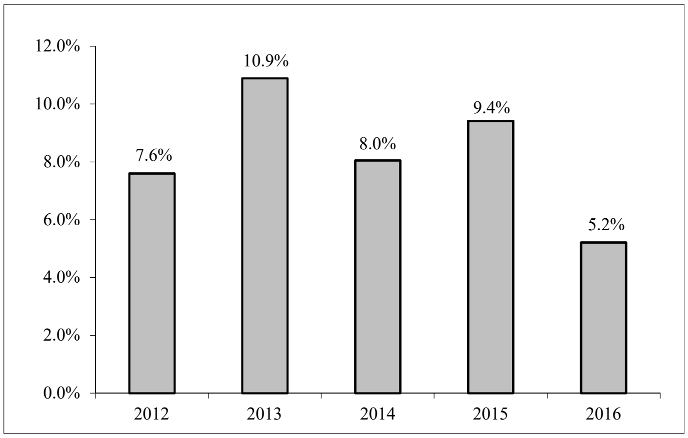
## Net Accounts Receivable (in days)




The net accounts receivable days decreased from 57 days in 2015 to 55 days in 2016 mainly due to billing efficiency.

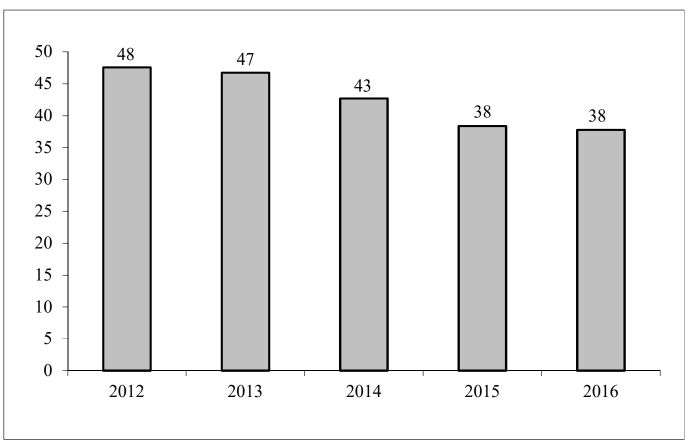
## Appendix G - Key Hospital Operating Factors
## The University of Texas Medical Branch at Galveston

### Annual Operating Margin Ratio




UTMB Hospitals and Clinics' annual operating margin ratio decreased from 9.4% for 2015 to 5.2% for 2016. Operating revenues increased 7.3% primarily due to net patient care revenue. Operating expenses increased 11.4% due to salaries and benefits, supplies, depreciation, interest expense for capital asset financing, utilities and other facility costs. The increases in depreciation and interest expense were related to placing the Jennie Sealy Hospital and League City Hospital into service. UTMB Hospitals and Clinics experienced volume increases in discharges of 1.1% and outpatient encounters of 7.7% which contributed to increased net patient care revenue and increased salaries and benefits, as well as supply costs. UTMB Hospitals and Clinics recognized a net decrease related to the Delivery System Reform Incentive Payment program from 2015 to 2016 of $13.1 million.

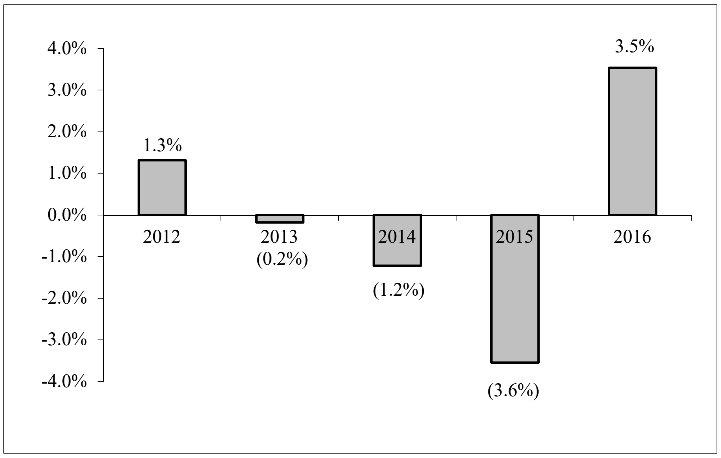
### Net Accounts Receivable (in days)




Net accounts receivable in days remained consistent between 2015 and 2016 at 38 days. Although discharges increased 1.1% and outpatient encounters increased 7.7%, the Revenue Cycle Operations continued to implement process improvements.

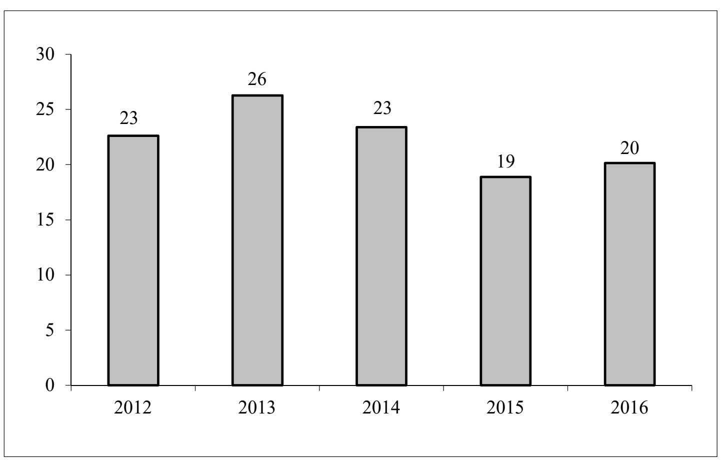
## Appendix G - Key MSRDP & NPHC Operating Factors
## The University of Texas Medical Branch at Galveston

### Annual Operating Margin Ratio




The annual operating margin ratio increased from (3.6%) for 2015 to 3.5% for 2016, which was primarily attributable to an increase in operating revenues of 8.8%. The increase in operating revenues was largely due to an increase in net patient care revenue partially offset by a decrease in revenue from the Delivery System Reform Incentive Payments (DSRIP). Work Relative Value Units (wRVUs) increased 10.4% contributing to the increase in net patient care revenue. The net decrease related to DSRIP from 2015 to 2016 was $10.5 million. Operating expenses increased 1.5% primarily as a result of increases in salaries and benefits partially offset by a decrease in utilities and other facility costs.

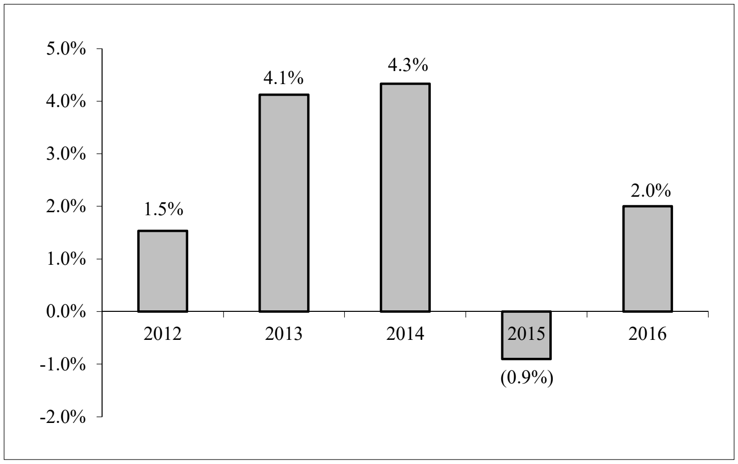
### Net Accounts Receivable (in days)




Net accounts receivable in days remained relatively consistent between 2015 and 2016 with a slight increase from 19 days to 20 days. Although wRVUs increased 10.4%, Revenue Cycle Operations continued to implement process improvements.

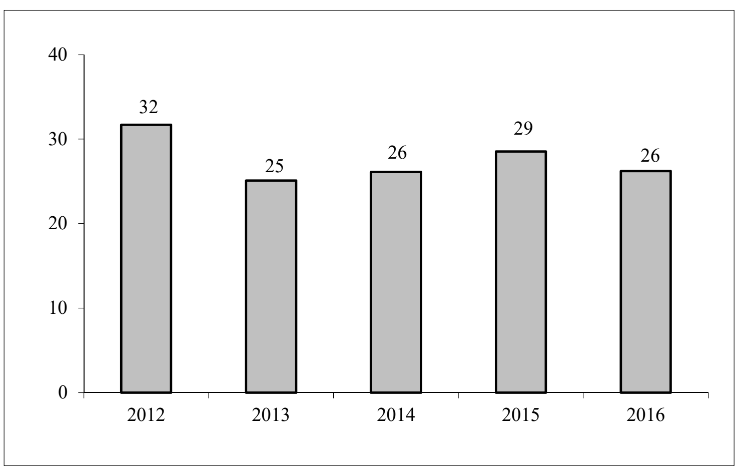
# Appendix G - Key Hospital Operating Factors
# The University of Texas Health Science Center at Houston

## Annual Operating Margin Ratio




The annual operating margin ratio increased from (0.9%) for 2015 to 2.0% for 2016. The increase in this ratio was primarily attributable to an increase in funding amounts per bed and the number of beds funded, an increase in net patient service revenue, and efforts to contain costs. The increase in net patient service revenue was due to a better success rate on appeals of denied claims, and the removal by the Texas Health and Human Services Commission (HHSC) of the spell of illness (SOI) limitation for individuals with severe and persistent mental illness. The SOI limitation negatively affected patient account collections in 2015.

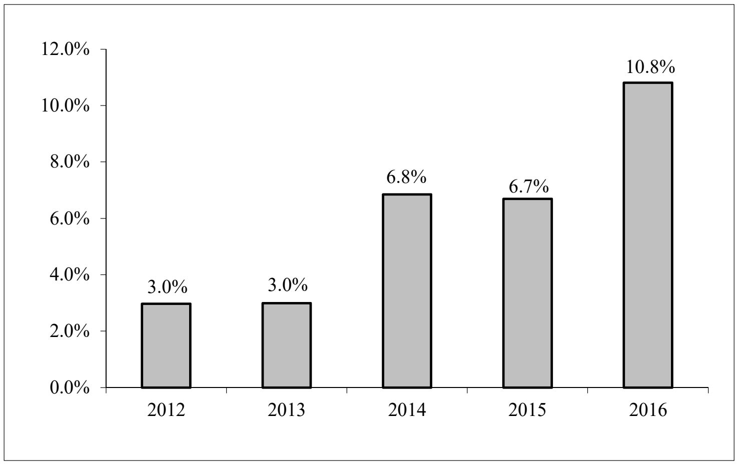
## Net Accounts Receivable (in days)




The net accounts receivable in days remained relatively constant over the last five years. Continuous monitoring and improvement of the billing and collection processes, including management of denials, timely identification of patients who qualify for indigent status and timely recognition of patient bad debts help to maintain a low net days in accounts receivable.

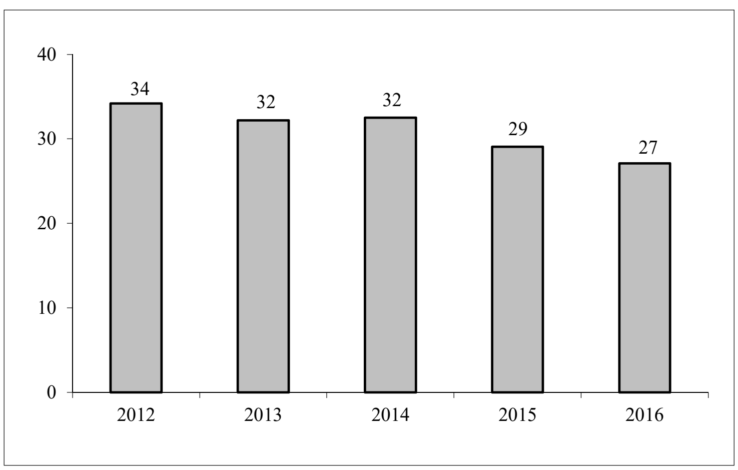
# Appendix G - Key MSRDP & NPHC Operating Factors
# The University of Texas Health Science Center at Houston

## Annual Operating Margin Ratio




The annual operating margin ratio increased significantly from 2015 to 2016. The physician practice plan recognized an increase in both operating revenues (25.0%) and expenses (19.1%). The growth in the physician practice plan generated an additional $53.1 million in professional fee revenue. Also, an additional $56.1 million in Network Access Improvement Program (NAIP) revenue was recognized as compared to 2015 due to only a partial year of NAIP activity in 2015, combined with an increase from one contract to three in 2016. Contractual revenue also increased as a result of increases in the Memorial Hermann Hospital contract ($47.2 million) due to an increase in provided services and a delayed execution of the 2016 annual agreement, and Harris Health System contract ($7.3 million) due to expanded services. The increase in operating expenses was primarily a result of the addition of faculty, the expansion of some existing clinics and the opening of new clinics, and the continued increase in expenses related to NAIP and Delivery System Reform Incentive Payments (DSRIP).

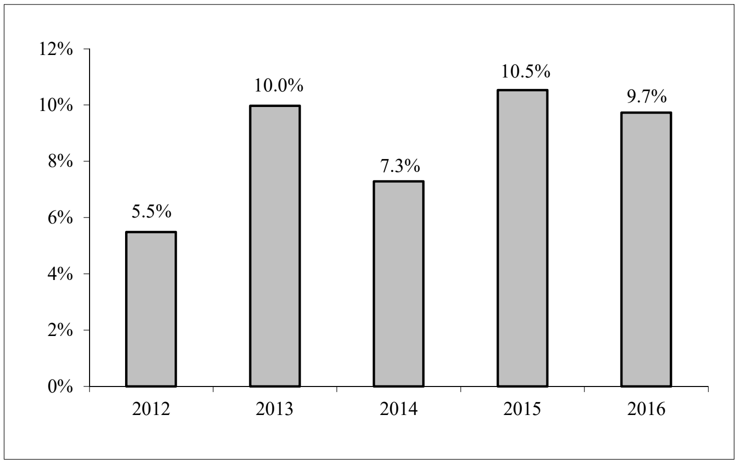
## Net Accounts Receivable (in days)




Net accounts receivable (in days) improved from 29 days in 2015 to 27 days in 2016. The physician practice plan continues to focus heavily on improving the revenue cycle. In 2015 and 2016 there was an emphasis on processing insurance claims more accurately, which resulted in faster payment of the claims, and thus, reduced denials and increased collection of time of service payments. The initiatives in 2016 also included implementing a process to verify eligibility on hospital based claims prior to submission of the claims, initiating other targeted eligibility initiatives to reduce charges billed for incorrect eligibility, implementing online bill pay, launching support to decrease charge lag days, and reducing the number of days Harris Health System's indigent balances were held on the accounts receivable.

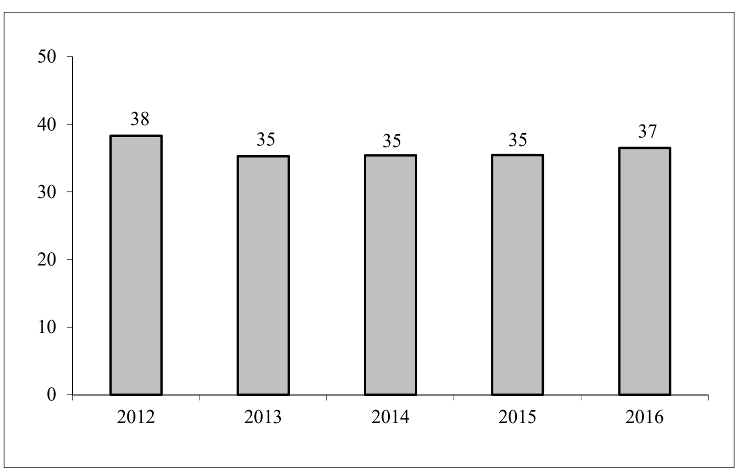
# Appendix G - Key MSRDP & NPHC Operating Factors
# The University of Texas Health Science Center at San Antonio

## Annual Operating Margin Ratio




The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center. The decrease in the annual operating margin ratio was primarily attributable to a $5.3 million settlement payment to University Hospital System (UHS) related to the pediatric transition. A strategic focus on the *Patient First* initiative targeted at applying productivity standards and process improvement ideas continues to enhance clinical performance. These efforts exclusive of the pediatrics settlement resulted in net revenues over expenses of $3.0 million from the prior year. The Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration, including those projects in South Texas, resulted in net revenues over expenses of $2.3 million from the prior year. Excluding DSRIP activity and the UHS settlement, operating revenues increased by $24.0 million over the prior year, while operating expenses increased by $21.0 million due to increased service requirements associated with UHS contracts, efforts targeted at clinical expansion and enhancement activities at the Medical Arts and Research Center and other clinics, and faculty recruitments and compensation efforts aligned with productivity-based compensation plans. UTHSC-San Antonio continues to be committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

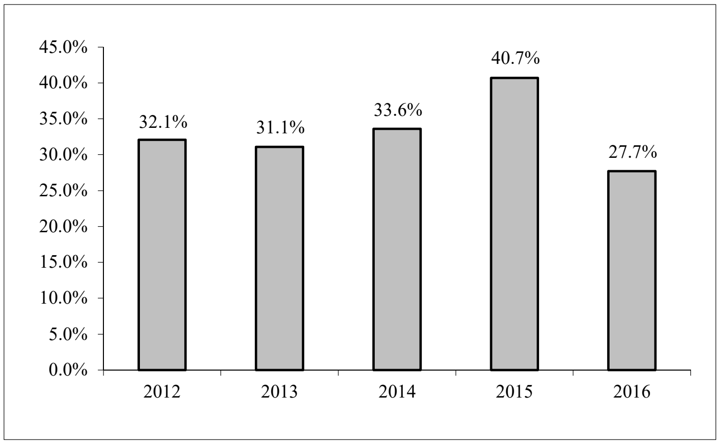
## Net Accounts Receivable (in days)




The increase in days outstanding of net receivables was attributable to significant growth in commercial payors which serves to improve the overall payor mix. UTHSC-San Antonio's commercial payors are more likely to deny claims than other payors, resulting in more patient responsibility after insurance. Approximately half of the increase in days outstanding of net receivables was from the shift to commercial plans, including Affordable Care Act plans, with heavier patient responsibility, while the other half of the increase was related to billing delays associated with the Centers for Medicare and Medicaid Services' International Classification of Diseases, 10th Revision (ICD-10) implementation.

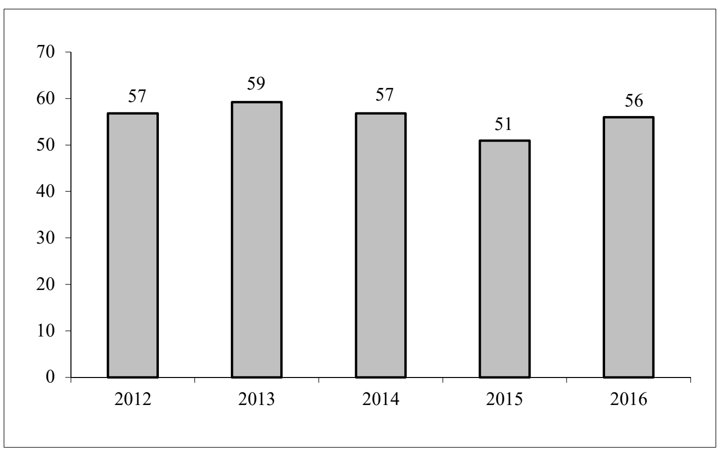
# Appendix G - Key Hospital Operating Factors
# The University of Texas M. D. Anderson Cancer Center

## Annual Operating Margin Ratio




The decrease in the annual operating margin ratio was attributable to the implementation of the EPIC Electronic Health Record (EHR) system in March 2016. Planned reductions in patient activities reduced overall operating revenues during the year while additional operating expenses were incurred in support of the transition to EPIC EHR system. M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

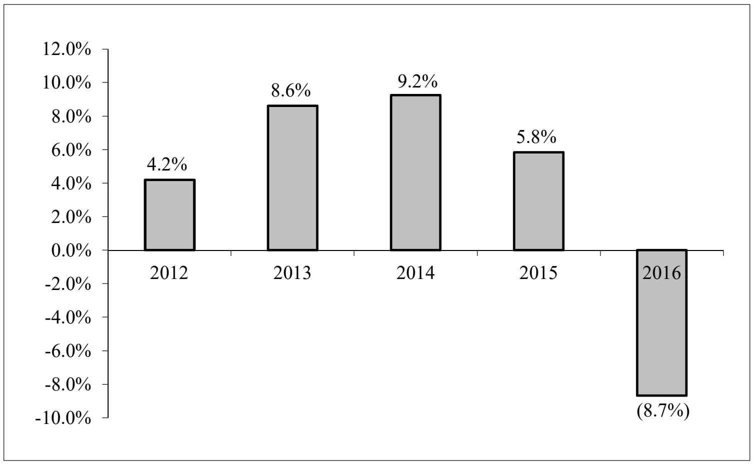
## Net Accounts Receivable (in days)




Patient accounting statistics between 2015 and 2016 are not comparable due to transformational efforts between the two years. In 2015, the Revenue Cycle legacy system activities were strategically accelerated in anticipation of the ICD-10 (a medical classification list by the World Health Organization which contains codes for diseases) cutover in October 2015 and the EPIC EHR system cutover in March 2016. This lowered hospital net accounts receivable in days for 2015. At the end of 2016, M. D. Anderson was operating two hospital patient accounting systems (Siemens Invision and EPIC Hospital Billing Resolute). Accounts receivable returned to normal levels due to operational adjustments to the new EPIC EHR platform, and increased claim denials under appeal. Additionally, net patient income declined in 2016 and affected the hospital net accounts receivable days calculation due to reduced patient volumes and thus charges during the EPIC EHR system cutover so that the institution could focus on patient safety under the new EPC EHR.

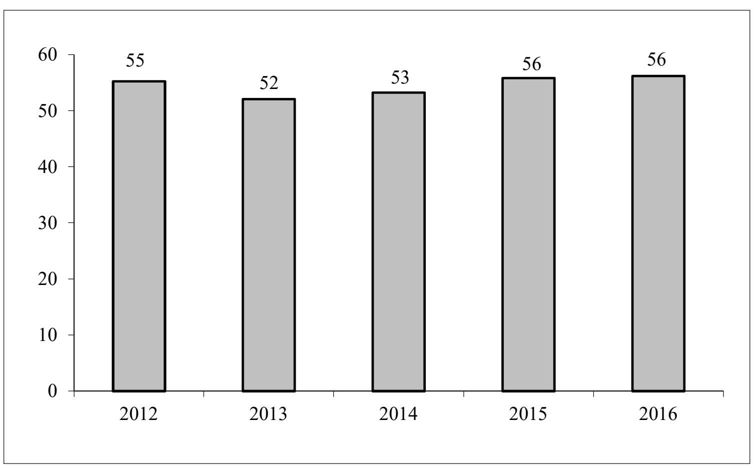
## Appendix G - Key MSRDP & NPHC Operating Factors
## The University of Texas M. D. Anderson Cancer Center

### Annual Operating Margin Ratio




The significant decrease in the annual operating margin ratio from 5.8% for 2015 to (8.7%) for 2016 was planned and attributable to the implementation of a new EPIC Electronic Health Record (EHR) system as well as the implementation of ICD-10 (a medical classification list by the World Health Organization which contains codes for diseases). M. D. Anderson anticipated a material impact on revenues and expenses as a result of the implementation of the EPIC EHR system. The post implementation strategy will continue to focus on clinical productivity and operational efficiencies to return to normalized operations.

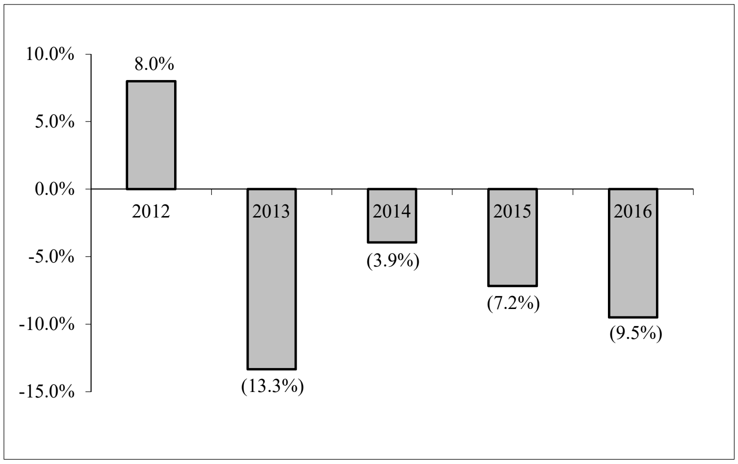
### Net Accounts Receivable (in days)




Days in net accounts receivable remained unchanged between 2015 and 2016 due to the implementation of a new EPIC EHR system and ICD-10.

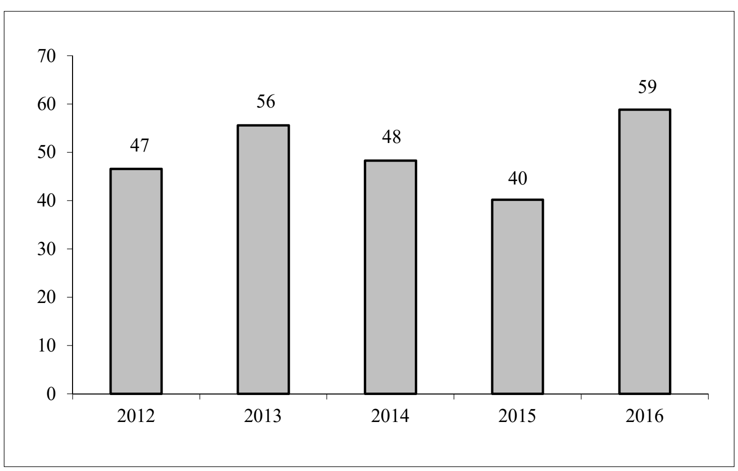
# Appendix G - Key Hospital Operating Factors
# The University of Texas Health Science Center at Tyler

## Annual Operating Margin Ratio




The annual operating margin ratio decreased from (7.2%) for 2015 to (9.5%) for 2016 as the growth in total operating expenses of $22.7 million exceeded the growth in total operating revenues of $18.5 million. The increase in operating revenues was largely attributable to growth in significant service lines including behavioral health, oncology, cardiology, and surgical services. The increase in total operating expenses largely corresponded to the service line areas that experienced growth in operating revenues, most notably increases in the following: salaries and benefits from the growth of the behavioral health service line, as well as for patient care areas including nursing and support areas such as patient access and patient services administration; general operating expenses associated with the opening of the Lindale clinic; and an increase in supplies expense resulting from increased volumes, mainly pharmaceuticals and nuclear medicine drugs.

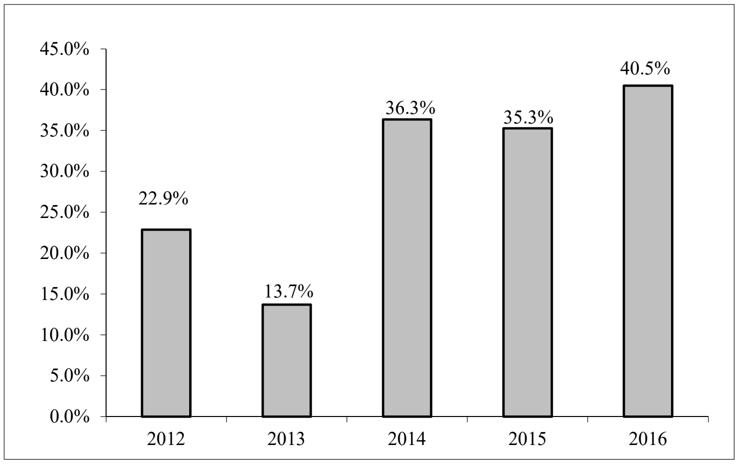
## Net Accounts Receivable (in days)




Net accounts receivable in days increased by 19 days from 2015 to 2016 due to a decline in collection rates across key payors, combined with higher percentages for key payor segments of outstanding accounts receivable balances relative to total accounts receivable. This circumstance occurred in part due to the ever-increasing complexities of hospital inpatient and outpatient coding and billing, including conversion to ICD-10 codes during 2016. A revenue cycle advisory committee was established during the second half of the year and is actively engaged in identifying and overseeing process improvements to reverse this trend.

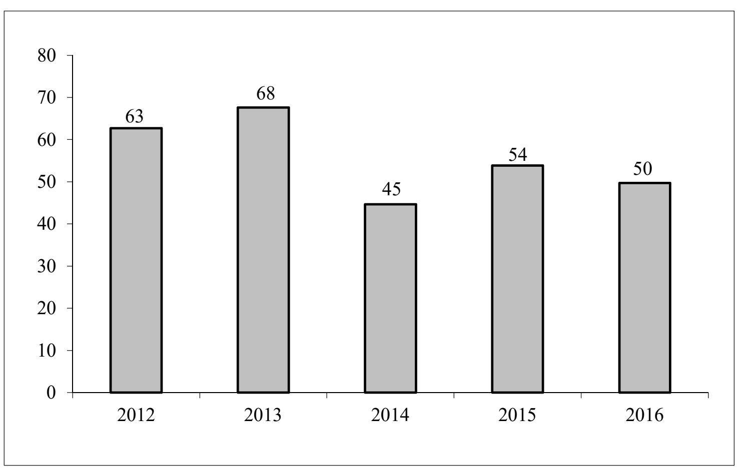
# Appendix G - Key MSRDP & NPHC Operating Factors
# The University of Texas Health Science Center at Tyler

## Annual Operating Margin Ratio




The annual operating margin ratio remained positive due to net revenue of $19.2 million received from the Delivery System Reform Incentive Payment (DSRIP) program. Additionally, the growth in net patient clinical revenue increased by approximately 35% due to measurable volume increases in a number of areas, most noticeably oncology, family medicine, internal medicine, and cardiology. This volume growth allowed for fixed clinical operating expenses to be better absorbed by increased clinical revenue, as evidenced by the fact that corresponding clinical operating expenses only increased by approximately 5%.

## Net Accounts Receivable (in days)




Net accounts receivable in days decreased by 4 days due to the effect of better collection percentages in certain major payor classes, including Medicare and commercial payors, combined with lower percentages for key segments of outstanding accounts receivable balances relative to the total, including Medicare, Medicaid managed care, and a major commercial payor. These improvements were the result of revenue cycle process improvements specifically focused on professional fees during 2016.

**4. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2016**

REPORT

The November 30, 2016 UTIMCO Performance Summary Report is set forth on Page 204.

The Investment Reports for the quarter ended November 30, 2016, are set forth on Pages 205 - 208.

Item I on Page 205 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 1.53% versus its composite benchmark return of .28%. The PUF's net asset value increased by $449 million during the quarter to $18,329 million. The increase was due to $180 million PUF Lands receipts, plus a net investment return of $269 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 206 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 1.77% versus its composite benchmark return of .28%. The GEF's net asset value increased by $115 million during the quarter to $8,615 million.

Item III on Page 207 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative .83% versus its composite benchmark return of negative 2.18%. The net asset value increased during the quarter to $7,910 million due to net contributions of $202 million, plus net investment return of negative $68 million and less distributions of $60 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 208 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $153 million to $2,365 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $20 million at the beginning of the period; equities: $66 million versus $74 million at the beginning of the period; and other investments: $3 million versus $12 million at the beginning of the period.

## UTIMCO Performance Summary

**November 30, 2016**

| | Net Asset Value 11/30/2016 (in Millions) | Periods Ended November 30, 2016 (Returns for Periods Longer Than One Year are Annualized) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Short Term | | Year to Date | | Historic Returns | | | |
| | | 1 Mo | 3 Mos | Fiscal | Calendar | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs |
| **ENDOWMENT FUNDS** | | | | | | | | | |
| Permanent University Fund | $ 18,329 | 1.20% | 1.53% | 1.53% | 6.98% | 6.00% | 5.20% | 7.07% | 5.13% |
| Permanent Health Fund | 1,072 | | | | | | | | |
| Long Term Fund | 7,544 | | | | | | | | |
| General Endowment Fund | 8,616 | 1.33% | 1.77% | 1.77% | 7.32% | 6.47% | 5.38% | 7.25% | 5.26% |
| Separately Invested Funds | 150 | | | | | | | | |
| Total Endowment Funds | 27,095 | | | | | | | | |
| **OPERATING FUNDS** | | | | | | | | | |
| Intermediate Term Fund | 7,910 | (0.75%) | (0.83%) | (0.83%) | 3.93% | 3.07% | 1.69% | 3.91% | 3.63% |
| Short Term Fund and Debt Proceeds Fund | 2,306 | | | | | | | | |
| Total Operating Funds | 10,216 | | | | | | | | |
| Total Assets Under Management | $ 37,311 | | | | | | | | |
| **VALUE ADDED (Percent)** | | | | | | | | | |
| Permanent University Fund | | 0.82% | 1.25% | 1.25% | 1.60% | 3.33% | 1.49% | 1.29% | 1.92% |
| General Endowment Fund | | 0.95% | 1.49% | 1.49% | 1.94% | 3.80% | 1.67% | 1.47% | 2.05% |
| Intermediate Term Fund | | 0.63% | 1.35% | 1.35% | 0.86% | 0.66% | 1.08% | 1.31% | 2.07% |
| **VALUE ADDED ($ IN MILLIONS)** | | | | | | | | | |
| Permanent University Fund | | $148 | $226 | $226 | $266 | $571 | $763 | $1,067 | $2,965 |
| General Endowment Fund | | 82 | 128 | 128 | 159 | 312 | 414 | 610 | 1,708 |
| Intermediate Term Fund | | 51 | 108 | 108 | 70 | 56 | 223 | 396 | 1,040 |
| Total Value Added | | $281 | $462 | $462 | $495 | $939 | $1,400 | $2,073 | $5,713 |

Footnote available upon request

UTIMCO 12/29/2016

# I. PERMANENT UNIVERSITY FUND

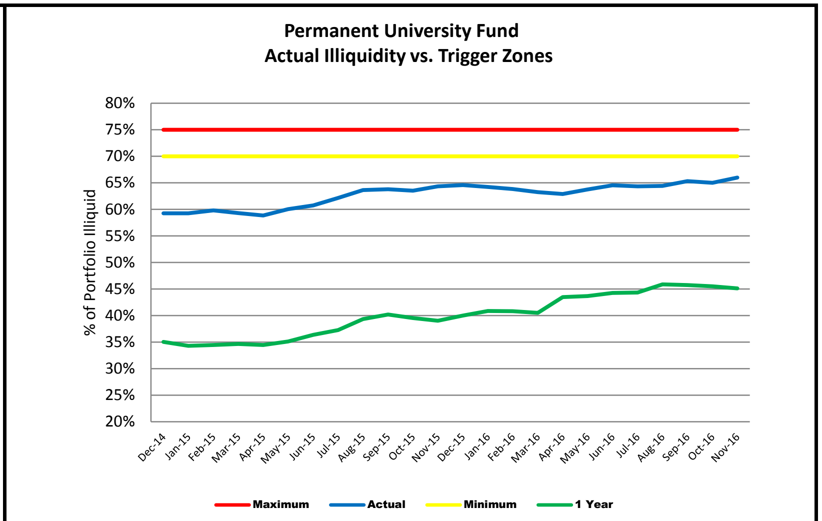
## Investment Reports for Periods Ended November 30, 2016

**Prepared in accordance with *Texas Education Code* Sec. 51.0032**

| | Fiscal Year to Date | | | | | | |
|---|---|---|---|---|---|---|---|
| | Asset Allocation | | Returns | | Value Added | | |
| | Actual | Policy | Portfolio | Policy Benchmark | Tactical Allocation | Active Management | Total |
| **More Correlated and Constrained:** | | | | | | | |
| Investment Grade | 7.0% | 6.8% | -4.81% | -6.12% | -0.05% | 0.09% | 0.04% |
| Credit-Related | 0.1% | 0.0% | -4.92% | -1.14% | 0.00% | 0.00% | 0.00% |
| Real Estate | 1.5% | 1.9% | -7.17% | -9.18% | 0.05% | 0.04% | 0.09% |
| Natural Resources | 6.0% | 6.3% | 1.55% | -1.94% | -0.02% | 0.23% | 0.21% |
| Developed Country | 13.2% | 15.1% | 3.42% | 0.00% | -0.08% | 0.51% | 0.43% |
| Emerging Markets | 9.2% | 9.6% | -2.44% | -3.15% | 0.00% | 0.05% | 0.05% |
| **Total More Correlated and Constrained** | **37.0%** | **39.7%** | **-0.50%** | **-2.54%** | **-0.10%** | **0.92%** | **0.82%** |
| **Less Correlated and Constrained** | **25.2%** | **28.1%** | **1.52%** | **0.46%** | **0.04%** | **0.23%** | **0.27%** |
| **Private Investments** | **37.8%** | **32.2%** | **3.64%** | **3.64%** | **0.18%** | **-0.02%** | **0.16%** |
| **Total** | **100.0%** | **100.0%** | **1.53%** | **0.28%** | **0.12%** | **1.13%** | **1.25%** |

**Summary of Capital Flows**

| ($ millions) | Fiscal Year Ended August 31, 2016 | Quarter Ended November 30, 2016 | Fiscal Year Ended August 31, 2017 |
|---|---|---|---|
| Beginning Net Assets | $17,490 | $17,880 | $17,880 |
| PUF Lands Receipts | 512 | 180 | 180 |
| Investment Return (Net of Expenses) | 651 | 269 | 269 |
| Distributions to AUF | (773) | 0 | 0 |
| Ending Net Assets | $17,880 | $18,329 | $18,329 |

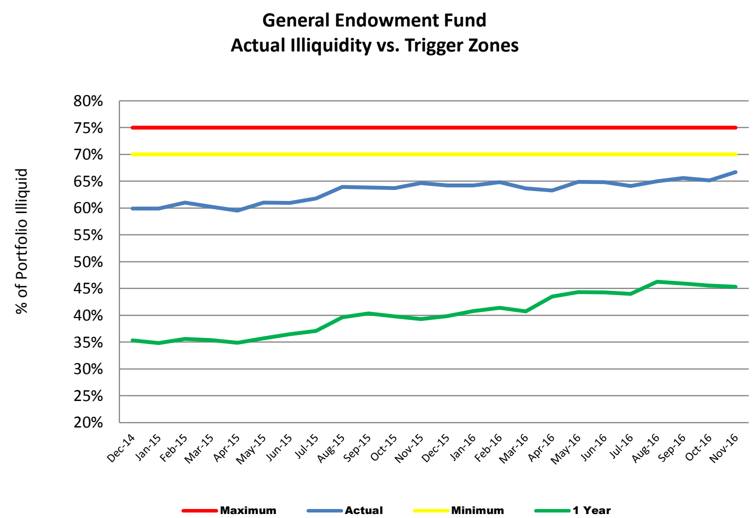


# II. GENERAL ENDOWMENT FUND
## Investment Reports for Periods Ended November 30, 2016
**Prepared in accordance with *Texas Education Code* Sec. 51.0032**

| | Fiscal Year to Date | | | | | | |
|---|---|---|---|---|---|---|---|
| | Asset Allocation | | Returns | | Value Added | | |
| | Actual | Policy | Portfolio | Policy Benchmark | Tactical Allocation | Active Management | Total |
| **More Correlated and Constrained:** | | | | | | | |
| Investment Grade | 5.8% | 6.8% | -4.57% | -6.12% | -0.04% | 0.11% | 0.07% |
| Credit-Related | 0.1% | 0.0% | -4.92% | -1.14% | 0.00% | 0.00% | 0.00% |
| Real Estate | 1.5% | 1.9% | -7.16% | -9.18% | 0.05% | 0.04% | 0.09% |
| Natural Resources | 6.0% | 6.3% | 1.63% | -1.94% | -0.02% | 0.23% | 0.21% |
| Developed Country | 13.4% | 15.1% | 3.42% | 0.00% | -0.07% | 0.50% | 0.43% |
| Emerging Markets | 9.7% | 9.6% | -0.16% | -3.15% | 0.00% | 0.27% | 0.27% |
| **Total More Correlated and Constrained** | **36.5%** | **39.7%** | **0.13%** | **-2.54%** | **-0.08%** | **1.15%** | **1.07%** |
| **Less Correlated and Constrained** | **25.6%** | **28.1%** | **1.52%** | **0.46%** | **0.04%** | **0.22%** | **0.26%** |
| **Private Investments** | **37.9%** | **32.2%** | **3.64%** | **3.64%** | **0.18%** | **-0.02%** | **0.16%** |
| **Total** | **100.0%** | **100.0%** | **1.77%** | **0.28%** | **0.14%** | **1.35%** | **1.49%** |

**Summary of Capital Flows**

| ($ millions) | Fiscal Year Ended August 31, 2016 | Quarter Ended November 30, 2016 | Fiscal Year Ended November 30, 2016 |
|---|---|---|---|
| Beginning Net Assets | $8,237 | $8,500 | $8,500 |
| Contributions | 361 | 75 | 75 |
| Withdrawals | (21) | (3) | (3) |
| Distributions | (411) | (107) | (107) |
| Investment Return (Net of Expenses) | 334 | 150 | 150 |
| Ending Net Assets | $8,500 | $8,615 | $8,615 |




UTIMCO 12/29/2016

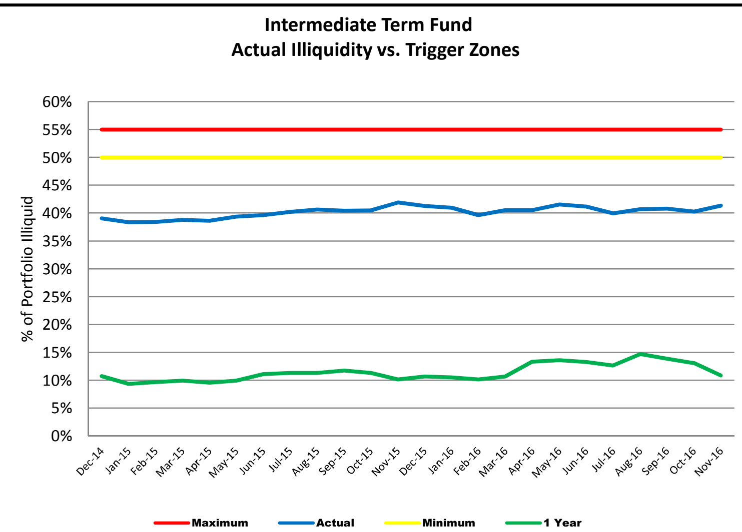
## III. INTERMEDIATE TERM FUND
## Investment Reports for Periods Ended November 30, 2016

**Prepared in accordance with *Texas Education Code* Sec. 51.0032**

| | Fiscal Year to Date | | | | | | |
|---|---|---|---|---|---|---|---|
| | Asset Allocation | | Returns | | Value Added | | |
| | Actual | Policy | Portfolio | Policy Benchmark | Tactical Allocation | Active Management | Total |
| **More Correlated and Constrained:** | | | | | | | |
| Investment Grade | 30.2% | 30.0% | -5.32% | -6.12% | -0.06% | 0.25% | 0.19% |
| Credit-Related | 0.0% | 0.0% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Real Estate | 2.3% | 2.4% | -7.11% | -9.18% | 0.01% | 0.05% | 0.06% |
| Natural Resources | 5.7% | 5.8% | 1.35% | -1.94% | -0.04% | 0.20% | 0.16% |
| Developed Country | 9.9% | 10.5% | 3.42% | 0.00% | -0.06% | 0.35% | 0.29% |
| Emerging Markets | 6.5% | 6.3% | -0.13% | -3.15% | 0.02% | 0.17% | 0.19% |
| **Total More Correlated and Constrained** | **54.6%** | **55.0%** | **-2.67%** | **-4.31%** | **-0.13%** | **1.02%** | **0.89%** |
| **Less Correlated and Constrained** | **45.4%** | **45.0%** | **1.52%** | **0.46%** | **-0.05%** | **0.51%** | **0.46%** |
| **Private Investments** | **0.0%** | **0.0%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** |
| **Total** | **100.0%** | **100.0%** | **-0.83%** | **-2.18%** | **-0.18%** | **1.53%** | **1.35%** |

**Summary of Capital Flows**

| ($ millions) | Fiscal Year Ended August 31, 2016 | Quarter Ended November 30, 2016 | Fiscal Year Ended August 31, 2017 |
|---|---|---|---|
| Beginning Net Assets | $7,037 | $7,836 | $7,836 |
| Contributions | 1,009 | 290 | 290 |
| Withdrawals | (248) | (88) | (88) |
| Distributions | (220) | (60) | (60) |
| Investment Return (Net of Expenses) | 258 | (68) | (68) |
| Ending Net Assets | $7,836 | $7,910 | $7,910 |



## IV. SEPARATELY INVESTED ASSETS

### Summary Investment Report at November 30, 2016

**Report prepared in accordance with *Texas Education Code* Sec. 51.0032**

($ thousands)

FUND TYPE

| ASSET TYPES | CURRENT PURPOSE DESIGNATED | | CURRENT PURPOSE RESTRICTED | | ENDOWMENT & SIMILAR FUNDS | | ANNUITY & LIFE INCOME FUNDS | | AGENCY FUNDS | | TOTAL EXCLUDING OPERATING FUNDS | | OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND) | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash & Equivalents:** | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET | BOOK | MARKET |
| Beginning value 08/31/16 | - | - | 4,676 | 4,677 | 60,334 | 60,334 | 2,832 | 2,832 | 1,952 | 1,952 | 69,794 | 69,795 | 2,447,850 | 2,447,850 | 2,517,644 | 2,517,645 |
| Increase/(Decrease) | - | - | (2,433) | (2,434) | (7,570) | (7,570) | (1,193) | (1,193) | 16 | 16 | (11,180) | (11,181) | (141,559) | (141,277) | (152,739) | (152,458) |
| Ending value 11/30/16 | - | - | 2,243 | 2,243 | 52,764 | 52,764 | 1,639 | 1,639 | 1,968 | 1,968 | 58,614 | 58,614 | 2,306,291 | 2,306,573 | 2,364,905 | 2,365,187 |
| **Debt Securities:** | | | | | | | | | | | | | | | | |
| Beginning value 08/31/16 | - | - | 7 | 6 | 10,883 | 11,217 | 9,050 | 8,764 | - | - | 19,940 | 19,987 | - | - | 19,940 | 19,987 |
| Increase/(Decrease) | - | - | - | - | 1,228 | 738 | 181 | (109) | - | - | 1,409 | 629 | - | - | 1,409 | 629 |
| Ending value 11/30/16 | - | - | 7 | 6 | 12,111 | 11,955 | 9,231 | 8,655 | - | - | 21,349 | 20,616 | - | - | 21,349 | 20,616 |
| **Equity Securities:** | | | | | | | | | | | | | | | | |
| Beginning value 08/31/16 | - | - | 161 | 2,321 | 49,828 | 59,636 | 12,132 | 12,443 | - | - | 62,121 | 74,400 | - | - | 62,121 | 74,400 |
| Increase/(Decrease) | - | - | 202 | 187 | (7,448) | (7,745) | (308) | (362) | - | - | (7,554) | (7,920) | - | - | (7,554) | (7,920) |
| Ending value 11/30/16 | - | - | 363 | 2,508 | 42,380 | 51,891 | 11,824 | 12,081 | - | - | 54,567 | 66,480 | - | - | 54,567 | 66,480 |
| **Other:** | | | | | | | | | | | | | | | | |
| Beginning value 08/31/16 | - | - | 6,262 | 6,262 | 2 | 2 | 3 | 3 | 5,416 | 5,416 | 11,683 | 11,683 | - | - | 11,683 | 11,683 |
| Increase/(Decrease) | - | - | (4,308) | (4,308) | 5 | 5 | 2 | 2 | (4,540) | (4,540) | (8,841) | (8,841) | - | - | (8,841) | (8,841) |
| Ending value 11/30/16 | - | - | 1,954 | 1,954 | 7 | 7 | 5 | 5 | 876 | 876 | 2,842 | 2,842 | - | - | 2,842 | 2,842 |
| **Total Assets:** | | | | | | | | | | | | | | | | |
| Beginning value 08/31/16 | - | - | 11,106 | 13,266 | 121,047 | 131,189 | 24,017 | 24,042 | 7,368 | 7,368 | 163,538 | 175,865 | 2,447,850 | 2,447,850 | 2,611,388 | 2,623,715 |
| Increase/(Decrease) | - | - | (6,539) | (6,555) | (13,785) | (14,572) | (1,318) | (1,662) | (4,524) | (4,524) | (26,166) | (27,313) | (141,559) | (141,277) | (167,725) | (168,590) |
| Ending value 11/30/16 | - | - | 4,567 | 6,711 | 107,262 | 116,617 | 22,699 | 22,380 | 2,844 | 2,844 | 137,372 | 148,552 | 2,306,291 | 2,306,573 | 2,443,663 | 2,455,125 |

Details of individual assets by account furnished upon request.

UTIMCO 12/16/2016

**5. U. T. System: Approval of $13.6 million of Available University Funds (AUF) a) for the upgrade implementation of the UTShare Human Resource and Finance enterprise system; b) for the upgrade implementation of the Student Information System (SIS); and c) to provide basic campus and implementation support to U. T. Rio Grande Valley; and finding that the expenditure of AUF for this purpose is appropriate**

## RECOMMENDATION

The Chancellor and the Deputy Chancellor concur in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve $13.6 million of Available University Funds (AUF)

a. for the upgrade implementation of the UTShare Human Resource and Finance enterprise system;

b. for the upgrade implementation of the Student Information System (SIS), including implementation services, hardware/software, support, hosting, and disaster recovery; and

c. to provide basic campus and implementation support to U. T. Rio Grande Valley.

The Board is also asked to find that the expenditure of AUF for this purpose is appropriate under the responsibilities of U. T. System Administration to provide technical assistance and services to the institutions and to coordinate the activities of the U. T. System institutions using these information systems, including support and implementation of the systems at U. T. Rio Grande Valley, with the intent that the expenditure will benefit a broad number of U. T. System institutions, including U. T. Arlington, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. System Administration.

## BACKGROUND INFORMATION

To implement the SIS, U. T. System will leverage the Oracle Corporation site license approved by the Board on May 15, 2008, that makes available the higher education line of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) for all U. T. System institutions.

SIS is essential software for academic institutions to provide campus self-service, financial aid, recruiting and admissions, student administration, student financials, and student records. The systems used by U. T. Brownsville and U. T. Pan American, and now U. T. Rio Grande Valley, to support Human Resources, Financial, and Student Information Systems, are approaching End of Life. U. T. Rio Grande Valley will join the cohort currently using PeopleSoft.

The cohort includes U. T. Arlington, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. System Administration. Once complete, U. T. Rio Grande Valley will be operating on the most current supported version of the PeopleSoft software.

The implementation schedule is shown below:

| **PeopleSoft Pillar** | **Fiscal Year 2017** | **Fiscal Year 2018** | **Fiscal Year 2019** | **Total** |
|---|---|---|---|---|
| Human Capital Management and Financial Management System (HCM\FMS) | $2,929,697 | $2,870,303 | $1,500,000 | $7,300,000 |
| Campus Solutions | $2,021,000 | $3,150,000 | $1,129,000 | $6,300,000 |
| Both PeopleSoft Pillars | **$4,950,697** | **$6,020,303** | **$2,629,000** | **$13,600,000** |

U. T. System will utilize staff augmentation services from ERP Analysts, Inc. and r2 Technologies, Inc., proposed under Consent Agenda Item 6 and Item 7, respectively, to support the implementation at U. T. Rio Grande Valley.

**6. U. T. System: Report on the Fiscal Year 2016 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**

## REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2016 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on Pages 212 - 224 is included for additional detail. The AFR is available at http://www.utsystem.edu/sites/utsfiles/documents/controller/consolidated-annual-financial-report-fy-2016/consolidated-audit-afr-2016.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2016, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2016.

Ms. Tracey Cooley, Mr. Robert Cowley, Mr. Blake Rodgers, and Mr. Randall Brown, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System consolidated financial reports, of the U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements, and of funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Year 2016. Deloitte's PowerPoint presentation is set forth on Pages 225 - 245.

## BACKGROUND INFORMATION

On February 11, 2016, the Board of Regents authorized Vice Chairman Hildebrand, as Chairman of the Audit, Compliance, and Management Review Committee, and working with the Chancellor and appropriate U. T. System staff and pursuant to the Request for Qualifications, to select an external firm to provide independent auditing services for the U. T. System based on input from the selection committee and appropriate U. T. System staff. A contract was executed as of June 30, 2016, for Fiscal Years 2016 and 2017 with an option to renew for four additional one-year terms pursuant to delegation of authority by the State Auditor's Office.

The AFR is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 9, 2016.

# Annual Financial Report Highlights Fiscal Year 2016

Randy Wallace, Associate Vice Chancellor,
Controller, and Chief Budget Officer

U. T. System Board of Regents' Meeting
Joint Meeting of the Finance and Planning Committee and
Audit, Compliance, and Management Review Committee
February 2017

THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.
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# Objectives

- Discuss Fiscal Year (FY) 2016 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - *Statement of Net Position (SNP)*
  - *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*
  - *Statement of Cash Flows*
- Identify factors that contributed to these changes

# Required in Annual Financial Report

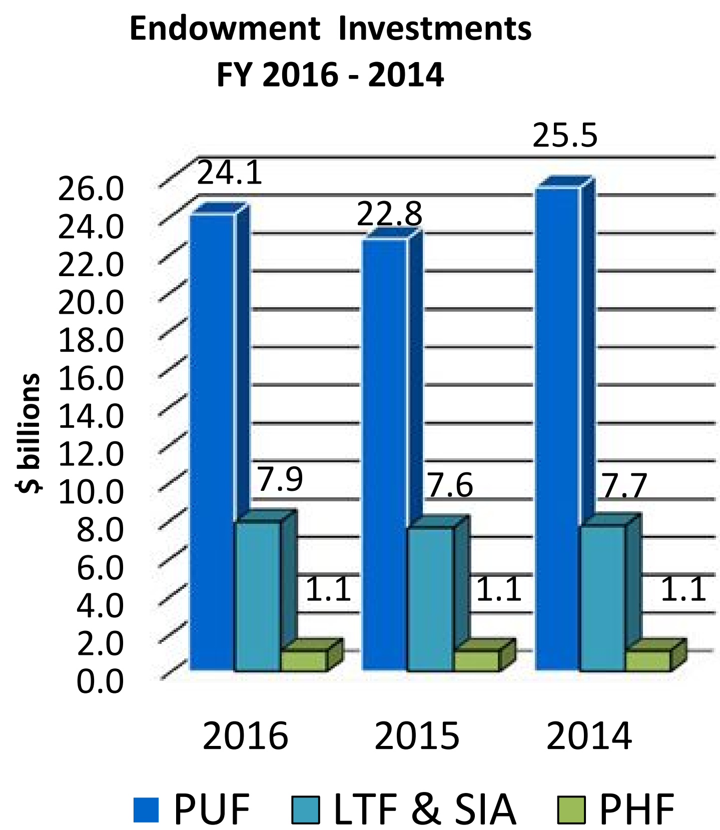
- Required supplemental information and financial statements include:
  - *Management's Discussion and Analysis*
  - *Statement of Net Position*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*

# Financial Position FY 2016

- Statement of net position still strong
  - Assets and deferred outflows over $66 billion
  - Net position $41 billion
  - Operating results decreased
  - Cash position decreased slightly
- U. T. System's financial position for FY 2016 increased:
  - $1.6 billion due to current year activity, primarily due to more favorable market conditions and the increase in fair value of the Permanent University Fund (PUF) lands

# Statement of Net Position

| ($ in millions) | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Assets and Deferred Outflows:** | | | | |
| Current Assets | $ | 7,227.9 | 7,280.1 | 7,367.6 |
| Noncurrent Investments | | 42,658.4 | 39,881.3 | 42,240.8 |
| Capital/Intangible Assets, Net | | 15,609.7 | 14,827.0 | 14,057.5 |
| Other Noncurrent Assets | | 439.0 | 414.0 | 335.4 |
| Total Assets | | 65,935.0 | 62,402.4 | 64,001.3 |
| Deferred Outflows | | 951.9 | 740.0 | 249.2 |
| **Total Assets and Deferred Outflows** | $ | 66,886.9 | 63,142.4 | 64,250.5 |
| **Liabilities and Deferred Inflows:** | | | | |
| Current Liabilities | $ | 7,712.7 | 8,493.5 | 8,121.6 |
| Noncurrent Liabilities | | 17,487.9 | 14,257.8 | 11,051.1 |
| Total Liabilities | | 25,200.6 | 22,751.3 | 19,172.7 |
| Deferred Inflows | | 404.2 | 710.0 | 7.1 |
| **Total Liabilities and Deferred Inflows** | $ | 25,604.8 | 23,461.3 | 19,179.8 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | $ | 6,375.8 | 6,441.7 | 6,109.2 |
| Restricted | | 33,780.6 | 32,227.2 | 35,119.7 |
| Unrestricted | | 1,125.7 | 1,012.2 | 3,841.8 |
| **Total Net Position** | $ | 41,282.1 | 39,681.1 | 45,070.7 |






Permanent University Fund (PUF), Long Term Fund (LTF) and Separately Invested Assets (SIA) , and Permanent Health Fund (PHF)

# Statement of Net Position (cont.)

| ($ in millions) | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Assets and Deferred Outflows:** | | | | |
| Current Assets | $ | 7,227.9 | 7,280.1 | 7,367.6 |
| Noncurrent Investments | | 42,658.4 | 39,881.3 | 42,240.8 |
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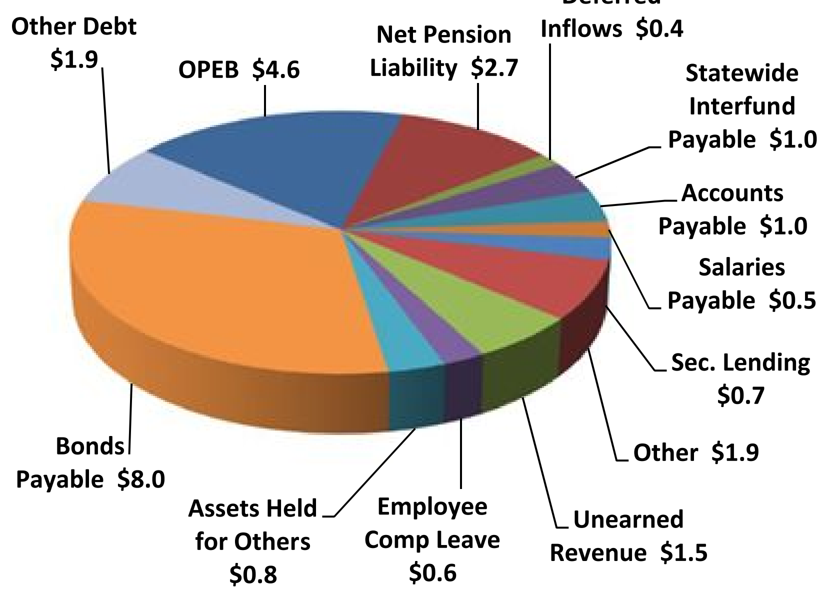
| Unrestricted | | 1,125.7 | 1,012.2 | 3,841.8 |
| **Total Net Position** | $ | 41,282.1 | 39,681.1 | 45,070.7 |

**Liabilities and Deferred Inflows**
**$25.6 billion**
**(in billions)**



# Statement of Net Position (cont.)

| *($ in millions)* | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Assets and Deferred Outflows:** | | | | |
| Current Assets | $ | 7,227.9 | 7,280.1 | 7,367.6 |
| Noncurrent Investments | | 42,658.4 | 39,881.3 | 42,240.8 |
| Capital/Intangible Assets, Net | | 15,609.7 | 14,827.0 | 14,057.5 |
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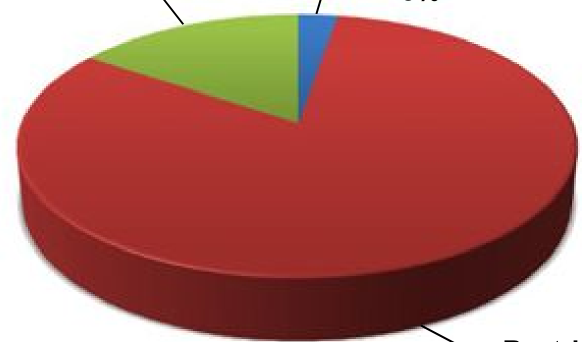
| Unrestricted | | 1,125.7 | 1,012.2 | 3,841.8 |
| **Total Net Position** | $ | 41,282.1 | 39,681.1 | 45,070.7 |

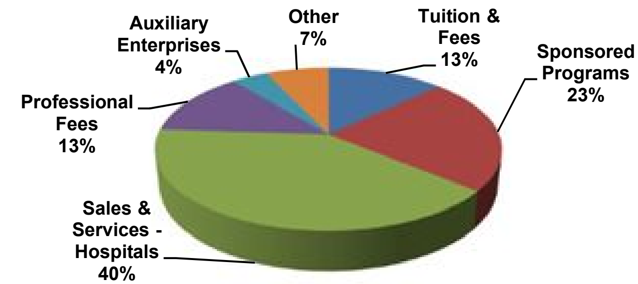
**Net Position- $41.3 billion**



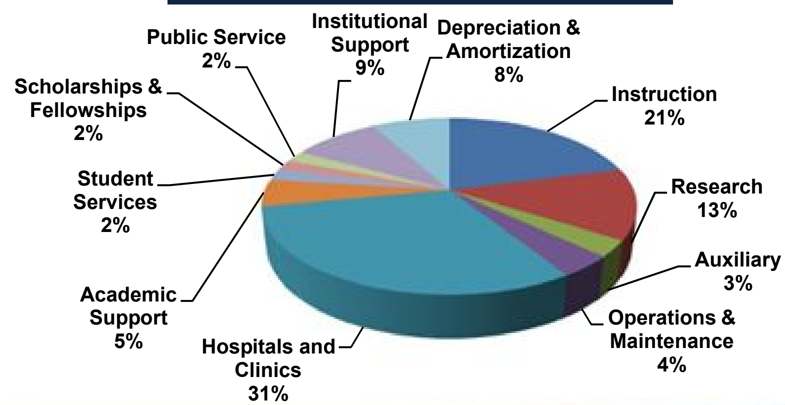
# Statement of Revenues, Expenses, and Changes in Net Position

| ($ in millions) | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Operating Revenues | $ | 13,282.3 | 12,635.5 | 11,643.1 |
| Operating Expenses | | (17,297.9) | (16,012.0) | (14,943.5) |
| **Operating Loss** | | (4,015.6) | (3,376.5) | (3,300.4) |
| State Appropriations | | 2,222.0 | 2,079.1 | 2,045.0 |
| Gifts & Nonexchange Grants | | 899.6 | 815.2 | 751.9 |
| Net Investment Income | | 1,820.0 | 2,808.7 | 3,159.7 |
| Net Incr./(Decr.) in Fair Value of Investments | | 952.2 | (4,675.9) | 5,436.3 |
| Interest Expense | | (277.9) | (249.9) | (258.3) |
| Net Other Nonop. Rev. (Exp.) | | (2.9) | (30.7) | (37.7) |
| **Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers** | | 1,597.4 | (2,630.0) | 7,796.5 |
| HEAF/Gifts for Endow. & Capital | | 261.7 | 296.9 | 731.1 |
| Transfers and Other | | (269.9) | (447.7) | (437.0) |
| **Change in Net Position** | | 1,589.2 | (2,780.8) | 8,090.6 |
| **Net Position, Beginning** | | 39,681.1 | 45,070.7 | 36,980.1 |
| Restatement | | 11.8 | (2,608.8) | - |
| **Net Position, Beginning (as restated)** | | 39,692.9 | 42,461.9 | 36,980.1 |
| **Net Position, Ending** | $ | 41,282.1 | 39,681.1 | 45,070.7 |

**Operating Revenues - $13.3 billion**




**Operating Expenses - $17.3 billion**



# Statement of Revenues, Expenses, and Changes in Net Position (cont.)

| *($ in millions)* | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Operating Revenues | $ | 13,282.3 | 12,635.5 | 11,643.1 |
| Operating Expenses | | (17,297.9) | (16,012.0) | (14,943.5) |
| **Operating Loss** | | (4,015.6) | (3,376.5) | (3,300.4) |
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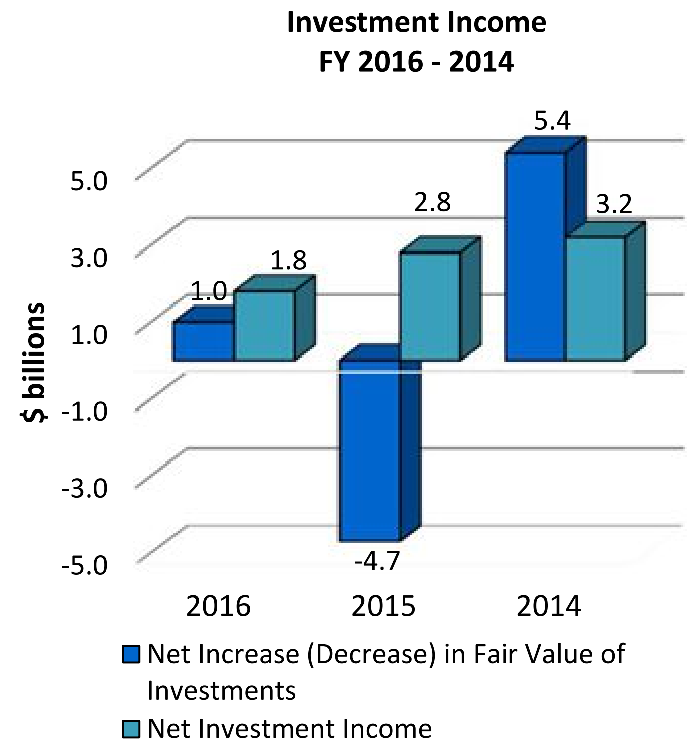


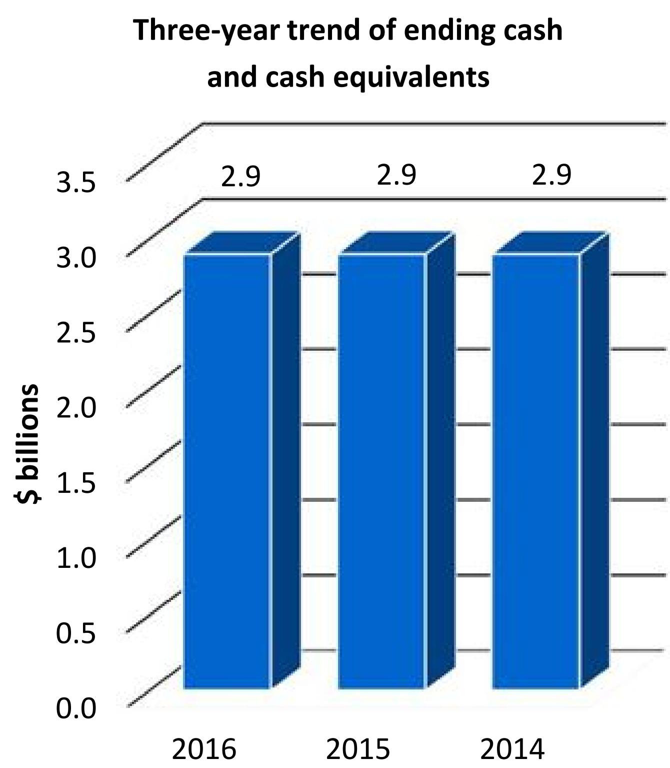
# Statement of Revenues, Expenses, and Changes in Net Position (cont.)

**Operating Results**
**FY 2016 - 2014**

| | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| | | | ($ in millions) | |
| Income (loss) before other revenue, expenses, gains/(losses) & transfers | $ | 1,597.4 | (2,630.0) | 7,796.5 |
| Net (increase)/decrease in fair value of investments | | (952.2) | 4,675.9 | (5,436.3) |
| Loss on sale of capital assets | | 24.0 | 36.5 | 35.3 |
| Other nonoperating (income)/expense | | (21.1) | (5.7) | 2.3 |
| Realized gains on investments | | (836.6) | (1,459.9) | (1,497.5) |
| **Net operating results** | $ | (188.5) | 616.8 | 900.3 |

# Cash Flows

| ($ in millions) | | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Cash Flows:** | | | | |
| Cash received from operations | $ | 13,069.3 | 12,889.9 | 11,776.2 |
| Cash expended for operations | | (15,397.5) | (14,304.2) | (13,280.4) |
| ***Cash used for operating activities*** | | (2,328.2) | (1,414.3) | (1,504.2) |
| Cash provided by noncapital financing activities | | 2,759.5 | 2,203.2 | 2,171.2 |
| Cash used in capital & related financing activities | | (875.9) | (1,736.2) | (1,353.0) |
| Cash provided by investing activities | | 400.7 | 986.5 | 1,040.0 |
| ***Net increase in cash & cash equivalents*** | | (43.9) | 39.2 | 354.0 |
| Cash & cash equivalents, Beginning of the year | | 2,920.6 | 2,881.4 | 2,527.4 |
| ***Cash & Cash equivalents, End of the year*** | $ | 2,876.7 | 2,920.6 | 2,881.4 |



# PUF Lands

**PUF lands are considered an investment by U. T. System**

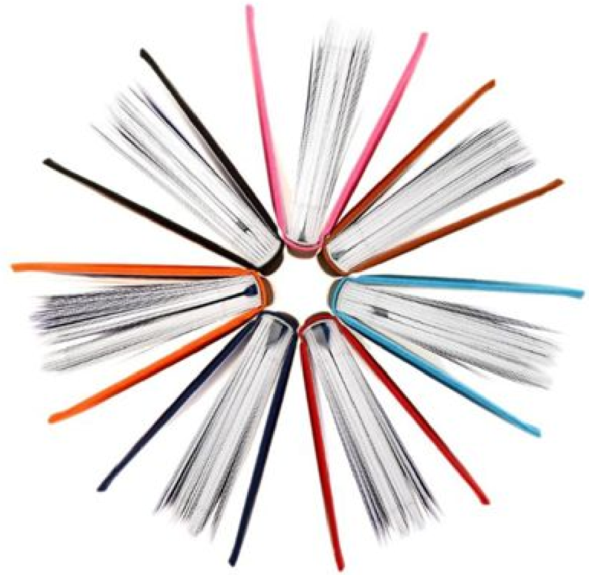
- Fair Value (FV) of PUF lands is based on
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves
- PUF lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University

# Upcoming Accounting Pronouncements

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective 2018

- GASB Statement No. 81, *Irrevocable Split-Interest Agreement*, effective 2018

Deloitte.



# Presentation to The University of Texas System Board of Regents' Joint Meeting of the Audit, Compliance, and Management Review Committee and the Finance and Planning Committee

Tracey Cooley, Managing Director
Robert Cowley, Partner
Blake Rodgers, Senior Manager
Randall Brown, Senior Manager

Deloitte & Touche, LLP
February 2017

# Audit Status

- We have performed an audit of the consolidated financial statements of The University of Texas System ("U. T. System") for the year ended August 31, 2016 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- As a part of this audit process we issued our report, dated December 12, 2016, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2016.
- We completed our audits of the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), the Long Term Fund ("LTF"), the Intermediate Term Fund ("ITF"), and the Permanent Health Fund ("PHF") of The University of Texas Investment Management Company ("UTIMCO") for the year ended August 31, 2016 and rendered our reports on October 28, 2016.
- We also completed our stand-alone audits for U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch – Galveston, and U. T. Austin for the year ended August 31, 2016.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of U. T. System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.
- Although not within the scope of this presentation, we also have completed review services at U. T. Arlington for the year ended August 31, 2016.

# Audit Opinion

- Deloitte & Touche LLP issued an unmodified opinion and included an emphasis of a matter paragraph to define the reporting entity:
  - The consolidated financial statements of The University of Texas System are intended to present the financial position, the changes in financial position, and cash flows of the State of Texas attributable to U. T. System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2016 and 2015, the changes in its financial position, or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

# Audit Scope

- Our audit scope was outlined in our contract dated June 30, 2016 and was not restricted in any manner.
- Our auditing procedures addressed the areas of focus identified in our external audit plan dated August 18, 2016; these areas included:
  - Valuation of patient accounts receivable
  - Historical production data and royalty percentages used in the PUF oil and gas reserve valuation
  - Management override of controls
- No significant changes resulted from the execution of the external audit plan.

# Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant accounting estimates reflected in U. T. System's Fiscal Year ("FY") 2016 consolidated financial statements include the following:
  - Valuation of patient accounts receivable
  - Valuation of PUF oil and gas reserves
  - Net pension liability ("NPL") and related deferred outflows of resources and deferred inflows of resources
  - Liabilities for other postemployment benefits
- There were no material changes in management judgments relating to such estimates in U. T. System's FY 2016 financial statements.
- Detail of management's approach to estimating these balances and our audit procedures are in Appendix A.

# Summary of Uncorrected Misstatements and Passed Disclosures

- Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.
- All proposed unrecorded audit adjustments were reviewed with management and were determined by management and U. T. System to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

# Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

U. T. System Administration

- The first adjustment related to an overstatement of land held in the endowment fund. Land was valued using the tax assessed value without considering the environment surrounding the land (floodplain). In this case, the land, as recorded, was estimated by our specialists to be overstated by approximately $9 million. Our projection is that the extrapolated error related to this is approximately $44 million.
- Joint ventures totaling $13 million were incorrectly classified as investments.

U. T. M. D. Anderson Cancer Center

- There was a reclassification of the Physicians Referral Service Supplemental Retirement / Retirement Benefit Deferred Compensation Plan ("PRS") from long term asset and liability to short term in the amount of $48 million. There was a similar passed adjustment in the prior year.
- There were errors identified involving a patient being charged for a drug not administered resulting in a factual overstatement of approximately $230. As this was a representative sample, the overstatement was projected to be $24 million. This was a similar issue in prior year. Management at U. T. M. D. Anderson Cancer Center no longer uses this pharmacy system as it was replaced by EPIC mid-year.

# Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

U. T. Southwestern Medical Center

- Management at U. T. Southwestern Medical Center identified an error in recording contribution revenue of $15 million, thus overstating revenue. This adjustment was corrected in U. T. Southwestern Medical Center's stand-alone financial statements but was not recorded by U. T. System Administration.
- Internal balances related to the transfer of endowment assets from a blended foundation to U. T. Southwestern Medical Center in the amount of $8 million was not properly eliminated during the consolidation. This adjustment also was corrected in U. T. Southwestern Medical Center's stand-alone financial statements but was not recorded by U. T. System Administration.

U. T. Austin

- Mineral interests of approximately $56 million are recorded by U. T. Austin as "separately invested assets." As part of our audit procedures, we determined that there is a likely overstatement of mineral interests by approximately $22 million. Calculation of the fair value of mineral interests involves complex geologic and economic assumptions. While the geologic assumptions related to the production and capacity of the probable and possible wells were reasonable, the economic assumptions and methodology were not in line with industry standards.

# Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

Other Items

- The Texas State Comptroller's Office has decided not to allocate the Employee Retirement System of Texas ("ERS") pension to proprietary funds at the State-wide financial statement level due to immateriality. As a result, there is no ERS NPL nor related disclosures reported in U. T. System's financial statements that would have been required by the Governmental Accounting Standards Board ("GASB") Statement No. 68. ERS has estimated that U. T. System's proportionate share of the collective NPL to be approximately $10.6 million and the effect on net position to be a decrease of approximately $11.2 million as of August 31, 2016 (using a measurement date of August 31, 2015).
- We identified certain required disclosures related to a detailed presentation of pension-related deferred inflows and outflows to be misstated. Specifically, for FY 2016, the deferred outflow of resources for the net difference between projected and actual investment return is understated by approximately $52 million and the deferred inflow of resources for the change in proportion and contribution difference is understated by approximately $44 million. The pension balances reported in the financial statements agree to the amounts provided by the Texas Comptroller of Public Accounts. The effects of these amounts are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

# Summary of Uncorrected Misstatements and Passed Disclosures for the Year Ended August 31, 2016 (in millions)

**Effect of Uncorrected Misstatements on Financial Statements**

| Adjustment | Total Assets and Deferred Outflows | Total Liabilities and Deferred Inflows | Net Position | Operating Revenues | Operating Expenses | Nonoperating Revenues & Expenses, and Other Changes |
|---|---|---|---|---|---|---|
| *1. U. T. System Administration - Potential overstatement of separately invested assets ("SIA") land* | $ (53.0) | $ - | $ - | $ - | $ - | $ 53.0 |
| *2. U. T. System Administration - Entry to reclassify joint ventures from investments to current assets* | - | - | - | - | - | - |
| *3. U. T. M. D. Anderson - Adjustment of known and likely pharmacy revenue error on the Centricity system* | (24.1) | - | - | 24.1 | - | - |
| *4. U. T. M. D. Anderson - Reclassification of PRS* | - | - | - | - | - | - |
| *5. U. T. M. D. Anderson - Prior year uncorrected entry in FY15 to adjust pharmacy revenue (see adjustment 3)* | -<br>- | -<br>- | 51.0<br>(51.0) | -<br>- | -<br>- | -<br>- |
| *6. U. T. Southwestern - Correct duplicative recording of contributions revenue* | (15.0) | - | - | | - | 15.0 |
| *7. U. T. Southwestern - To eliminate the intra-entity activity of St. Paul Medical Foundations' endowments (a component unit)* | (8.0) | 8.0 | - | (8.0) | | 8.0 |
| *8. U. T. Medical Branch - Galveston - Recording of pension amounts for participation in ERS pension plans* | 1.8 | (13.0) | 11.0 | - | 0.2 | - |
| *9. U. T. System Administration / U. T. Austin - Potential overstatement of SIA mineral interests* | (22.0) | - | - | | - | 22.0 |
| Total Uncorrected Adjustments - Effect (in $ millions) | $ (120.1) | $ (5.0) | $ 11.0 | $ 16.1 | $ 0.2 | $ 97.9 |
| Original Total Amounts (in millions) | $ 66,886.9 | $ 25,604.8 | $ 41,282.1 | $ 13,282.3 | $ (17,297.9) | $ 5,604.8 |
| Total Amounts (if corrected; in millions) | $ 66,766.8 | $ 25,609.8 | $ 41,156.9 | $ 13,298.4 | $ (17,297.7) | $ 5,702.7 |

# Significant Accounting Policies

- U. T. System's significant accounting policies, as determined by management, are set forth in Note 4 to U. T. System's FY 2016 financial statements.
- We have evaluated the significant qualitative aspects of U. T. System’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

# Additional Matters

- Generally accepted auditing standards required that certain additional matters be communicated to an entity's audit committee in connection with the performance of an audit:
  - **Auditor's responsibility under generally accepted auditing standards ("GAAS") and Government Auditing Standards ("GAS")** – The objective of a financial statement audit is to express an opinion on the fairness of the presentation of U. T. System's financial statements for the year ended August 31, 2016, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under GAAS and GAS include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit, Compliance, and Management Review Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit, Compliance, and Management Review Committee of their responsibilities.
  - **An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.** The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to U. T. System's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of U. T. System's internal control over financial reporting. **Accordingly, we do not express an opinion on the effectiveness of U. T. System's internal control over financial reporting.** Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

# Additional Matters (cont.)

Matters to be communicated:

- Disagreements with management – None
- Consultation with other accountants – None
- Significant issues discussed with management prior to our retention – None
- Significant issued discussed with management during the year – None
- Significant difficulties in performing the audit – None
- Management's representations – We have made specific inquiries of U. T. System's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations U. T. System is required to provide to its independent auditors under generally accepted auditing standards.

# Control-Related Matters

- A *deficiency in internal control* over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- No material weaknesses were identified at the Systemwide level.
- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Austin, or the PUF, GEF, LTF, ITF and PHF of UTIMCO.

# Appendix A: Auditing Management's Estimates

# Accounting Estimates—Patient Accounts Receivable—Valuation

| Management's Methodology | Audit Procedures |
| --- | --- |
| • During FY 2016 and FY 2015, management at U. T. health institutions applied a consistent approach to estimating the allowance for doubtful accounts and contractual allowances.<br><br>• Management utilizes management's estimate of historical and expected net collections, business and economic conditions, and other collection indicators.<br><br>• Management performs reviews of historical collections and write-offs. Adverse changes in business office operations, payor mix, and economic conditions could affect the collection of accounts receivable, cash flows, and results of operations. | • Reviewed the adequacy of certain U. T. institutions' methodologies and procedures used to establish the allowance for doubtful accounts and contractual allowance estimates.<br><br>• For institutions with significant receivable balances, we computed an independent estimate of the allowance for contractuals and bad debt for each significant financial class of patient receivable after independently testing the collection percentages. Then concluded as to the reasonableness of the allowances.<br><br>• Concluded as to the adequacy of doubtful accounts allowances through the review of collections and aging statistics and a look-back analysis.<br><br>• Reviewed compliance with GASB guidance on the presentation in the financial statements of allowance for doubtful accounts.<br><br>• Management's methodology and resulting amounts were deemed reasonable. |

# Accounting Estimates—Fair Value of PUF Lands

## Management's Methodology

- Management has a consistent methodology from FY 2015 as it relates to the reserve analysis. Management engages a third-party specialist to develop the reserves for the three categories of reserves (1) proved; (2) possible and (3) probable. Management and the specialists determine reasonable assumptions related to discount rates/factors, reserve adjustment factors, and overall valuation methodology.
- Management with University Lands compiles data from producers related to production and royalty percentages for submission to the third-party specialist.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the fair value of the PUF lands.

## Audit Procedures

- Reviewed the reserve study with the assistance of Deloitte fair value and oil and gas specialists. We tested various assumptions as it related to discount rates, reserve adjustment factors and valuation techniques.
- Performed testing on the accuracy and completeness of the data submitted to the third-party specialists.
- Performed a lookback analysis on prior production estimates used in the reserve methodology.
- The balances appeared to be reasonably stated in all material respects.

# Accounting Estimates—Teachers' Retirement System Plan

| Management's Methodology | Audit Procedures |
|---|---|
| • The Teacher Retirement System of Texas ("TRS") pension plan is a state-wide, multi-employer cost sharing plan. Using external actuaries, TRS calculates the total plan liability for the plan. Participants allocate the pension liability and related deferred inflows and outflows according to their proportionate share.<br><br>• The Texas State Auditor's Office ("SAO") audits the TRS plan and the proportionate share, and related net pension liability, of each employer. The SAO also audits retiree and active census data.<br><br>• U. T. System is responsible for tracking and accurately reporting census data on active participants to TRS.<br><br>• Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information. | • Reviewed the TRS actuarial study with the assistance of Deloitte actuaries<br><br>• Recalculated the proportionate share of U. T. System's and the stand-alone entities as it relates to net pension liability, deferred inflows, outflows, annual amortization and pension expense.<br><br>• Performed testing on the accuracy of census data for active employees.<br><br>• Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.<br><br>• Except as noted on the passed disclosures, the balances appeared to be reasonably stated in all material respects. |

# Accounting Estimates—Other Postemployment Benefit Plan

| Management's Methodology | Audit Procedures |
|---|---|
| • U. T. System's other postemployment benefit ("OPEB") plan is a single-employer plan. Management engages an external actuary to determine the liability related to the OPEB plan. A study was performed as of December 31, 2015 for the FY 2016 Annual Financial Report.<br>• Management within the Office of Employee Benefits ("OEB") is responsible for tracking and accurately reporting census data participants to the actuary. This data is submitted by the individual U. T. institutions to the OEB.<br>• Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information. | • Reviewed the actuarial study with the assistance of Deloitte actuaries and tested various assumptions as it related to discount rates, investment returns, and mortality assumptions.<br>• Performed testing on the accuracy of census data for plan participants.<br>• Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.<br>• The balances appeared to be reasonably stated in all material respects. |

# Questions?

Deloitte.

Official Professional Services Sponsor

Professional Services means audit, tax, consulting, and advisory.

# TABLE OF CONTENTS
# FOR
# ACADEMIC AFFAIRS COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*Ernest Aliseda, Chairman*
*Alex M. Cranberg*
*R. Steven Hicks*
*Brenda Pejovich*
*Sara Martinez Tucker*

## 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 on Pages 338 - 351.

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**2. U. T. San Antonio: Approval to establish a Doctor of Philosophy degree program in Civil Engineering**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, and President Romo that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

a. establish a Doctor of Philosophy degree program in Civil Engineering at U. T. San Antonio; and

b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

The proposed Ph.D. in Civil Engineering at U. T. San Antonio will be a collaborative educational and research effort with the Southwest Research Institute (SwRI). SwRI is one of the oldest and largest independent, nonprofit, applied research and development organizations in the United States. In 2016, SwRI sponsored more than $7.4 million in internal research to develop innovative technologies. The educational objectives are to produce graduates who have advanced technical knowledge in civil engineering and to develop research and educational skills that are essential to the growth of San Antonio and the State of Texas. The program includes a requirement for students to complete 60 semester credit hours beyond the master's degree. Courses have been designed to provide advanced training in areas considered to form the foundation for the disciplines of civil engineering, namely structures, geotechnical, transportation, and water resources.

Need and Student Demand

According to the U.S. Bureau of Labor Statistics *Occupational Outlook Handbook*, between 2014-2024, nationwide employment of civil engineers is projected to increase by 8%, adding approximately 10,600 jobs per year due to growth and replacement. In addition, nationwide employment of postsecondary engineering faculty in general is estimated to increase by 13% (or 1,420 job openings annually). Similarly, the Texas Workforce Commission projects the number of civil engineering jobs to increase by 24% during the same 10-year period.

The number of civil engineering jobs in Texas requiring a graduate degree has increased significantly over the last five years. Based on a search of job postings from 2011 to 2015 (job market analytics provided by Burning Glass Technologies), the number of jobs increased from

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983 jobs in 2011 to 1872 in 2015.[1] During that same period, Texas institutions of higher education produced, on average, 560 master's degree graduates and 85 doctoral degree graduates each year,[2] falling considerably short of the workforce demand. By these calculations, an unmet need already exists, and the gap between the demand for civil engineering expertise in the workforce and the supply of advanced civil engineering degree graduates will likely widen.

Currently, civil engineering Ph.D. graduates are obtaining jobs with little difficulty. Civil engineering programs across the country reported that, overall, 97% of their Ph.D. graduates were employed within six months of completion of the degree. In addition, all programs indicated plans to hire new Ph.D. graduates within the next two to three years.

Program Quality

Eighteen core faculty and 10 support faculty from the Civil and Environmental Engineering Department at U. T. San Antonio will support the Ph.D. program. Two new faculty were hired for FY 2017, and there are plans to add another faculty member in the future, as positions become available. Between 2011-2015, the core faculty was awarded approximately $1.5 million a year in external grants. This number has been on the rise, with $120,000 in research expenditures per faculty and nearly $250,000 in awards per faculty for FY 2015, which was an all-time high. In the past five years, the core faculty have produced 179 refereed papers and six book chapters. The department has demonstrated graduate education administration competency by successfully managing a Ph.D. program in Environmental Science and Engineering. The proposed program will be offered with support from the SwRI, which adds another dimension of expertise and research strength. The College of Engineering (COE) already has one Ph.D. program in Physics with SwRI, and this collaboration already has a proven path to success.

The Civil and Environmental Engineering (CEE) department has modern office, laboratory, and classroom facilities. In 2006, the administrative and faculty offices were moved from the Engineering Building to the new Biotechnology Science and Engineering building. Additional office, laboratory, and classroom facilities were allocated to the CEE Department in 2010, when the new Applied Engineering Technology building was opened. A new 50-foot hydraulic flume is currently being constructed with the capacity for laser technology enhancement. With the completion of the new Science and Engineering Building in 2020, civil engineering students will have access to state-of-the-art fluids, instrumentation and controls, and design and fabrication (maker) space to complete teaching and research activities. In addition, a state-of-the-art $10 million high bay facility will be constructed by 2019 to support large-scale structural testing.

U. T. San Antonio has been in the forefront of preparing Hispanic students at both the undergraduate and graduate levels. The percentage of U. T. San Antonio Hispanic M.S. and Ph.D. graduates is 34% and 18%, respectively. U. T. San Antonio's COE and CEE departments are committed to recruiting and retaining highly qualified graduate students of diverse backgrounds. U. T. San Antonio's COE has an excellent reputation of attracting minorities to its graduate degree programs. In 2014, it ranked as the fifth *Best Engineering School for Diversity Practices* in the nation according to the *Hispanic Business Magazine*.

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[1] *The numbers noted above are very conservative estimates of job postings in the field of civil engineering, because many graduates can work in other job categories not specifically defined as civil engineering such as structural engineer, transportation engineer, etc.*
[2] *From American Society of Engineering Education (ASEE) Engineering Data Management System http://edms.asee.org/queries/ .*

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The CEE department has a diverse faculty, including 25% Hispanic and 13% women. The department has been educating an increasing number of students at both the B.S. in Civil Engineering (BSCE) and M.S. levels. In 2011, the BSCE graduating class size reached the 80th percentile nationwide and it is currently the fifth largest in Texas. The M.S. program has also experienced a steady increase in graduates. Since Fall 2012, over 30% of the enrolled M.S. students have been Hispanic. Students will be recruited from existing civil engineering master's populations; part-time students with San Antonio civil engineering firms, SwRI, the U.S. Air Force; other Texas universities without master and doctoral programs in civil engineering; and students from other universities with M.S. and Ph.D. programs.

Revenue and Expenses

| **Projected Enrollment** | **5-Year Total** |
|---|---|
| Number of Full-Time Student Equivalents (FTSE) Used for Formula Funding Calculation | 85 |
| Number of Full-Time Student Equivalents | 47 |

| **Expenses** | **5-Year Total** |
|---|---:|
| *Faculty* | |
| Salaries | $340,000 |
| Benefits | $61,200 |
| *Graduate Students* | |
| TA Salaries | $1,060,000 |
| TA Benefits | $143,100 |
| GRA Salaries | $770,000 |
| GRA Benefits | $103,950 |
| *Staff & Administration* | |
| Graduate Coordinator Salary | $5,000 |
| Administrative Staff Salaries | Existing |
| Staff Benefits | Existing |
| *Other Expenses* | |
| Equipment | $300,000 |
| **Total Expenses** | **$2,783,250** |

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| Revenue | 5-Year Total |
|---|---|
| *From Student Enrollment* | |
| Formula Funding | $1,746,432 |
| Tuition and Fees | $1,668,552 |
| *From Institutional Funds* | |
| Provost Graduate Student Support | $2,805,000 |
| *From Grant Funds* | |
| Not required | $0 |
| *From Other Revenue Sources* | |
| Provost and Dean – Start-up packages | $300,000 |
| **Total Revenue** | **$6,519,984** |

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

## 3. **U. T. System: Report on Faculty Workload at the academic institutions for Academic Year 2015-2016**

### REPORT

Executive Vice Chancellor Leslie will provide a report on faculty workload at the U. T. System academic institutions for Academic Year 2015-2016, as set forth on the following pages.

### BACKGROUND INFORMATION

*Texas Education Code* Section 51.402 authorizes the governing boards of all public universities to adopt rules and regulations regarding faculty workload. Regents' *Rules and Regulations, Rule* 31006, Academic Workload Requirements, lays out the provisions for how faculty may earn teaching load credits (TLC). A full-time faculty member at an academic institution paid 100% from State appropriations is expected to earn a minimum of 18 TLCs in a given academic year. For a faculty member paid partially from another source of funds, the minimum workload is proportioned to the percentage of salary paid from state appropriations.

After all data are certified, the presidents submit the detailed reports required by *Texas Education Code* Section 51.402 to the Office of Academic Affairs by November each year. Members of the Board will be advised each year as soon as the reports are available.

THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

# REPORT ON FACULTY WORKLOAD AT U. T. SYSTEM ACADEMIC INSTITUTIONS (AY 2015 - 2016)

February 2017

Prepared by the Office of Academic Affairs and the Office of Strategic Initiatives

## Contents

## Summary

This report provides an overview of faculty workload at the eight academic institutions within The University of Texas System for the 2015 - 2016 Academic Year (AY). The term “faculty workload” refers specifically to the number of teaching load credits (TLCs) earned by faculty for a variety of teaching responsibilities and other duties as defined in Regents’ *Rules and Regulations,* Rule 31006 (Academic Workload Requirements). This report is limited to TLCs; it does not offer a comprehensive overview of faculty research or service given that these activities rarely result in the accrual of TLCs.

Principle findings for AY 2015 - 2016 include the following:

- At every U. T. System academic institution, the average number of TLCs earned per faculty member *exceeded* the requirement stated in Regents’ Rule 31006.
- Over 99% of the faculty at U. T. System academic institutions met or exceeded the minimum TLC requirement.
- At each institution, the total amount of presidential credits granted to faculty was below the 1% maximum of total semester credit hours (SCHs) permitted by Regents’ Rule 31006.

## Background

In 1977, The Texas Legislature called for the governance of faculty academic workloads through passage of *Texas Education Code* Section 51.402.[1] The statute delegates the authority to adopt rules and regulations about faculty workload to governing boards of public institutions of higher education. The statute does not impose minimum workloads; instead, it directs the governing boards to recognize that classroom teaching, basic and applied research, and professional development are important elements of a faculty member’s workload. The statute also requires institutions to file with its governing board an annual report, by department, of the duties and services performed by each faculty member showing evidence of compliance with the requirements established by the governing board. The report also includes (1) all appointments held by the faculty member in the employing institution, (2) the salary paid to each appointment, (3) the percent of time of each appointment, and (4) the source of funds from which salary payments were made.

In compliance with TEC Section 51.402(b), The University of Texas System Board of Regents adopted Regents’ Rule 31006. Regents’ Rule 31006 provides that “Each person paid full time from the appropriations item Faculty Salaries shall be assigned a minimum workload equivalent

[1] Ch. 601, Acts 65th Leg., R.S., 1977.

to 18 semester credit hours (SCH) of instruction in organized undergraduate classes..." In addition, for a faculty member paid partially from another source of funds, the minimum workload is proportioned to the percentage of salary paid from state appropriations.

Regents' Rule 31006 also set forth thirteen circumstances, or "equivalencies," for which faculty may earn workload credits considered equivalent to undergraduate hours of instruction (Regents' Rule 31006, Section 6). For example, Subsection 6.1 provides that one credit hour of graduate instruction is considered equivalent to one and a half hours of undergraduate instruction.

The last equivalency provided in the Regents' Rule 31006, Subsection 6.13, is a category of workload credit with the following defining characteristics and parameters:  The credit may only be granted by the institutional head, the total amount of credit granted in a given year has a specified limit, and four activities define the parameters for the workload credit granted. These credits are commonly known as *presidential credits,* and the four activities allowed are "for major academic advising responsibilities, for basic and applied research following a research work plan approved pursuant to institutional policy, for preparing major documents in the fulfillment of programmatic needs or accreditation requirements, or for duties performed in the best interest of the institution's instructional programs as determined by the head of the institution." The president is permitted to grant presidential credits equivalent to no more than 1% of the total SCH taught at the institution in the previous academic year.

Workload credits and workload equivalencies, including presidential credits, are collectively known as *teaching load credits,* or TLCs, to distinguish them from semester credit hours. Based on Regents' Rule 31006, a full-time faculty member at an academic institution within the U. T. System paid 100% from state appropriations is expected to earn a minimum of 18 TLCs in a given academic year. A faculty member's TLCs are calculated and reported to U. T. System each year. The reporting of TLCs is intended to allow the president of a U. T. System institution, the Chancellor, and the Board of Regents to determine whether faculty at each institution are in compliance with Regents' Rule 31006.

*Note about the data:*

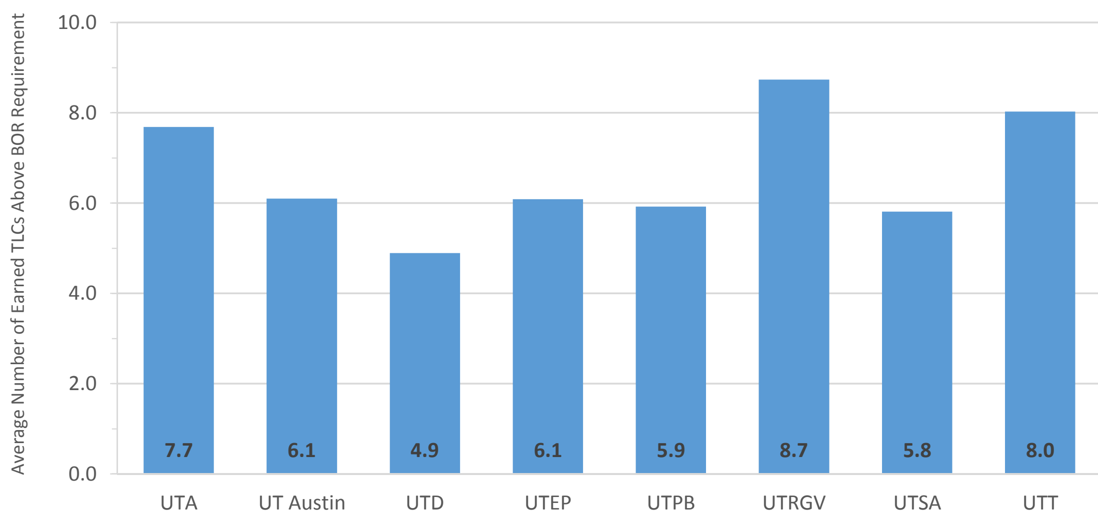
Data were collected from the U. T. System academic institutions during Fall 2016. Institutions reported on all faculty included in the Texas Higher Education Coordinating Board (THECB) Faculty Report (CBM008) for Fall 2015 and Spring 2016. Note that teaching assistants (TAs) are excluded from the analysis per Regents' Rule 31006.

## Teaching Load Credits

**Regents' Rule 31006, Section 2:** *"Each person paid full time from the appropriations item Faculty Salaries shall be assigned a minimum workload equivalent to 18 semester credit hours of instruction in organized undergraduate classes…"*

In AY 2015 - 2016, the average number of TLCs earned per faculty member at the U. T. System academic institutions exceeded the requirement stated in Regents' Rule 31006 (Chart 1). It is important to note that the accrual of TLCs rarely results in a release from teaching responsibilities. Across institutions, faculty earned TLCs beyond the minimum requirement by teaching additional courses, teaching courses with high enrollments, and supervising the theses and dissertations of large numbers of graduate students.

**Chart 1.** Average Number of TLCs Earned Above the BOR Requirement




Note: Data presented in Chart 1 is based on the average faculty TLC requirement and average faculty TLCs earned at each institution.

Charts 2-9 show that in AY 2015 - 2016 the vast majority of faculty at every academic institution met or exceeded the minimum TLC requirement.

**Chart 2.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Arlington

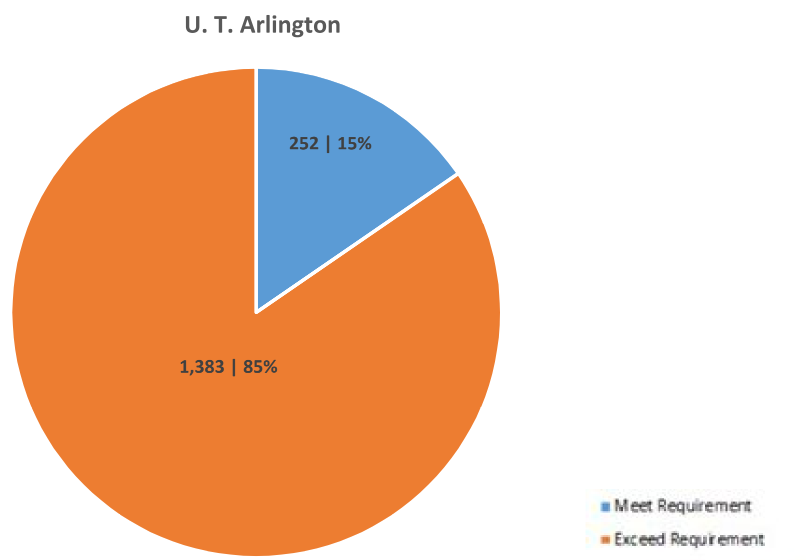



**Chart 3.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Austin

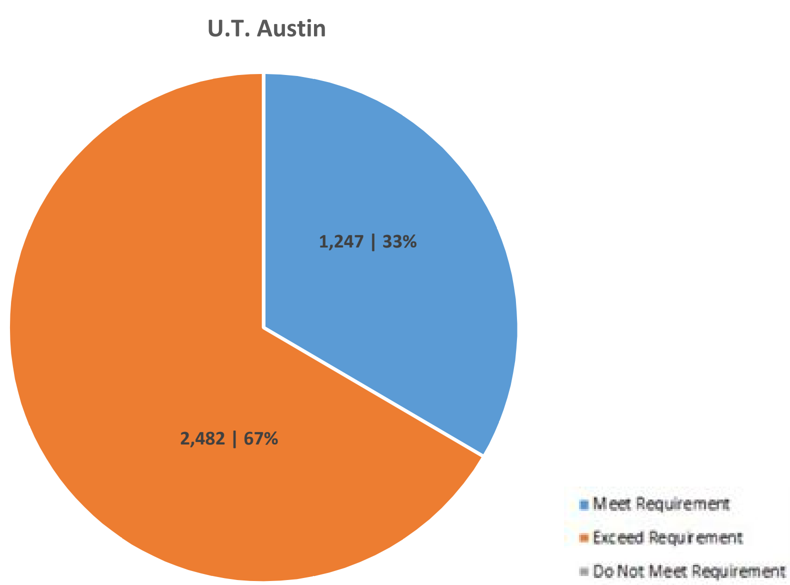


**Chart 4.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Dallas

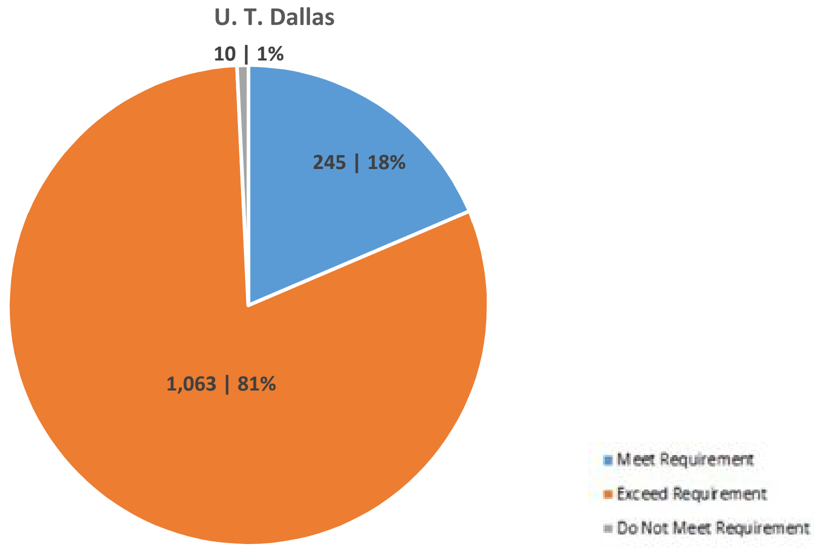
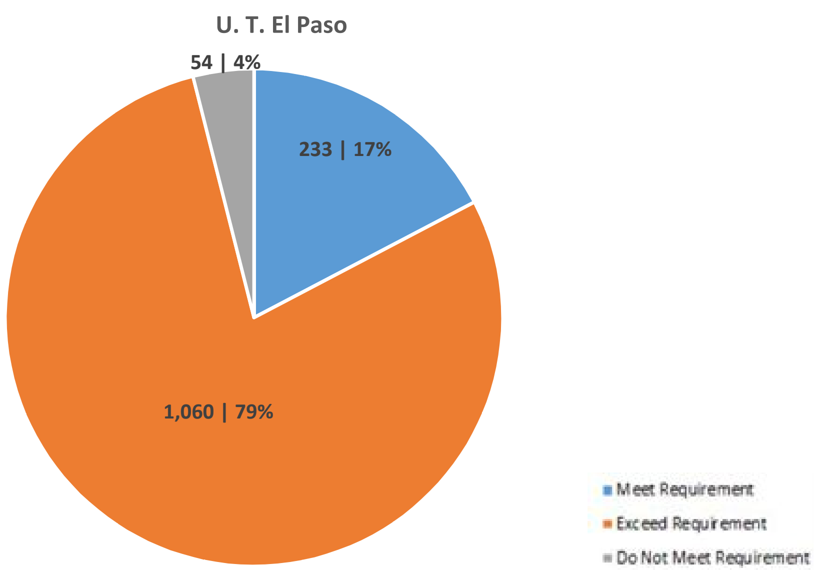



**Chart 5.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. El Paso[2]




[2] Due to problems with the conversion to PeopleSoft, some of the faculty salary data submitted may not be correct. For example, the programming did not identify all faculty whose TLCs should have been proportioned to the percent of their salaries paid by state appropriations vs. the percent of salaries bought out by research grants.

**Chart 6.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Permian Basin

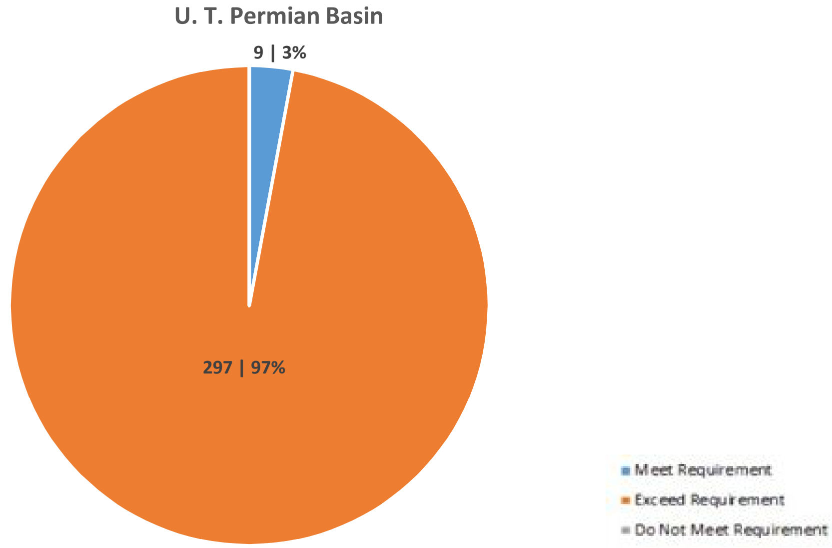



**Chart 7.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Rio Grande Valley

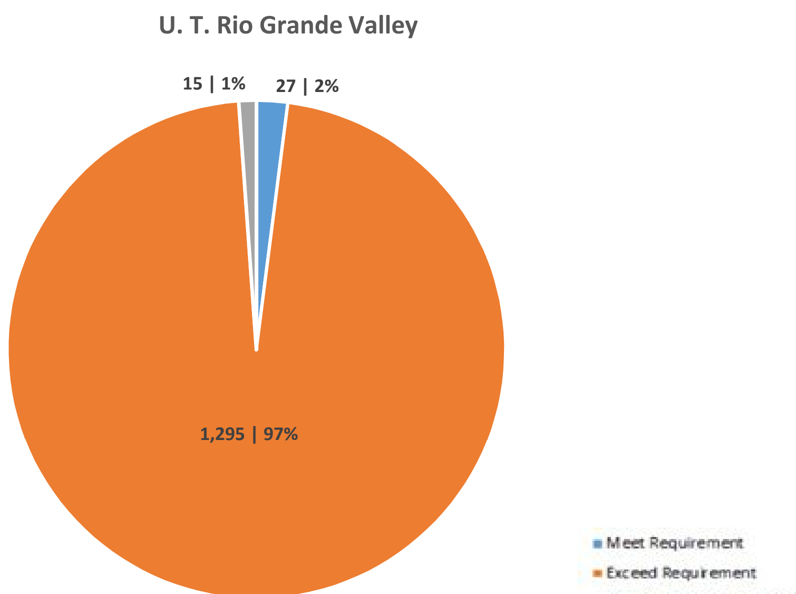


**Chart 8.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. San Antonio

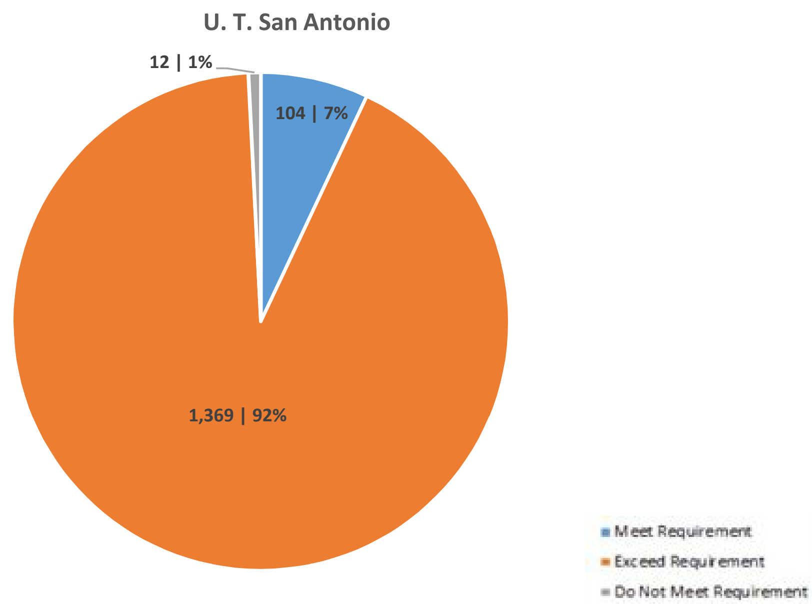
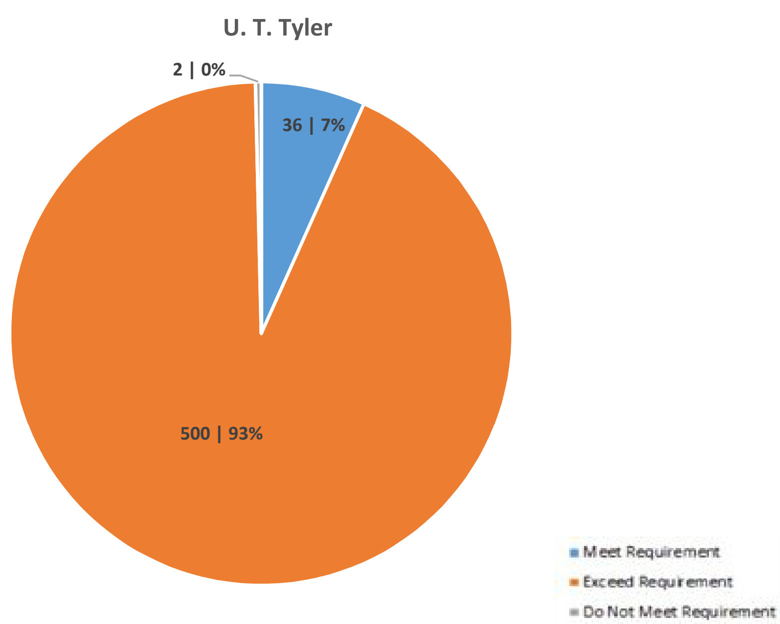



**Chart 9.** Number and Percent of Faculty Who Met or Exceeded TLC Requirement at U. T. Tyler

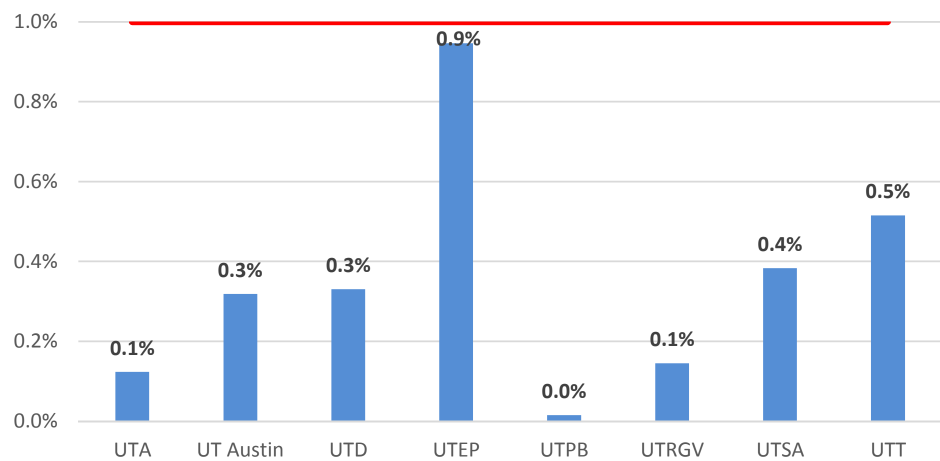


## Presidential Credits

> **Rule 31006, Section 6.13:** *"Academic workload granted by the head of the institution for all other purposes is limited to 1% of the total semester credit hours taught at the institution […] in the previous year."*

In AY 2015 - 2016, at each academic institution presidential credits were granted to faculty in amounts that fell below the 1% of total SCHs permitted by Regents' Rule 31006.

**Chart 10.** Presidential Credits Granted as a Percent of Total Student Credit Hours Generated
*(Presidential Credits for AY 2015 - 2016; SCH for AY 2014 - 2015)*



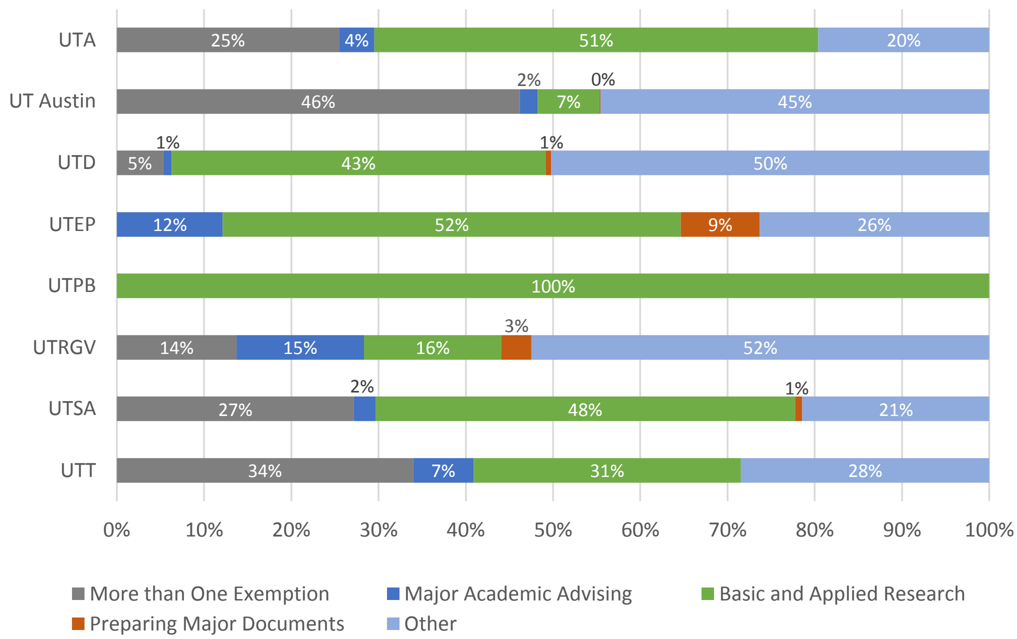

Per Regents' Rule 31006, presidential credits may be granted for the following activities:

- major academic advising responsibilities;
- basic and applied research following a research work plan approved pursuant to institutional policy;
- preparing major documents in the fulfillment of programmatic needs or accreditation requirements; or
- duties performed in the best interest of the institution's instructional programs as determined by the head of the institution.[3] (represented by "Other" in Chart 11)

[3] Examples of duties for which presidential credits were granted in this category include serving as the director of an academic center, serving on a major committee or task force, and serving as the executive director of a research institute. Presidential credits were also granted for medical or emergency leave as approved by HR.

Breaking down the percentage of presidential credits by activity, Chart 11 shows that basic and applied research and “Other” account for most of the credits granted across the U. T. System academic institutions in AY 2015 - 2016. In addition, six institutions reported presidential credits granted to a small percentage of faculty for multiple activities, all permitted under Section 6.13 of Regents’ Rule 31006. And, finally, preparing major documents for programmatic needs or accreditation requirements accounted for the smallest percentage of presidential credits granted.

**Chart 11.** Presidential Credits Granted by Type




## Conclusion

The review of faculty workload as represented by the number of TLCs earned revealed that the vast majority of faculty across institutions met or exceeded the minimum TLC requirement in AY 2015 - 2016. Further, at every institution the total amount of presidential credits granted to faculty was below the 1% maximum permitted by Regents’ Rule 31006.

Finally, it is important to note that TLCs, as described in this report, represent only a portion of the work and activities conducted by faculty. While Regents’ Rule 31006 covers much ground, it is important to acknowledge that what is reported to the U. T. System in the form of TLCs does not include most of the service activities carried out by faculty at these institutions. Moreover, only a small portion of the research conducted by faculty is captured by the accrual of TLCs. Although this report offers insight into TLCs and a subset of TLCs, i.e., presidential credits, it does not provide a comprehensive look at the complex and varying nature of all faculty activity across the U. T. System academic institutions.

# Appendix

**The University of Texas System**
**Rules and Regulations of the Board of Regents** **Rule: 31006**

**1. Title**

Academic Workload Requirements

**2. Rule and Regulation**

Sec. 1 Statutory Requirement. State law requires the Board of Regents to adopt rules concerning faculty academic workloads. *Texas Education Code* Section 51.402 recognizes that important elements of workload include classroom teaching, basic and applied research, and professional development. Workload for the faculty members of the institutions of The University of Texas System is expressed in terms of classroom teaching, teaching equivalencies, and presidential credits for assigned activities.

Sec. 2 Minimum Workload. Each person paid full time from the appropriations item "Faculty Salaries" shall be assigned a minimum workload equivalent to 18 semester credit hours of instruction in organized undergraduate classes each nine-month academic year, or fiscal year at an institution's option, in accordance with guidelines listed below.

Sec. 3 Source of Funding. When a faculty member is paid partially from a source of funds other than the "Faculty Salaries" line item, the minimum workload shall be proportioned to the percentage of salary paid from the appropriations item "Faculty Salaries."

Sec. 4 Supervision of Teaching Assistants. Teaching assistants shall be used only when given proper guidance and supervision to ensure quality instruction. The minimum faculty workload established below does not apply to graduate teaching assistants or assistant instructors who are pursuing degrees. The institutional head is responsible for assuring that all teaching assistants are carefully supervised.

Sec. 5 Institutional Requirements. This policy sets the minimum workload and equivalencies only; an institution may enact more intensive and/or more detailed minimum requirements for inclusion in the institutional *Handbook of Operating Procedures*, following appropriate approvals. For example, an institution may set individual minimum requirements, consistent with these minimum guidelines, for a specific school or college.

Sec. 6 Equivalencies. The following equivalencies are available to meet workload requirements:

6.1 Graduate Instructions. One semester credit hour of graduate instruction will be considered the equivalent of one and one-half semester credit hours of undergraduate instruction.

6.2 Labs. One and one-half contact hours of instruction of regularly scheduled laboratory and clinical courses, physical activity courses, studio art, studio music instruction, and primary music performance organizations, such as ensembles and marching bands, for each week of a long-term semester will be considered the equivalent of one semester credit hour of undergraduate instruction.

6.3 Supervision. Supervision of student teachers, clinical supervision, and intern supervision shall be credited such that 12 total student semester credit hours taught will be considered the equivalent of one semester credit hour.

6.4 Honors Program or Individual Research Projects. Supervision of student practicum and individual instruction courses, such as honors programs and individual research projects, shall provide equivalency at the rate of one-tenth semester credit hour for each student semester hour of undergraduate instruction and one-fifth semester hour for each student semester hour of graduate instruction per long-term semester. In no case will individual instruction in a single course generate more semester credit hour equivalence than if the course were taught as a regularly scheduled, organized course.

6.5 Thesis or Dissertation Supervision. Graduate thesis or dissertation supervision shall provide equivalent credit hours only to the chairperson of the thesis or dissertation committee at the rate of one semester credit hour for each six total student semester hours of thesis research credit and at the rate of one semester credit hour for each three total student semester hours of dissertation credit.

6.6 Coordination of Courses. A faculty member who coordinates several sections of a single course shall be given one semester hour of workload credit for each six sections coordinated up to a maximum of three semester hours of credit per semester.

6.7 Large Classes. Workload credit may be proportionally increased for teaching a large class that requires extensive grading or evaluation of students' work by the faculty member according to the following weighing factors:

| Class Size | Weighing Factor |
|---|---|
| 59 or less | 1.0 |
| 60 - 69 | 1.1 |
| 70 - 79 | 1.2 |
| 80 - 89 | 1.3 |
| 90 - 99 | 1.4 |
| 100 - 124 | 1.5 |
| 125 - 149 | 1.6 |
| 150 - 174 | 1.7 |

| | |
|---|---|
| 175 - 199 | 1.8 |
| 200 - 249 | 1.9 |
| 250 or more | 2.0 |

6.8 Proportional Credit. When more than one teacher participates in the instruction of a single course, the credit is proportioned according to the effort expended.

6.9 Insufficient Enrollment. A reduced workload may be granted temporarily if assigned classes do not materialize because of insufficient enrollment and when additional classes or other academic duties cannot be assigned to the faculty member. This exception may be granted for two consecutive long-term semesters only for any particular faculty member.

6.10 Administrative Services. Workload credit may be granted for a faculty member who is head of a department or head of a comparable administrative unit up to a maximum of six semester hours of workload credit per semester. When justified by the department/unit head and approved by the institutional head, three hours of credit may be given to faculty members who provide non-teaching academic services to the department/unit head. In no case will the total for departmental administration, including the head, exceed nine workload credits per semester unless the institution's organizational structure includes academic units composed of more than one academic discipline.

6.11 New Faculty Members. At the recommendation of the head of the department or comparable unit and upon approval of the institutional head, up to three semester hours of workload credit for each of two semesters may be given to a newly-appointed faculty member during the first year of employment for the purpose of developing instructional materials for the courses he or she will teach.

6.12 Course Development. At the recommendation of the departmental chair and upon approval of the institutional head, workload credit may be granted to a faculty member involved in the creation of a new course, new course format, or new course materials.

6.13 Credit Granted by Institution Head. Academic workload credit granted by the head of the institution for all other purposes is limited to 1% of the total semester credit hours taught at the institution during the comparable (fall or spring) semester in the previous year. With the approval of the institutional head, limited faculty workload credit (within the 1% limit above) may be granted for major academic advising responsibilities, for basic and applied research following a research work plan approved pursuant to institutional policy, for preparing major documents in the fulfillment of programmatic needs or accreditation requirements, or for duties performed in the best interest of the institution's instructional programs as determined by the head of the institution.

Sec. 7 Monitoring of Workloads. The president of an institution shall designate the officer of the institution who will monitor workloads, review workload reports, and submit the reports to the institutional head for approval and comment, as appropriate, prior to submitting the reports to the Board of Regents through the System Administration following the standard reporting format and deadlines as provided by the Texas Higher Education Coordinating Board in accordance with *Texas Education Code* Section 51.402 and any applicable riders in the current *General Appropriations Act*.

Sec. 8 Compliance Assessment. Every faculty member's compliance with these minimum academic workload requirements shall be assessed each academic year. If a faculty member is found to be out of compliance, the institution shall take appropriate steps to address the noncompliance and to prevent such noncompliance in the future.

## 3. Definitions

None

## 4. Relevant Federal and State Statutes

*Texas Education Code* Section 51.402 – Report of Institutional and Academic Duties

# TABLE OF CONTENTS
# FOR
# HEALTH AFFAIRS COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*Alex M. Cranberg, Chairman*
*Ernest Aliseda*
*David J. Beck*
*Jeffery D. Hildebrand*
*Sara Martinez Tucker*

## 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 on Pages 352 - 361.

## 2. U. T. Rio Grande Valley: Report on the U. T. Rio Grande Valley School of Medicine

### INTRODUCTION

President Guy Bailey, Ph.D., and Interim Dean Steven A. Lieberman, M.D., will report on the U. T. Rio Grande Valley School of Medicine. A PowerPoint presentation is set forth on the following pages.

### BACKGROUND INFORMATION

In 2013, Senate Bill 24 authorized the creation of a new medical school in South Texas in association with a new general academic university, subsequently named The University of Texas Rio Grande Valley. On December 6, 2012, the U. T. System Board of Regents allocated $10 million in Permanent University Funds annually for 10 years in support of the School of Medicine.

The School of Medicine received preliminary accreditation from the Liaison Committee on Medical Education in October 2015. A new medical education building was completed on the Edinburg campus in June 2016, and the first class of 55 students was welcomed in July 2016. The class includes 20 students originally from the Valley. Fifty-five percent of the students are from underrepresented minority groups.

The School's research enterprise is anchored by the South Texas Diabetes and Obesity Institute, which was established in 2014. External funding for this group increased from $7 million to $12.5 million from FY 2015 - 2016. Total external research funding for the School of Medicine was $22.7 million in FY 2016.

The School's clinical enterprise is being developed in collaboration with several hospital partners throughout the Rio Grande Valley. Additional opportunities to provide health care services not currently available in the Valley are also being pursued.

The School of Medicine embraces the University's commitment to the community and looks to become a leader in the integration of community outreach, academic, and clinical programs to improve the health of people in the Rio Grande Valley.

This is the first report on the startup of the U. T. Rio Grande Valley School of Medicine.

# Report on the U. T. Rio Grande Valley School of Medicine

Guy Bailey, Ph.D., President
Steven A. Lieberman, M.D., Interim Dean

U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2017

# History and Milestones

2013 UTRGV and School of Medicine (SOM) authorized

2014 South Texas Diabetes and Obesity Institute founded

2015 Four new residency programs opened

2015 Preliminary accreditation received from the Liaison Committee on Medical Education

2016 Medical education building completed in Edinburg

2016 Inaugural class of 55 seated

2016 Groundbreaking for new research building in McAllen

# Building the UTRGV SOM – Integrating all Four Missions

- Start with a population health lens
- Target major health needs of the Rio Grande Valley (RGV)
- Integrate programs within health need targets:
  - Recruit researchers
  - Develop residencies
  - Build clinical programs
  - Engage continuously with the community

# Undergraduate medical education

- Class of 2020
  - 55 students
  - 20 from the RGV
  - 55% underrepresented minorities
- Class of 2021
  - 3957 completed applications
  - 375 interviews

# Graduate Medical Education

| | 2016-2017 | 2017-2018 |
|---|---|---|
| Residents | 100 | 134 |
| Programs | 6 | 8 |
| Specialties | 4 | 6 |
| Hospitals | 3 | 4 |

# Research

- Growth in external funding
  - FY15: $7,023,130
  - FY16: $22,706,110
- South Texas Diabetes and Obesity Institute – Dr. Sarah Williams-Blangero
- Recruitment of Andrew Tsin, Ph.D., Associate Dean for Research and Chair, Department of Biomedical Sciences
- Groundbreaking on new research building in partnership with Doctors Hospital at Renaissance

# Clinical enterprise

- Unique clinical environment
- Opportunities:
  - Unavailable specialty services
  - Joint programs with hospital partners
- Current operations:
  - All Valley Lung Clinic
  - John Austin Peña Clinic
  - Mobile clinic

# Community Outreach

- UTRGV Community Hubs (in development)
- Population Health – in collaboration with the U. T. Health Science Center - Houston School of Public Health, Brownsville
- Community Programs
  - Health fairs
  - Vaccination drives
  - “Unidos por nuestra salud” – major community event in April
- Substantial grant funding

# Keys to success

| | |
|---|---|
| 1-2 years | Build the team: faculty, administration |
| | Clinical partnership maturation |
| | Fill unmet specialty needs |
| 3-5 years | Clinical partnership success |
| | External funding for initial health need targets |
| Throughout | Constructive relationships with partners |

## 3. U. T. M. D. Anderson Cancer Center: Report on Translational Research Accelerator, the research platform for the Moon Shots Program

### REPORT

Ronald DePinho, M.D., President, and Andrew Futreal, Ph.D., Chair of Genomic Medicine at U. T. M. D. Anderson Cancer Center, will report on M. D. Anderson's Translational Research Accelerator, the research platform for the Moon Shots Program. A PowerPoint presentation is set forth on the following pages.

### BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center's Translational Research Accelerator (TRA) is a Moon Shot driven platform that has as its primary goal the full, near real-time integration of longitudinal patient-centric clinical and research data for the purposes of facilitating research and accelerating translation. TRA is custom-engineered on "industry" standard architecture to support advanced analytics and cloud integration. Specific attention to tools, interfaces, and visualization are coupled with dedicated computational personnel to help drive research. TRA's secondary goal is to become an infrastructure platform that can allow for real-time patient-centric analytics in the clinical setting. It serves as the backbone for a research paradigm shift with the goal to have every patient contributing to and potentially benefiting from research incorporating the Apollo platform, Moon Shots, and large scale genomics efforts (MDA10K). The Apollo platform is a research infrastructure to standardize longitudinal specimen collection, quality control, and molecular data generation.

# The University of Texas M. D. Anderson Cancer Center Translational Research Accelerator (TRA): Learning as much as possible from every patient

Ronald DePinho, M.D., President
Andrew Futreal, Ph.D., Chair, Genomic Medicine

U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2017

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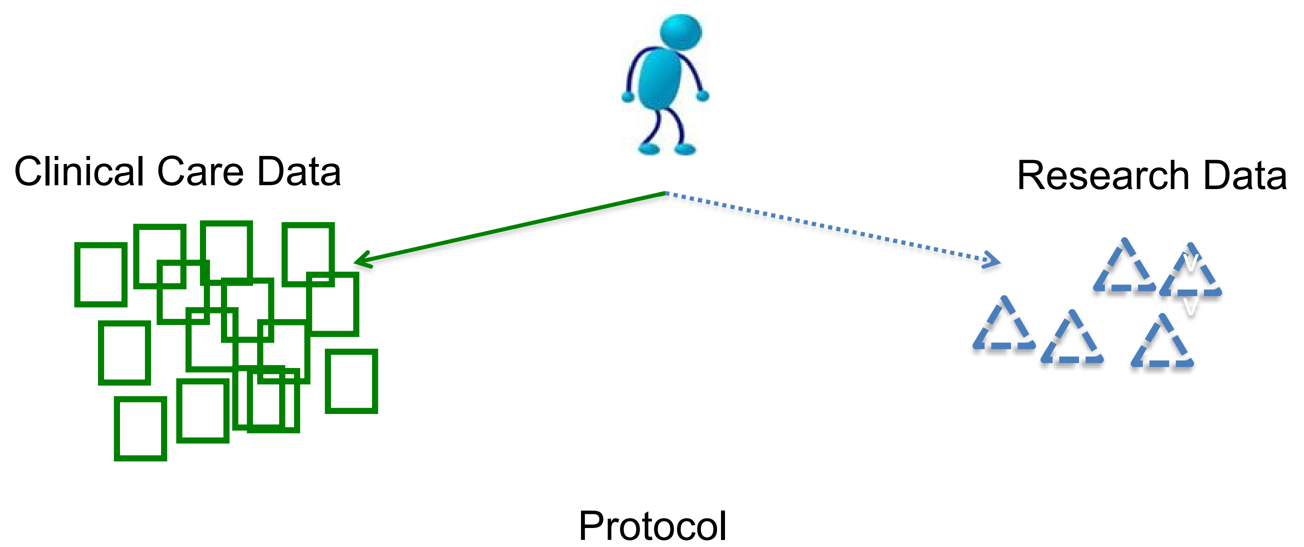
# Current state: Missing the opportunity to learn



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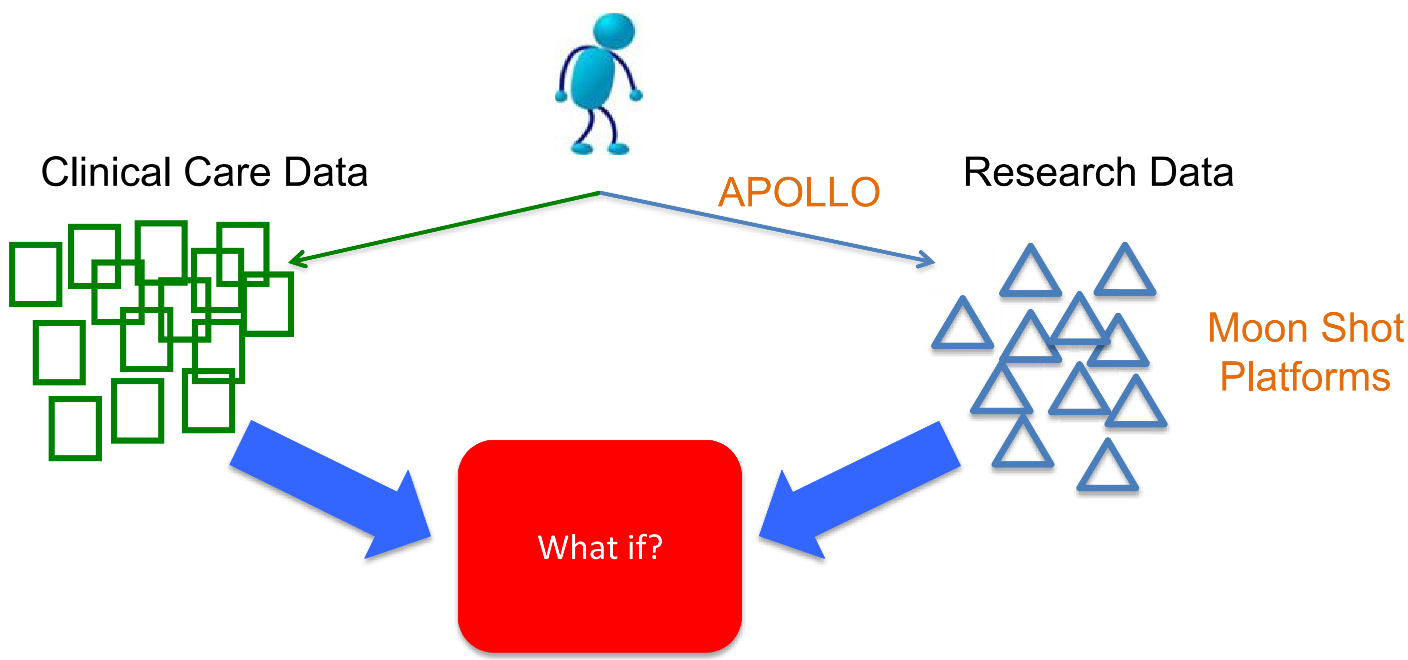
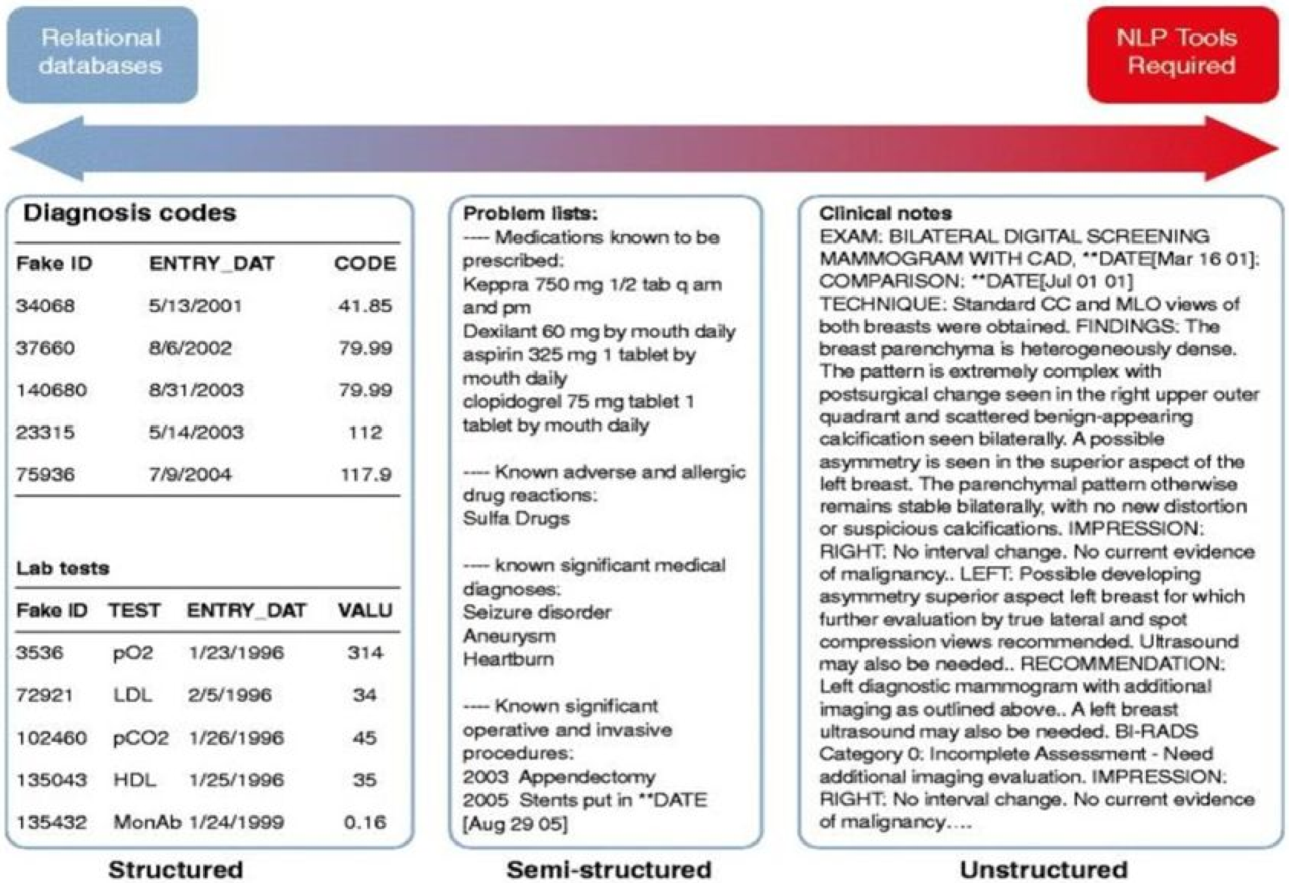
# Purposeful organization and integration of clinical and research data



# Range of data types: Different demands




**Diagnosis codes**

| Fake ID | ENTRY_DAT | CODE |
|---|---|---|
| 34068 | 5/13/2001 | 41.85 |
| 37660 | 8/6/2002 | 79.99 |
| 140680 | 8/31/2003 | 79.99 |
| 23315 | 5/14/2003 | 112 |
| 75936 | 7/9/2004 | 117.9 |

**Lab tests**

| Fake ID | TEST | ENTRY_DAT | VALU |
|---|---|---|---|
| 3536 | pO2 | 1/23/1996 | 314 |
| 72921 | LDL | 2/5/1996 | 34 |
| 102460 | pCO2 | 1/26/1996 | 45 |
| 135043 | HDL | 1/25/1996 | 35 |
| 135432 | MonAb | 1/24/1999 | 0.16 |

**Problem lists:**
---- Medications known to be prescribed:
Keppra 750 mg 1/2 tab q am and pm
Dexilant 60 mg by mouth daily
aspirin 325 mg 1 tablet by mouth daily
clopidogrel 75 mg tablet 1 tablet by mouth daily

---- Known adverse and allergic drug reactions:
Sulfa Drugs

---- known significant medical diagnoses:
Seizure disorder
Aneurysm
Heartburn

---- Known significant operative and invasive procedures:
2003 Appendectomy
2005 Stents put in **DATE [Aug 29 05]

**Clinical notes**
EXAM: BILATERAL DIGITAL SCREENING MAMMOGRAM WITH CAD, **DATE[Mar 16 01]: COMPARISON: **DATE[Jul 01 01] TECHNIQUE: Standard CC and MLO views of both breasts were obtained. FINDINGS: The breast parenchyma is heterogeneously dense. The pattern is extremely complex with postsurgical change seen in the right upper outer quadrant and scattered benign-appearing calcification seen bilaterally. A possible asymmetry is seen in the superior aspect of the left breast. The parenchymal pattern otherwise remains stable bilaterally, with no new distortion or suspicious calcifications. IMPRESSION: RIGHT: No interval change. No current evidence of malignancy.. LEFT: Possible developing asymmetry superior aspect left breast for which further evaluation by true lateral and spot compression views recommended. Ultrasound may also be needed.. RECOMMENDATION: Left diagnostic mammogram with additional imaging as outlined above.. A left breast ultrasound may also be needed. BI-RADS Category 0: Incomplete Assessment - Need additional imaging evaluation. IMPRESSION: RIGHT: No interval change. No current evidence of malignancy....

Structured / Semi-structured / Unstructured

Wei WQ, Denny JC. Genomic Medicine. 2015 Apr 30 7(1):41 doi: 10.1186/s13073-015-0166-y

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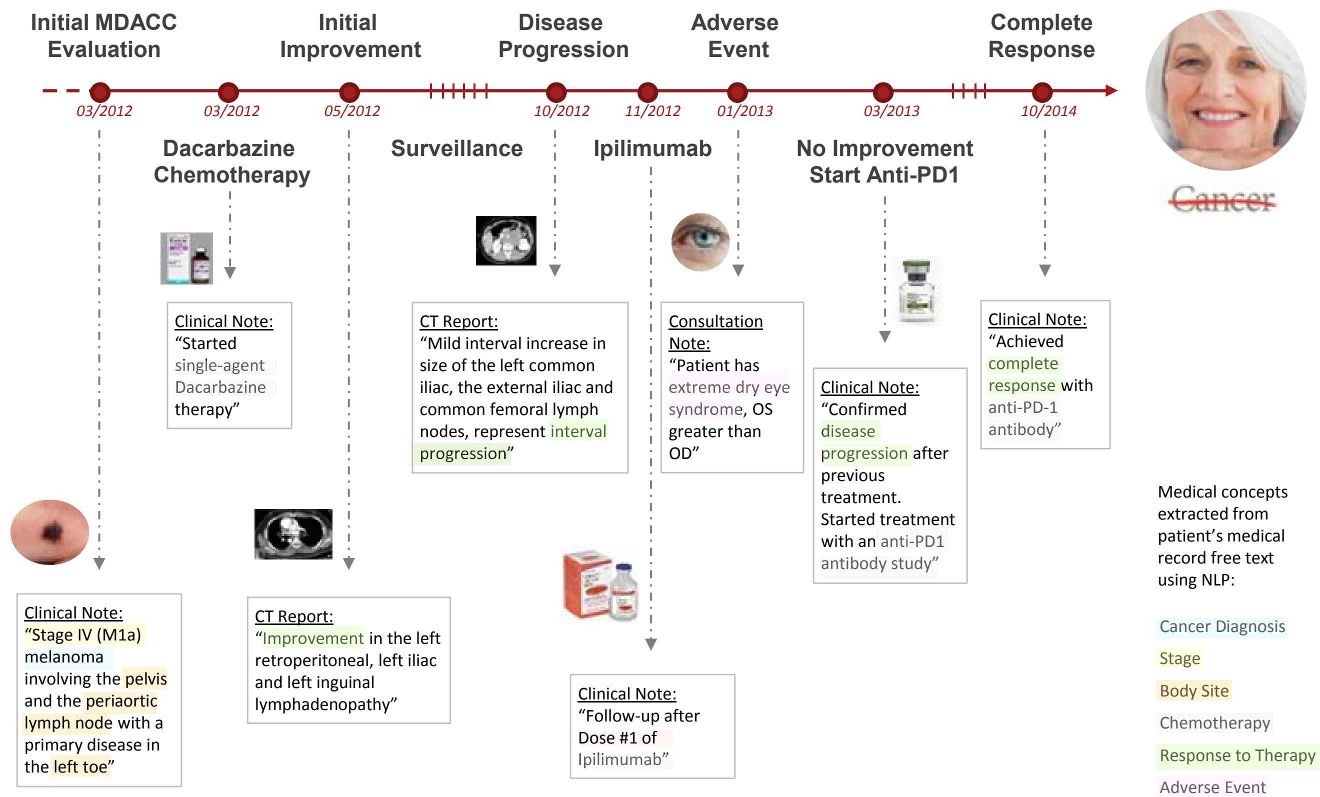
# Patient history from ingested data: A point of research departure



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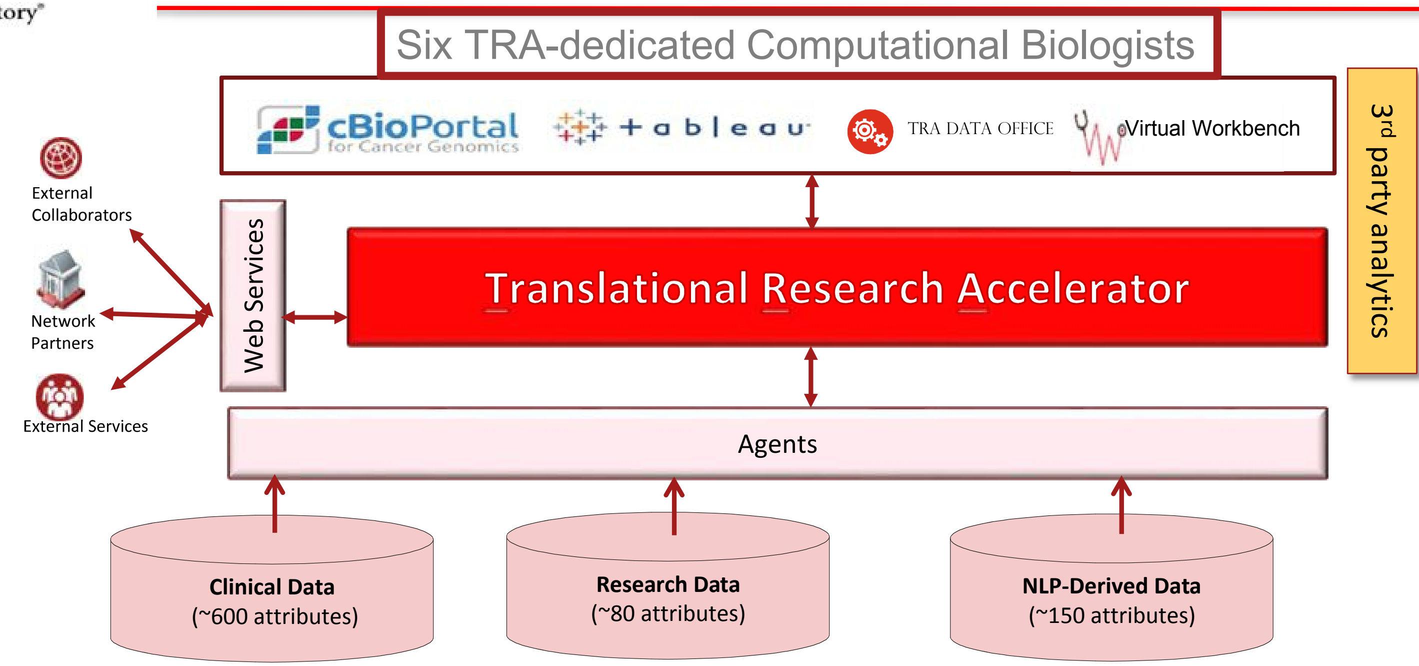
# TRA Framework




1. Patient Demographics (127)
2. Allergies (32)
3. Medication Statements (124)
4. Vital Signs (102)
5. Lab Results (154)
6. Pathology Reports (30)
7. Diagnostic Rpts (Transcribed) (18)
8. Diagnostic Rpts (Radiology) (20)
9. Blood Supply (27)
10. Care Plan (11)
11. Treatment Protocol (21)
12. Patient Photo (6)
13. Patient Questionnaire (various)
14. MDL-VCF (18)

1. CGL-VCF (18)
2. CGL-CNV (5)
3. CGL-RNA-Seq (17)
4. IMT-FlowCytometry (9)
5. IMT-Immunopathology (5)

1. Cytogenetics (35)
2. MDL (42)
3. Comorbidity (5)
4. Family Cancer History (5)
5. Solid Tumor-Site Histo (12)
6. Solid Tumor-IHC (8)
7. Flow Cytometry (7)
8. Bone Marrow Path (11)
9. Diagnostic Imaging (8)
10. Clinical Diagnosis & Staging (2)
11. Surgery/Procedures (4)
12. Chemotherapy (1)
13. Radiation Therapy (5)
14. Adverse Events (5)

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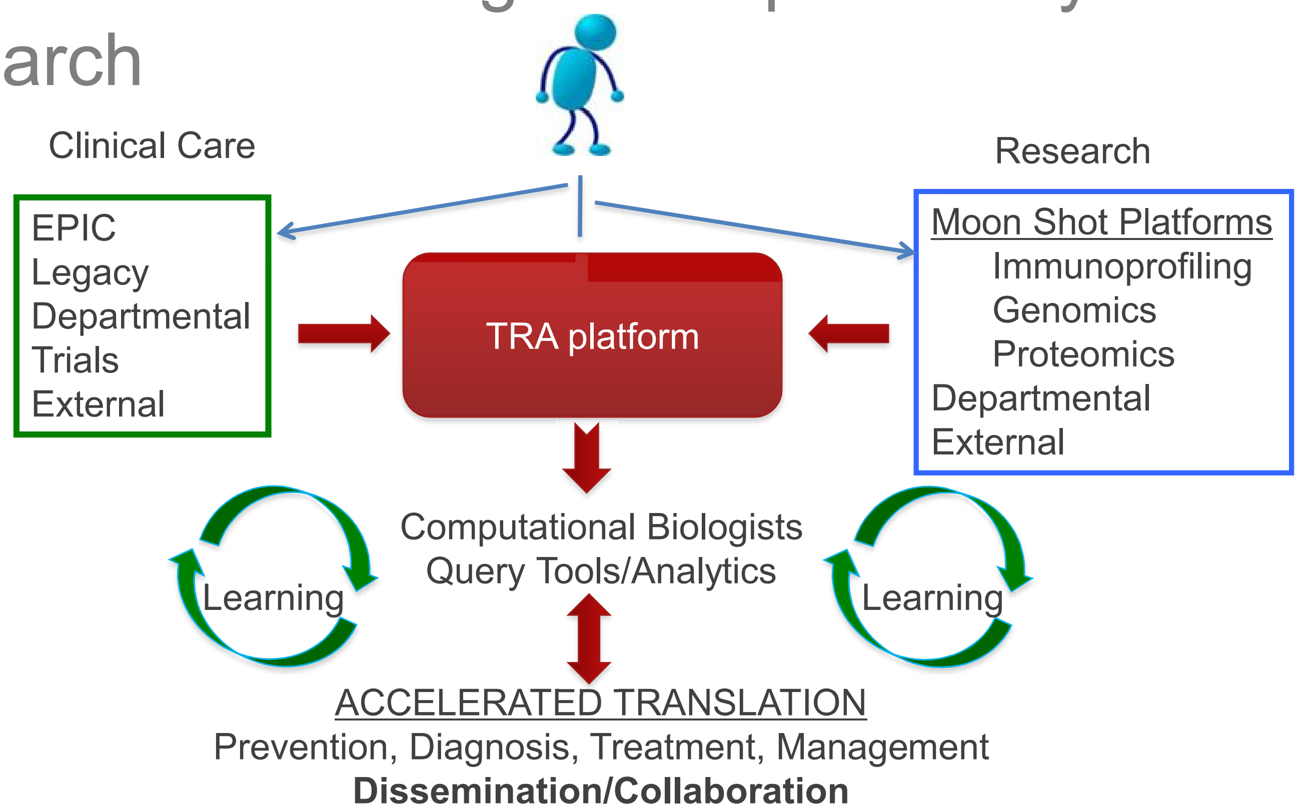
# TRA – Progress thus far

- All patients seen since 2012: 200,000 + patients' clinical data currently loaded into the system
- Currently rolling back a full 10 years – 500K + patients
- 20,000 + patients with genomic data
- Epic Integration going forward
- Common clinical data types
- All molecular testing data, gene panels, labs, medications, and other structured data
- Research data from Moon Shot Platforms (CGL, IMT currently)
- Geared for each new patient; all prior patients' data updated nightly/rolling forward
- Role-based, credentialed, and secure access – in deployment
- Six computational biologists in place to facilitate investigation
- Beta-testers being on-boarded; data office open

# Translational Research Acceleration:

## Every patient contributing to and potentially benefiting from research



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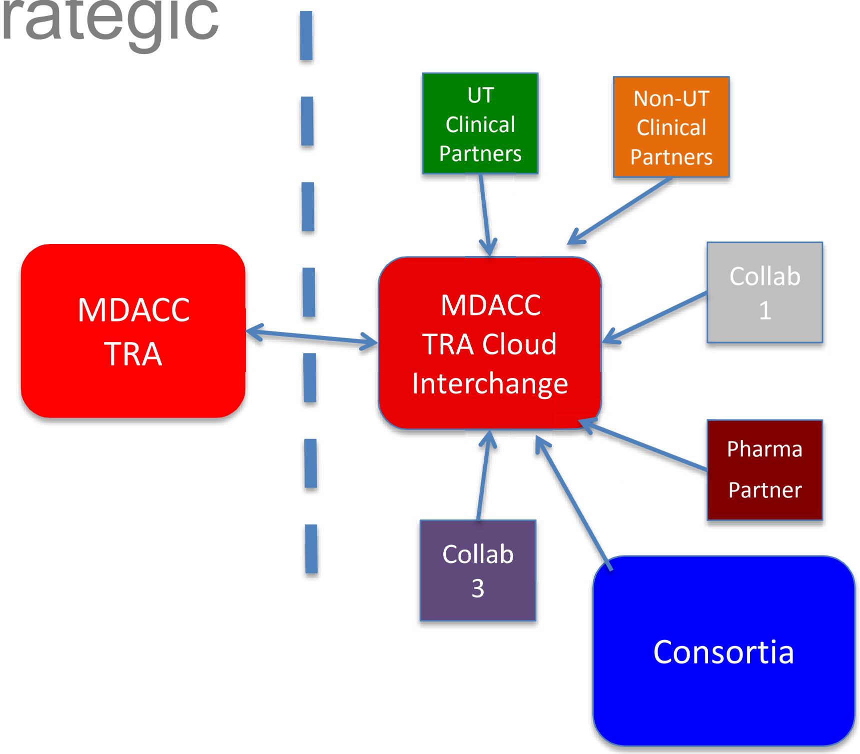
# Data Sharing – an approach: Purposeful, study-driven, strategic



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# The Team

## MDACC

**Leadership**
Andy Futreal, Ph.D. – Director, Exec Sponsor
Vinod Ravi, M.D. – Clinical Director
Brett Smith – Technical Director
Chris Belmont – Exec Sponsor

**PMO**
Sharlene Kmiec – PMO
Greg Barbosa – PMO

**IS/IT**
Bryan Lari – IAI leadership
Jeff Jin – IAI NLP manager
Trey Kell – NLP
Usamah Zaggar
Alex Nguyen
Sarah Duran
David Qing
Joann Tat

**Comp Bio Team**
John Zhang – leader
Tatiana Karpinets
Per Wu
Terrence Wu
Feng Wang
Jun Li
Lily Zhao
Ethan Mao – cBIO

## PwC US

**Leadership**
Mark Mynhier – Partner
Mick Cody – Partner

**Clinical informatics team**
Rob Fassett, M.D. – Managing Director
Kelechi Nwoku, M.D. – Clinician Informaticist
Harlan Stock, M.D. – Clinician Informaticist
Rich Kenny, R.N. – Clinician Informaticist

**Information delivery**
Dhiraj Pathak – Managing Director
Prabal Basu – Tech Lead
Sahaya Bennet – Epic workstream lead
Shiv Narayanan – DQ, Analytics lead
Colin Balickie – Tech analyst
Hannah Feldman – Tech analyst
Kajal Tiwary – Tech analyst
Prerna Bellara – Tech analyst
Abhijeet Ghotra – Clinical analyst

**PMO**
Marcia Anderson – PM

## PwC Offshore (India)

**Clinical informatics team**
Rishi Malhotra, M.D. – Clinician Informaticist
Santosh Shah, M.D. – Clinician Informaticist
Varsha Misra, M.D. – Clinician Informaticist
Pooja Rajdev, Ph.D. – Bioinformaticist

**NLP engineering**
Aanchal Varma – Developer
Anuj Goyal – Developer

**Data Ingestion, Data Quality, Tools**
Ajimon Vishnumenon
Ganesh Alagarsamy
Janak Dev Prasad
Jyoti Agrawal
Krishna Priya Nukala
Madhusudan Yeggoni
Muthuraman Sethuraman
Raghuram Krishnamurthy
Rajesh Krishna Ra
Shashank Kulkarni
Smruthiya Vanchesan Sekar
Sree Mathi Ramakrishnan

**VWB dev team**
Aaditya Raj
Arjun Bilimagga Sathish
Basavaraja Kanayak Shiv
Dinesh Ramakrishnan
Gaurav Chandra
Ipsita Subudhi
Monika Singh
Nirmala Devi Dorairajan
Padmanabha Varanchi
Panneerselvam Palaniswamy
Prathibha Rao
Sandeep Bhatt
Vinuthan Boralingaiah
Habeebur Ansari
Preeti Rahore
Nithin Elias

# TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*Brenda Pejovich, Chairman*
*David J. Beck*
*Alex M. Cranberg*
*Wallace L. Hall, Jr.*
*R. Steven Hicks*

| | Committee Meeting | Board Meeting | Page |
|---|---|---|---|
| **Design Development Approval** | | | |
| 6. **U. T. Arlington: Residence Hall - West Campus (Phase I) - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)** | *4:15 p.m.* **Action** *Mr. O'Donnell* | **Action** | **303** |
| **Modifications to the CIP** | | | |
| 7. **U. T. Medical Branch - Galveston: Building 17 Expansion - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)** | *4:20 p.m.* **Action** *Mr. O'Donnell* | **Action** | **306** |
| 8. **U. T. Medical Branch - Galveston: Biocontainment Critical Care Unit - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)** | *4:25 p.m.* **Action** *Mr. O'Donnell* | **Action** | **308** |
| **Adjourn** | *4:30 p.m.* | | |

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

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on Page 326.

## 2. U. T. Permian Basin: Kinesiology Building - Amendment of the FY 2017-2022 Capital Improvement Program to include project (Preliminary Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the U. T. System Board of Regents amend the FY 2017-2022 Capital Improvement Program (CIP) to include the Kinesiology Building project at U. T. Permian Basin as follows:

| | | |
|---|---|---|
| **Project No.:** | 501-918 | |
| **Project Delivery Method:** | Competitive Sealed Proposals | |
| **Milestone Dates:** | Definition Phase Approved | September 2016 |
| | Addition to CIP | February 2017 |
| | Design Development | August 2017 |
| | Notice to Proceed | December 2017 |
| | Substantial Completion | June 2019 |
| **Total Project Cost:** | Source | Proposed |
| | Permanent University Fund Bond Proceeds | $14,200,000 |
| | Gifts[1] | $ 2,000,000 |
| | | $16,200,000 |
| **Funding Note:** | [1]Gifts are fully collected | |

**Investment Metrics:**

- Increase the number of Kinesiology students from 300 to 600 and Athletic Training majors from 30 to 90 by 2025
- Increase Kinesiology graduates from 75 to 180 undergraduates and from 6 to 12 graduates by 2025
- Increase tenured and tenure-track faculty members from 4 to 8 by 2025
- Add $10,000,000 in research grant funding and $1,000,000 from community funding through wellness testing by 2027

| | | |
|---|---|---|
| **Project Advocate:** | James Eldridge, Professor and Chair of Kinesiology | |
| **Definition Phase Completed:** | Yes | |
| **Project Planning:** | Owner's Project Requirements | Yes |
| | Basis of Design | Yes |
| | Schematic Plans | In progress |
| | Detailed Cost Estimate | In progress |
| | Facilities Program | Yes |

**Cost Per Gross Square Foot Benchmarks***

| | |
|---|---|
| Kinesiology Building | $361 |
| Texas Higher Education Coordinating Board Average for Classroom, General | $427 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other U. T. System Projects | $312 | $385 | $441 |
| Other National Projects | $275 | $347 | $456 |

* All benchmark costs escalated to midpoint of construction

## BACKGROUND INFORMATION

### Previous Actions

On September 8, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the Board of Regents approved $14,200,000 from Permanent University Fund Bond Proceeds as a funding source for the Kinesiology Building.

### Project Description

This project will construct a new approximately 31,383 gross square foot facility to house the Kinesiology Department's classrooms, labs, offices and storage areas, as well as classrooms and labs for the athletic training majors. It will also include a strength and conditioning center for kinesiology, athletics, and student recreational use.

The Kinesiology Department is experiencing great growth in the area of exercise sciences. The facility will provide classrooms designed specifically for exercise physiology, biomechanics, and athletic training courses to enhance access to teaching and training tools, including skeletons and anatomical models. New state-of-the-art laboratories will enhance the Department's ability to apply for research grant funding and to recruit undergraduate and graduate-level students.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

## 3. U. T. Southwestern Medical Center: William P. Clements, Jr. University Hospital Expansion - Amendment of the FY 2017-2022 Capital Improvement Program to include project (Preliminary Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Podolsky that the U. T. System Board of Regents amend the FY 2017-2022 Capital Improvement Program (CIP) to include the William P. Clements, Jr. University Hospital Expansion project at U. T. Southwestern Medical Center as follows:

| | | |
|---|---|---|
| **Project No.:** | 303-1035 | |
| **Institutionally Managed:** | Yes | |
| **Project Delivery Method:** | Construction Manager-at-Risk | |
| **Milestone Dates:** | Definition Phase Approved | May 2016 |
| | Addition to CIP | February 2017 |
| | Design Development | May 2017 |
| | Notice to Proceed | July 2017 |
| | Substantial Completion | February 2020 |
| **Total Project Cost:** | Source | Proposed |
| | Revenue Financing System Bond Proceeds[1] | $400,000,000 |
| | Designated Funds[2] | $ 80,000,000 |
| | | $480,000,000 |
| **Funding Notes:** | [1] Revenue Financing System (RFS) to be repaid from Hospital Revenues<br>[2] Designated Funds from institutional funds | |
| **Investment Metrics:** | • Create best-in-class multidisciplinary care model across all disciplines, located in a single facility<br>• Establish Clements University Hospital as a destination high acuity quaternary care hospital | |
| **Project Advocates:** | John Warner, Vice President and Chief Operating Officer, University Hospitals | |
| **Definition Phase Completed:** | Yes | |
| **Project Planning:** | Owner's Project Requirements | Yes |
| | Basis of Design | Yes |
| | Schematic Plans | Yes |
| | Detailed Cost Estimate | Yes |
| | Facilities Program | Yes |

**Cost Per Gross Square Foot Benchmarks***

| | |
|---|---|
| William P. Clements, Jr. University Hospital Expansion | $439 |
| Texas Higher Education Coordinating Board Average for Healthcare Facility, Hospital | $475 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other U. T. System Projects | $492 | $535 | $543 |
| Other Texas Projects | $756 | $828 | $901 |
| Other National Projects | $616 | $798 | $934 |

* All benchmark costs escalated to midpoint of construction

**Cost Per Bed Benchmarks***

| | |
|---|---|
| William P. Clements, Jr. University Hospital Expansion | $971,692 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other U. T. System Projects | $1,119,476 | $1,337,302 | $1,580,151 |
| Other Texas Projects | $1,837,702 | $1,994,646 | $2,151,590 |
| Other National Project | $1,178,292 | $1,680,901 | $2,498,630 |

* All benchmark costs escalated to midpoint of construction

## BACKGROUND INFORMATION

### Previous Action

On May 20, 2016, the Chancellor approved this project for Definition Phase.

### Project Description

The William P. Clements, Jr. University Hospital Expansion project will add an approximately 650,000 gross square foot, 12-story third tower and two parking structures with a total of approximately 2,150 parking spaces to the existing hospital. This project will allow for consolidation of inpatient services in one facility, as existing services at Zale Lipshy University Hospital will be moved to the Clements University Hospital.

This expansion will improve operational efficiency and lower the cost of care by eliminating redundant infrastructure across two hospitals, allowing for the leverage of investments made during the original construction to facilitate expansion at a lower cost with minimal disruption to existing operations. Besides consolidation of services currently offered at Zale Lipshy, the project will provide an additional 144 beds for a total of 292 beds. The addition of needed Emergency Room, Operating Room, and increased Imaging Services capacity will improve care and reduce costs.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that this project would best be managed by U. T. Southwestern Medical Center Facilities Management personnel who have the experience and capability to manage all aspects of the work.

## 4. U. T. Health Science Center - San Antonio: Cancer Therapy and Research Center (CTRC) Renovations - Amendment of the FY 2017-2022 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Henrich that the U. T. System Board of Regents amend the FY 2017-2022 Capital Improvement Program (CIP) to include the Cancer Therapy and Research Center (CTRC) Renovations project at U. T. Health Science Center - San Antonio as follows:

| | | |
|---|---|---|
| **Project No.:** | 402-1094 | |
| **Institutionally Managed:** | Yes | |
| **Project Delivery Method:** | Construction Manager-at-Risk | |
| **Milestone Dates:** | Definition Phase Approved | October 2016 |
| | Addition to CIP | February 2017 |
| | Design Development | March 2017 |
| | Notice to Proceed | May 2017 |
| | Substantial Completion | May 2018 |
| **Total Project Cost:** | Source | Proposed |
| | Permanent University Fund Bond Proceeds[1] | $12,000,000 |
| | Designated Funds[2] | $ 3,000,000 |
| | | $15,000,000 |
| **Funding Notes:** | [1] Permanent University Fund (PUF) approved by Board on November 10, 2016<br>[2] Designated Funds from Facilities and Administrative revenue | |
| **Project Advocate:** | James D. Kazen, Executive Vice President for Facilities Planning and Operations | |
| **Definition Phase Completed:** | Yes | |
| **Project Planning:** | Owner's Project Requirements | Yes |
| | Basis of Design | Yes |
| | Schematic Plans | Yes |
| | Detailed Cost Estimate | Yes |
| | Facilities Program | Yes |

**Cost Per Gross Square Foot**

| | |
|---|---|
| CTRC Renovations | $337 |

a. amend the FY 2017-2022 CIP and approve a total project cost of $15,000,000 with funding of $12,000,000 from PUF Bond Proceeds and $3,000,000 from Designated Funds;

b. appropriate funds; and

c. authorize U. T. Health Science Center - San Antonio to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

## BACKGROUND INFORMATION

### Previous Actions

On October 22, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the Board approved allocation of PUF Bond Proceeds for projects included in the Cancer Collaboration.

### Project Description

The Cancer Therapy and Research Center (CTRC) Renovations project is intended to address the necessary improvements to the current facility to meet the program requirements for world-class cancer care set forth by U. T. Health Science Center - San Antonio and U. T. M. D. Anderson Cancer Center. These renovations include constructing a new and expanded pharmacy, a welcome center, a diagnostic center, a new patient and family service center, and a new infusion center. This project will also focus on addressing infrastructure issues to the building, including replacing air handlers, adding emergency generators, and replacing the entire roof.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date. It has been determined that this project would best be managed by U. T. Health Science Center - San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

## 5. U. T. Arlington: Dining Facility - West Campus - Amendment of the FY 2017-2022 Capital Improvement Program to include project; approval of total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of institutional management; and resolution regarding parity debt (Final Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Karbhari that the U. T. System Board of Regents amend the FY 2017-2022 Capital Improvement Program (CIP) to include the Dining Facility - West Campus project and approve the recommendations for the project at U. T. Arlington as follows:

| | | |
|---|---|---|
| **Project No.:** | 301-1046 | |
| **Institutionally Managed:** | Yes | |
| **Project Delivery Method:** | Construction Manager-at-Risk | |
| **Milestone Dates:** | Definition Phase Approved | July 2016 |
| | Addition to CIP | February 2017 |
| | Design Development | February 2017 |
| | Notice to Proceed | April 2017 |
| | Substantial Completion | July 2018 |
| **Total Project Cost:** | Source | Proposed |
| | Revenue Financing System Bond Proceeds[1] | $15,500,000 |
| | Unexpended Plant Funds[2] | $ 5,500,000 |
| | | $21,000,000 |
| **Funding Notes:** | [1] Revenue Financing System (RFS) to be repaid from food services and room rental revenue<br>[2] Unexpended Plant Funds from food services provider | |
| **Investment Metric:** | • Directly support the University's Strategic Plan imperative of increasing enrollment to more than 43,000 students by 2020 | |
| **Project Advocate:** | David Albart, Director of University Center | |
| **Definition Phase Completed:** | Yes | |
| **Project Planning:** | Owner's Project Requirements | Yes |
| | Basis of Design | Yes |
| | Schematic Plans | Yes |
| | Detailed Cost Estimate | Yes |
| | Facilities Program | Yes |

**Cost Per Gross Square Foot Benchmarks***

| | |
|---|---|
| Dining Facility - West Campus | $374 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other Texas Projects, Dining | $362 | $411 | $448 |
| Other National Projects, Dining | $297 | $364 | $382 |
| Other U. T. System Projects, Student Center | $401 | $415 | $429 |
| Other National Projects, Student Center | $384 | $461 | $535 |

* All benchmark costs escalated to midpoint of construction

a. approve a total project cost of $21,000,000;

b. approve design development plans;

c. appropriate funds and authorize expenditure of $21,000,000 with funding of $15,500,000 from RFS Bond Proceeds and $5,500,000 from Unexpended Plant Funds;

d. authorize U. T. Arlington to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

e. 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 project's cost, including any costs 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; and

- U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $15,500,000.

## BACKGROUND INFORMATION

### Debt Service

The $15,500,000 in RFS debt will be repaid from food services and room rental revenue. Annual debt service on the $15,500,000 RFS debt is expected to be $940,000. The institution's debt service coverage is expected to be at least 2.3 times and average 2.7 times over FY 2017-2022.

Previous Action

On July 10, 2016, the Chancellor approved this project for Definition Phase.

Project Description

The 40,200 gross square foot two-story dining and student union facility will serve the needs of the West Campus area. The first floor will provide several seating areas totaling more than 350 seats supporting the main dining area, food preparation and cooking areas, walk-in coolers and freezers, and a manager's office. The second floor will contain a variety of flexible seating, meeting rooms for small banquets and student organizations, departmental, fraternity, and sorority meetings. Amenities include casual computer stations and charging stations at tables and lounge areas.

Currently, campus dining services venues are operating at full capacity. Future growth of the on-campus student population, including the concurrent opening of the Residence Hall - West Campus (Phase I) proposed in Item 6, necessitates the request for this facility.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that this project would best be managed by U. T. Arlington Facilities Management personnel who have the experience and capability to manage all aspects of the work.

Basis of Design

The planned building life expectancy includes the following elements:

Enclosure: 50 years
Building Systems: 25 years
Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

## 6. U. T. Arlington: Residence Hall - West Campus (Phase I) - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Karbhari that the U. T. System Board of Regents approve the recommendations for the Residence Hall - West Campus (Phase I) project at U. T. Arlington as follows:

| | | | |
|---|---|---|---|
| **Project No.:** | 301-914 | | |
| **Project Delivery Method:** | Construction Manager-at-Risk | | |
| **Milestone Dates:** | Definition Phase Approved | July 2016 | |
| | Addition to CIP | November 2016 | |
| | Design Development | February 2017 | |
| | Notice to Proceed | April 2017 | |
| | Substantial Completion | July 2018 | |
| **Total Project Cost:** | Source | Current | Proposed |
| | Revenue Financing System Bond Proceeds[1] | $34,500,000 | $40,000,000 |
| | Auxiliary Enterprises Balances[2] | $ 1,500,000 | $ 6,500,000 |
| | | $36,000,000 | $46,500,000 |
| **Funding Notes:** | [1] Revenue Financing System (RFS) to be repaid from rental income<br>[2] Auxiliary Enterprises Balances from rental income and housing reserves | | |
| **Investment Metric:** | • Directly support the University's Strategic Plan imperative of increasing enrollment to more than 43,000 students by 2020 | | |
| **Project Advocate:** | Don Lange, Director of Auxiliary Operations and Logistics | | |
| **Definition Phase Completed:** | Yes | | |
| **Project Planning:** | Owner's Project Requirements | Yes | |
| | Basis of Design | Yes | |
| | Schematic Plans | Yes | |
| | Detailed Cost Estimate | Yes | |
| | Facilities Program | Yes | |

**Cost Per Bed Benchmarks***

| | |
|---|---|
| Residence Hall - West Campus (Phase I) | $69,030 |
| College Planning & Management National Average for Residence Halls | $91,436 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other U. T. System Projects | $66,997 | $84,951 | $100,467 |
| Other Texas Projects | $61,069 | $67,627 | $90,590 |

* All benchmark costs escalated to midpoint of construction

a. amend the FY 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from $36,000,000 to $46,500,000;

b. approve design development plans;

c. appropriate funds and authorize expenditure of $46,500,000 with funding of $40,000,000 from RFS Bond Proceeds and $6,500,000 from Auxiliary Enterprises Balances; and

d. 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 project's cost, including any costs 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; and

- U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $40,000,000.

## BACKGROUND INFORMATION

### Debt Service

The $40,000,000 in RFS debt will be repaid from rental income. Annual debt service on the $40,000,000 RFS debt is expected to be $2.44 million. The institution's debt service coverage is expected to be at least 2.3 times and average 2.7 times over FY 2017-2022.

## Previous Actions

On July 12, 2016, the Chancellor approved this project for Definition Phase. On November 10, 2016, the project was included in the CIP with a total project cost of $36,000,000 with funding of $34,500,000 from RFS Bond Proceeds and $1,500,000 from Auxiliary Enterprises Balances.

## Project Description

The proposed four-story residence hall will offer 536 beds in double-occupancy rooms and is intended for freshman and sophomore students. Study suites, social areas with kitchens, a classroom, and other amenities that encourage educational opportunities through living-learning environments are included.

U. T. Arlington's Housing Master Plan indicates that the aging housing facilities have become functionally obsolete and should be replaced with new residence halls that offer high levels of living-learning experiences. The University currently has 3,819 beds on campus and is operating at 99% occupancy with a waiting list of 344 students. Concurrent with completion of this project, two dormitories, Brazos House and Trinity House offering 333 beds, will be closed and demolition is scheduled for FY 2019, resulting in a total of 4,022 beds provided by the institution. There are an additional 1,077 beds provided by private development on campus.

The total project cost has been increased based on current market conditions and validated by two project cost estimators.

## Basis of Design

The planned building life expectancy includes the following elements:

Enclosure: 40 years
Building Systems: 25 years
Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

## 7. U. T. Medical Branch - Galveston: Building 17 Expansion - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Building 17 Expansion project at U. T. Medical Branch - Galveston as follows:

| | | | |
|---|---|---|---|
| **Project No.:** | 601-818 | | |
| **Project Delivery Method:** | Construction Manager-at-Risk | | |
| **Milestone Dates:** | Addition to CIP | February 2014 | |
| | Design Development | February 2015 | |
| | Notice to Proceed | March 2017 | |
| | Substantial Completion | March 2018 | |
| **Total Project Cost:** | Source | Current | Proposed |
| | Permanent University Fund Bond Proceeds | $ 30,500,000 | $ 30,500,000 |
| | Revenue Financing System Bond Proceeds | $ 11,500,000 | $ 11,500,000 |
| | Hospital Revenues | $ 0 | $ 7,920,937 |
| | | $ 42,000,000 | $ 49,920,937 |

**Investment Metrics:**

By 2018
- Maintain competitive position in research funding by minimizing operating costs of Animal Resource Center through consolidation of animal facilities
- Mitigate critical research assets from future flood damage

**Project Advocate:** Danny O. Jacobs, Executive Vice President and Provost, Dean of the School of Medicine

**Definition Phase Completed:** N/A

| | | |
|---|---|---|
| **Project Planning:** | Owner's Project Requirements | N/A |
| | Basis of Design | N/A |
| | Schematic Plans | N/A |
| | Detailed Cost Estimate | N/A |
| | Facilities Program | N/A |

**Cost Per Gross Square Foot Benchmarks***

| | |
|---|---|
| Building 17 Expansion (with 20% Shell Space) | $443 |
| Building 17 Expansion (Estimated Total Finish-Out) | $528 |
| Texas Higher Education Coordinating Board Average, Laboratory Medical/Healthcare | $481 |

| | Low Quartile | Median | High Quartile |
|---|---|---|---|
| Other U. T. System Projects | $436 | $509 | $606 |
| Other Texas Projects | $403 | $526 | $839 |
| Other National Projects | $456 | $543 | $830 |

* All benchmark costs escalated to midpoint of construction

a. amend the FY 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from $42,000,000 to $49,920,937;

b. revise funding sources to include Hospital Revenues; and

c. appropriate funds and authorize expenditure of $7,920,937 from Hospital Revenues.

## BACKGROUND INFORMATION

### Previous Actions

On December 12, 2013, the project was added to the CIP with a total project cost of $42,000,000 with funding of $30,500,000 from Permanent University Fund Bond Proceeds and $11,500,000 from Revenue Financing System Bond Proceeds. On February 12, 2015, the Board approved design development and authorized expenditure of funds.

### Project Description

The facility, as originally approved, included two shelled floors at Levels 5 and 6. This increase in scope will finish out 9,628 gross square feet (GSF) on Level 6 for vivarium space including animal holding, procedure rooms, and a surgical suite needed to accommodate research space to support NIH grants for the Galveston National Laboratory. Additionally, a 1,147 GSF pedestrian sky bridge will be constructed to connect Building 17 to the adjacent Research Building (Building 19) to increase security and access for research.

Currently, 40% of U. T. Medical Branch's research depends on animal protocols each year. Maintaining adequately sized and state-of-the-art animal research facilities is essential to the University's ability to improve health by advancing biomedical science. This project will help to secure new grant funding, advance the goals of the Research Strategic Plan, and assure continued accreditation from the Association for Assessment and Accreditation of Laboratory Animal Care.

## 8. U. T. Medical Branch - Galveston: Biocontainment Critical Care Unit - Amendment of the FY 2017-2022 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure (Final Board approval)

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Biocontainment Critical Care Unit project at U. T. Medical Branch - Galveston as follows:

| | | | |
|---|---|---|---|
| **Project No.:** | 601-1086 | | |
| **Institutionally Managed:** | Yes | | |
| **Project Delivery Method:** | Construction Manager-at-Risk | | |
| **Milestone Dates:** | Addition to CIP | August 2015 | |
| | Design Development | December 2015 | |
| | Notice to Proceed | March 2017 | |
| | Substantial Completion | March 2018 | |
| **Total Project Cost:** | Source | Current | Proposed |
| | General Revenue[1] | $ 8,200,000 | $ 8,200,000 |
| | Hospital Revenues | $ 3,500,000 | $ 5,400,000 |
| | Grants[2] | $ 0 | $ 2,000,000 |
| | | $11,700,000 | $15,600,000 |
| **Funding Notes:** | [1]General Revenue appropriation from House Bill 2, 84th Legislature<br>[2]Grants from Texas Department of State Health Services | | |
| **Project Advocate:** | Donna Sollenberger, Executive Vice President and Chief Executive Officer | | |
| **Definition Phase Completed:** | N/A | | |
| **Project Planning:** | Owner's Project Requirements | N/A | |
| | Basis of Design | N/A | |
| | Schematic Plans | N/A | |
| | Detailed Cost Estimate | N/A | |
| | Facilities Program | N/A | |

**Cost Per Gross Square Foot**

| | |
|---|---|
| Biocontainment Critical Care Unit | $675 |

a. amend the FY 2017-2022 Capital Improvement Program (CIP) to increase the total project cost from $11,700,000 to $15,600,000;

b. revise funding sources to include Grants; and

c. appropriate funds and authorize expenditure of $3,900,000 with $1,900,000 in additional funds from Hospital Revenues, and $2,000,000 from Grants.

## BACKGROUND INFORMATION

### Previous Action

On August 20, 2015, the project was included in the CIP with a total project cost of $11,700,000 with funding of $8,200,000 from General Revenue and $3,500,000 from Hospital Revenues.

### Project Description

The Biocontainment Critical Care Unit project was approved by the Board of Regents in response to the events of September 2014 surrounding the Ebola infectious disease pandemic. U. T. Medical Branch - Galveston established protocols and workflows related to preparedness for specialized patient management and received national designation as the regional care provider for Ebola and similar infectious diseases.

The initial scope, which allowed for the care of four patients, has been increased to a six-patient capacity as a result of further discussions with state and national health officials. The Biocontainment Critical Care Unit is designed with appropriate technology and systems capable of isolation, redundancy, and sustainable operations to provide patient care by staff under the duress of extended operations while under biocontainment isolation protocols.

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# FOR
# TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

**Committee Meeting:** 2/8/2017

**Board Meeting:** 2/9/2017
Austin, Texas

*Wallace L. Hall, Jr., Chairman*
*Ernest Aliseda*
*Alex M. Cranberg*
*Brenda Pejovich*
*Sara Martinez Tucker*

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

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on Page 326.

**2. U. T. System: Report on U. T. System Office of Innovation and Strategic Investment Strategic Plan**

REPORT

Ms. Julie Goonewardene, Associate Vice Chancellor for Innovation and Strategic Investment and Managing Director of the U. T. Horizon Fund, will report on the U. T. System Office of Innovation and Strategic Investment Strategic Plan. A PowerPoint presentation is set forth on the following pages.

# Report on U. T. System Office of Innovation and Strategic Investment (OISI) Strategic Plan

Ms. Julie Goonewardene
Associate Vice Chancellor for Innovation and Strategic Investment and
Managing Director of the U. T. Horizon Fund (UTHF)

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
February 2017

The University of Texas System
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# OISI Impact

**Mission**

OISI exists to ensure that life-changing innovations from U. T. System institutions reach the people who need them.

**We help make innovation real.**

# OISI Impact (cont.)

OISI contributes to U. T. System's mission by creating meaningful and sustainable value through the following:

- **A service-oriented and team-based culture** with the central goal of providing impactful, differentiated, and cost-effective expertise to the System, its institutions, and the broader stakeholder community
- Knowledge and relationships that improve the odds of **moving university-based innovations from institution labs to the marketplace**
- The ability to **attract and deploy private sector funding mechanisms** to advance university-based innovations to the point of use
- **Connections** to beneficially aligned investors, advisors, mentors, and partners around the world
- The ability to **analyze and utilize relevant market-related data** and to pilot potential solutions to multi-institution challenges and objectives

# OISI Objectives

To achieve the mission of helping to make innovation real by performing against three long-term objectives:

- ✓ **Investment:** Help U. T. System institutions capture an increasing proportion of external investments and research funding for life-changing discoveries
- ✓ **Innovation:** Leverage the scale of the U. T. System to drive even higher levels of innovation with visible impact
- ✓ **Ideas:** Be in the middle of important innovation conversations in mission-related areas and connect institutions with collaborative opportunities

# Core Initiatives

**Investment Objective:**
Help institutions capture external investments and research funding for life-changing discoveries

**Near Term Initiative: UTHF**

Implement best practices to continually align UTHF processes with industry standards while considering the Fund's dual purpose*

- Proactive and strategic deal sourcing
- Guidelines and processes for managing returns
- Improved portfolio management

**Future Initiative: UTHF**

Leverage UTHF connections, market assessment practices, trend analysis, and other relevant expertise to help U. T. System and its institutions achieve broader innovation and research-related goals

* The UTHF is a dual-purpose fund that is designed to advance the commercialization mission of U. T. System while generating a positive return.

# Core Initiatives (cont.)

**Investment Objective:** Help institutions capture external investments and research funding for life-changing discoveries

**Near Term Initiative: Proof-of-Concept Fund**

Establish a Systemwide fund to advance promising early stage innovations to the point of market interest and to improve the odds of generating returns in the long term

- Create detailed implementation plan
- Target launch: Spring 2017

**Near Term Initiative: Grant Assistance**

Investigate the need and potential approaches for assisting with large federal and foundation grants requiring a connection to the marketplace

**Future Initiative: Funding Continuum**

Identify additional mechanisms to retain and attract research faculty with commercial and applied interests

# Core Initiatives (cont.)

**Investment Objective:**
Help institutions capture external investments and research funding for life-changing discoveries

**Near Term Initiative: Private Sector Partnerships**

Create a needs- and opportunity-based plan to facilitate greater levels of long-term, multi-institution partnerships with the private sector and nonprofit foundations

- Conduct a listening tour with executive leadership at each institution to understand economic growth and private sector engagement goals, plans, and resource gaps
- Investigate private sector needs in areas of multi-institution strengths
- Solicit internal and external feedback on potential strategies designed to connect U. T. System institutions and industry in pursuit of long-term strategic relationships

**Future Initiative: Private Sector Partnerships**

Collaborate with institutions and U. T. System offices to implement new strategies with clearly articulated goals and success requirements

# Core Initiatives (cont.)

**Innovation Objective:** Leverage the scale of the U. T. System to drive even higher levels of innovation with visible impact

## Near Term Initiative: Mentor Network Pilot

Launch the Mentor Network Pilot with U. T. M. D. Anderson Cancer Center to support and encourage faculty entrepreneurs

- Understand resources required to launch and manage the Network
- Determine practical impact and assess return on investment associated with potential expansion

## Near Term Initiative: Talent Matching Pilot

Sponsor the Digerati Talent Matching Pilot designed to expand Texas' small and mid-size business access to U. T. student talent, reduce unconscious bias in hiring, and decrease recruiting time and costs

- Finalize roll-out schedule, milestones, and impact assessment criteria
- Assist in implementation and solicit stakeholder feedback

# Core Initiatives (cont.)

**Ideas**
**Objective:**
Be in the middle of important innovation conversations and connect institutions with collaborative opportunities

### Near Term Initiative: Outreach Plan

Create a strategic communications/outreach plan to reinforce U. T. System institutions' achievements as innovators with visible impacts

- Partner with U. T. System Office of Governmental Relations and Office of External Relations
- Support implementation of targeted campaigns (i.e., help identify stakeholders, key messaging themes, etc.)

### Future Initiative: Industry Engagement

Reimagine and launch a series of events designed to connect U. T. System institution innovators with targeted stakeholders based on feedback from industry engagement discussions with institutional executive leaders

# In Focus: Outreach Plan

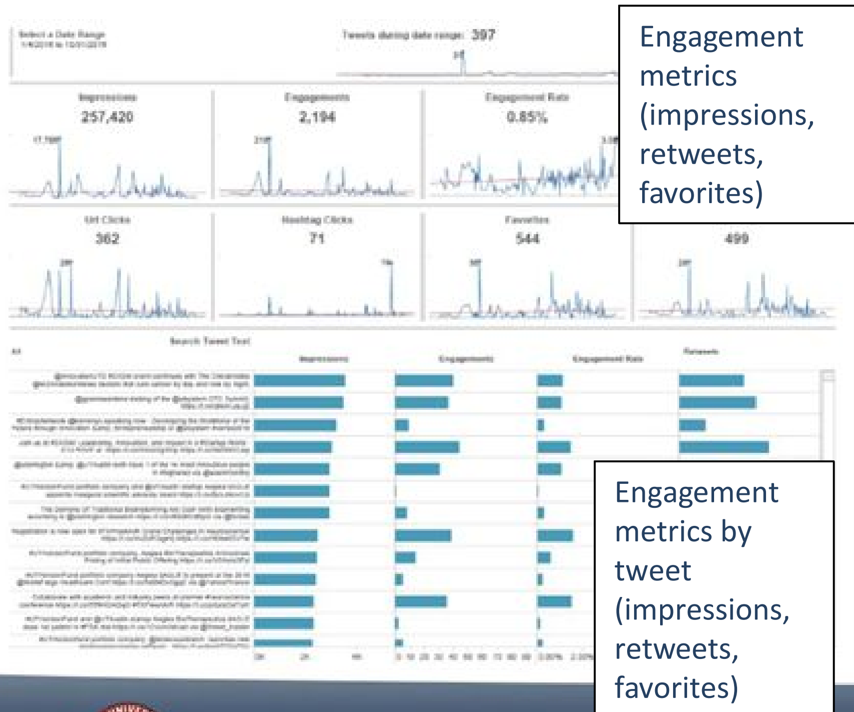
- **Multiple campaigns/approaches will be tailored to specific stakeholders**
  - U. T. System and institutional leadership, faculty, and broader U. T. System community (with Office of External Relations)
  - Texas legislators and federal audiences (with Office of Governmental Relations)
  - Texas voters and residents
  - Potential industry and investment partners
- **Messaging themes common to all campaigns**
  - Breadth and depth of U. T. System innovation enterprise
  - Visible impact of U. T. research, education, and patient care innovations
  - Accountability and value to stakeholders (including faculty and students)

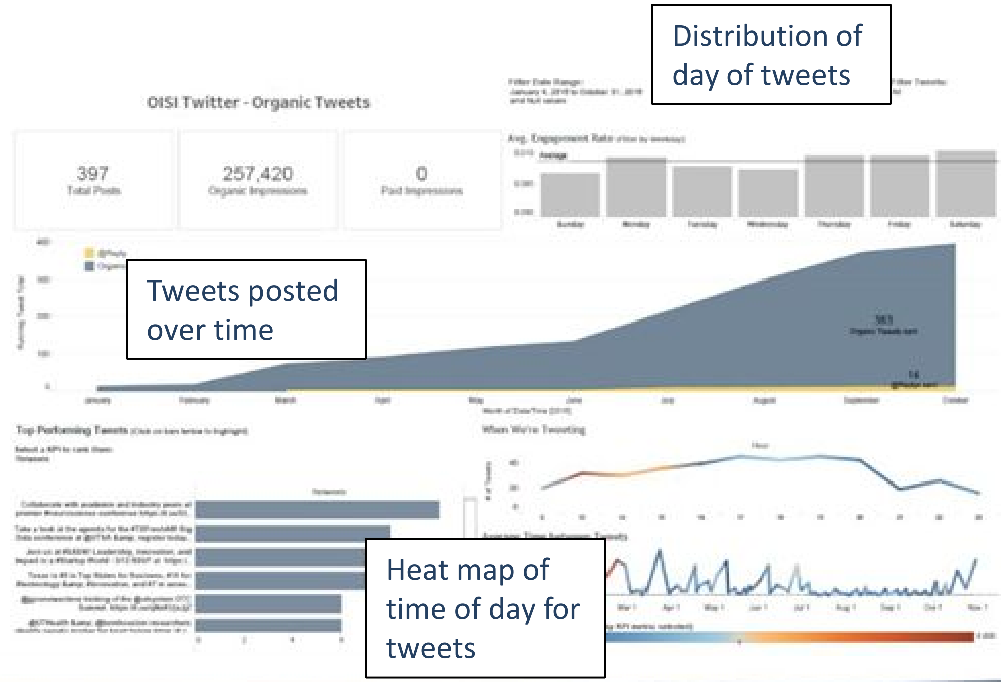
# In Focus: Outreach Plan (cont.)

- **Current campaign in development: OISI Annual Report**
  - Illustrates the human impact of research through patient/end user profiles
  - Showcases pathways from foundational concept/basic research to practical use
  - Starts to measure the innovation enterprise in aggregate
  - Initial delivery through a printed report with follow-up stories and updated scorecards available via the web
- **Target release: Spring 2017** with potential revisions based on Texas Legislative Session (TBD with Office of Governmental Relations)

# In Focus: Outreach Plan (cont.)

## Strategic intelligence platform is being developed to inform outreach



# Next Steps

- ❑ Review objectives and initiatives with stakeholders
- ❑ Create detailed initiatives plans with timelines, resources, and success measures
- ❑ Continue implementation efforts

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**THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS**
**CONSENT AGENDA**

**Committee and Board Meetings:**
February 8-9, 2017
Austin, Texas

**HEALTH AFFAIRS COMMITTEE**

**FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

No items for Consent Agenda

**TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE**

No items for Consent Agenda

## MEETING OF THE BOARD

1. Minutes - **U. T. System Board of Regents**: Approval of Minutes of the regular meeting held on November 9-10, 2016; and the special called meetings held on December 3, 2016, December 15, 2016, and January 11, 2017

2. Resolution - **U. T. System Board of Regents**: Adoption of resolution regarding the list of Key Management Personnel authorized to have access to classified government contracts (Managerial Group) to reflect appointment of James R. (Trey) Atchley III as Chief Inquiry Officer

To comply with the Department of Defense National Industrial Security Program Operating Manual (NISPOM) requirements, it is recommended that the Board of Regents approve the revised resolution set forth below regarding the list of Key Management Personnel (KMP) authorized to have access to classified government contracts. The revision reflects the appointment of a new Chief Inquiry Officer at The University of Texas System, effective December 5, 2016.

A Resolution amending the Managerial Group list was last adopted by the Board of Regents on July 13, 2016.

NISPOM defines KMP as "officers, directors, partners, regents, or trustees." The Manual requires that the senior management official and the Facility Security Officer must always be designated as part of the Managerial Group and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material.

RESOLUTION

BE IT RESOLVED

a. That those persons occupying the following positions at The University of Texas System and The University of Texas at Austin shall be known as the Managerial Group, having the authority and responsibility for the negotiation, execution, and administration of Department of Defense (DoD) or User Agency contracts, as described in DoD 5220.22-M, "National Industrial Security Program Operating Manual" (NISPOM):

William H. McRaven, Chancellor, The University of Texas System
David E. Daniel, Ph.D., Deputy Chancellor, The University of Texas System
Gregory L. Fenves, Ph.D., President, The University of Texas at Austin
Daniel T. Jaffe, Ph.D., Vice President for Research, The University of Texas at Austin
Francis J. Landry III, Facility Security Officer (FSO), The University of Texas System/Security Manager, Applied Research Labs, The University of Texas at Austin

Patrick H. Vetter, Insider Threat Program Senior Official (ITPSO), The University of Texas System/Assistant Security Director, Applied Research Labs, The University of Texas at Austin

James R. (Trey) Atchley III, Chief Inquiry Officer, The University of Texas System

The Chief Executive Officer (i.e., the Chancellor) and the members of the Managerial Group have been processed, or will be processed, for a personnel security clearance for access to classified information to the level of the facility security clearance granted to this institution, as provided for in the NISPOM.

The Managerial Group is hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified information under classified contracts of the DoD or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin.

b. That the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of U. T. System, including U. T. Austin, and do not occupy positions that would enable them to affect adversely the policies and practices of the U. T. System, including U. T. Austin, in the performance of classified contracts for the Department of Defense or User Agencies of the NISPOM awarded to the U. T. System, including U. T. Austin, and need not be processed for a personnel security clearance:

Members of the U. T. System Board of Regents:

Paul L. Foster, Chairman
R. Steven Hicks, Vice Chairman
Jeffery D. Hildebrand, Vice Chairman
Ernest Aliseda
David J. Beck
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Sara Martinez Tucker
Varun P. Joseph, Student Regent from June 1, 2016 to May 31, 2017 (nonvoting)

3. Lease - **U. T. System**: Authorization to lease approximately 56,824 rentable square feet of space located at 210 West Seventh Street, Austin, Travis County, Texas, to The University of Texas Investment Management Company for office use

| | |
|---|---|
| Description: | Lease of approximately 56,824 rentable square feet of space located in The University of Texas System Administration building currently under construction at 210 West Seventh Street, Austin, Travis County, Texas, to be used for office use. |
| Lessee: | The University of Texas Investment Management Company (UTIMCO) |
| Lease Term: | 10 years, currently estimated to commence on January 1, 2018; plus two five-year extension options |
| Lease Revenue: | Base rent payable during the initial 10-year term totals approximately $24,377,496 (initially, $34 per rentable square foot, escalating $1.00 per square foot per year). The rental rate is supported by comparable leases in other newly constructed Class A office buildings in downtown Austin, Texas. In addition to base rent, lessee shall also pay its proportionate share of operating expenses attributable to the premises. At this location, we expect that lessee's occupancy shall be exempt from ad valorem property taxes, which will initially save lessee approximately $681,888 per year.<br><br>U. T. System will provide lessee an allowance in the amount of $2,841,200 ($50 per rentable square foot) to construct improvements in the space. UTIMCO will pay the cost of improvements that exceed the allowance.<br><br>Additionally, U. T. System will provide a minimum of 125 parking spaces in the building's garage for lessee's use, for which lessee shall pay market parking fees, currently $175 per month for each unreserved space and $225 per space per month for each reserved space. The parking fees will be subject to periodic market adjustments. |

4. Lease - **U. T. System**: Authorization to lease vacant office space and ground floor commercial space in The University of Texas System Administration building currently under construction located at 210 West Seventh Street, Austin, Travis County, Texas, to to-be-determined lessees for office use or retail use

| | |
|---|---|
| Description: | Lease of vacant office space and ground floor commercial space located in The University of Texas System Administration building currently under construction at 210 West Seventh Street, Austin, Travis County, Texas, to to-be-determined lessees for office use or retail use.<br><br>U. T. System is seeking authorization to enter into leases with yet to-be-determined lessees at market terms, with market concessions and for rental rates no less than the prevailing fair market rent as supported by independent appraisals or other evidence of value for comparable properties in downtown Austin, Texas. Currently, U. T. System anticipates initially leasing approximately 17,889 rentable square feet of office space on the 19th floor and approximately 5,550 rentable square feet of commercial space on the 1st floor.<br><br>Ultimately, the final total rentable area leased to third-party lessees may increase or decrease based on changes to anticipated U. T. System Administration space utilization and the resulting reallocation of space within the building. The Lease Revenue calculations below reflect only the office and commercial rentable areas specified above and such calculations may proportionally adjust based on changes to the leased rentable area. For the purpose of clarity, we are seeking authorization that will allow for such future proportional adjustments to revenues and transaction costs. |
| Lessees: | To be determined; each of the leased premises may be further subdivided to accommodate smaller tenants |
| Lease Term: | Based on market; lease terms for Class A office properties in downtown Austin are commonly 10 years, with up to two five-year extension options |
| Lease Revenue: | Based on the currently anticipated available space and market rent, estimated base rent payable during an initial 10-year term totals approximately $10,313,160 (initially, $35 per rentable square foot, escalating $1.00 per square foot per year). |

| | |
|---|---|
| | The estimated rental rates are based on current comparable leases in other newly constructed Class A office buildings in downtown Austin, Texas. In addition to base rent, the lessees shall each pay their proportionate shares of operating expenses attributable to their respective premises. |
| Improvements and Commissions: | U. T. System will provide the lessees a market improvement allowance currently estimated in the aggregate amount of $1,171,950 ($50 per rentable square foot for the rentable area) to construct improvements in the premises. Each lessee will either (a) directly pay the cost of improvements that exceed their respective allowances or (b) at U. T. System's discretion, repay all or a portion of such excess costs amortized as rent over the term of the lease. U. T. System shall pay market commissions, currently anticipated to total $1,046,623 (6% of the aggregate rent for a term not to exceed 10 years) to brokers for services related to the marketing and leasing of the leased premises. |
| Parking: | U. T. System will provide 2.2 parking spaces in the building's garage per 1,000 rentable square feet of leased premises for the use of each office lessee; the parking allocation to the commercial space may be less than the office space allocation specified above. U. T. System will charge lessees market parking fees, currently $175 per month for each unreserved space and $225 per space per month for each reserved space. The parking fees will be subject to periodic market adjustments. |

## AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

No items for Consent Agenda

## FINANCE AND PLANNING COMMITTEE

5. Contract (funds going out) - **U. T. System**: MedeAnalytics, Inc. to provide medical billing compliance software services to U. T. System, U. T. System health institutions, and the medical schools at U. T. Austin and U. T. Rio Grande Valley

| | |
|---|---|
| Agency: | MedeAnalytics, Inc. (MedeAnalytics) |
| Funds: | Not to exceed $2,500,000 |
| Source of Funds: | Institutional Funds |
| Period: | February 1, 2017 through January 31, 2022; subject to earlier termination |
| Description: | MedeAnalytics will support audits of medical services bills, including professional charges and technical/hospital charges, for compliance purposes. The U. T. System Office of Shared Services, working with subject matter experts from the affected institutions, competitively procured the services from MedeAnalytics pursuant to a Request for Proposal issued in December 2015. The contract with MedeAnalytics will contain a provision making it subject to Board of Regents' approval, and limiting spending to $1,000,000 unless and until Board approval is given. |

6. Contract (funds going out) - **U. T. System**: ERP Analysts, Inc. to provide PeopleSoft IT Staff Augmentation Services to support Shared Information Services

| | |
|---|---|
| Agency: | ERP Analysts, Inc. |
| Funds: | Not to exceed $4,000,000 |
| Source of Funds: | Available University Funds |
| Period: | Effective date through November 30, 2018 |
| Description: | Staff augmentation services for PeopleSoft IT resources to support UTShare transition to on-premise hosting of PeopleSoft applications and support for upgrade to PeopleSoft version 9.2. This contract was competitively bid. |

7. Contract (funds going out) - **U. T. System**: r2 Technologies, Inc. to provide PeopleSoft IT Staff Augmentation Services to support Shared Information Services

| | |
|---|---|
| Agency: | r2 Technologies, Inc. |
| Funds: | Not to exceed $4,000,000 |
| Source of Funds: | Available University Funds |
| Period: | Effective date through November 30, 2018 |
| Description: | Staff augmentation services for PeopleSoft IT resources to support UTShare transition to on-premise hosting of PeopleSoft applications and support for upgrade to PeopleSoft version 9.2. This contract was competitively bid. |

8. Request for Budget Change - **U. T. System**: Request budget authority of $500,000 from the U. T. System Internal Lending Program in support of the U. T. System National Security Network (NSN) Quantum Leap

On November 10, 2016, the Board of Regents appropriated $10,000,000 of Available University Funds (AUF) in support of the U. T. System National Security Network (NSN) Quantum Leap. As the National Security effort has progressed, it has become evident that several institutions have considerable capability to support the effort. Legal restrictions do not permit use of AUF to support operating expenses at institutions other than U. T. Austin. To extend the reach and impact of the NSN Quantum Leap, an additional $500,000 of Internal Lending Program Funds, which may be used by all U. T. System institutions for operating expenses, is requested. All funding requests from the Internal Lending Program require Board approval. These funds will be used to support work at U. T. System institutions and to integrate those efforts with work at U. T. Austin. Collectively, these activities will enhance capabilities and broaden positive impacts from the NSN Quantum Leap.

9. Real Estate Report - **U. T. System**: Summary Report of Separately Invested Assets Managed by U. T. System

## THE UNIVERSITY OF TEXAS SYSTEM
## SEPARATELY INVESTED ASSETS
## Managed by U. T. System
## Summary Report at November 30, 2016

**FUND TYPE**

| | Current Purpose Restricted | | Endowment and Similar Funds | | Annuity and Life Income Funds | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | **Book** | **Market** | **Book** | **Market** | **Book** | **Market** | **Book** | **Market** |
| **Land and Buildings:** | | | | | | | | |
| Ending Value 08/31/2016 | $ 2,226,653 | $ 17,610,038 | $ 97,243,377 | $ 258,217,023 | $ 789,427 | $ 1,645,424 | $ 100,259,457 | $ 277,472,485 |
| Increase or Decrease | - | 378 | (3,125) | (230,958) | - | - | (3,125) | (230,580) |
| Ending Value 11/30/2016 | $ 2,226,653 | $ 17,610,416 | $ 97,240,252 | $ 257,986,065 | $ 789,427 | $ 1,645,424 | $ 100,256,332 | $ 277,471,905 |
| **Other Real Estate:** | | | | | | | | |
| Ending Value 08/31/2016 | $ 1,005 | $ 1,005 | $ 8 | $ 8 | $ - | $ - | $ 1,013 | $ 1,013 |
| Increase or Decrease | (1,000) | (1,000) | (2) | (2) | - | - | (1,002) | (1,002) |
| Ending Value 11/30/2016 | $ 5 | $ 5 | $ 6 | $ 6 | $ - | $ - | $ 11 | $ 11 |

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.
Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

## ACADEMIC AFFAIRS COMMITTEE

10. Contract (funds going out) - **U. T. Austin**: Varsity Facility Services will provide custodial services at the J.J. Pickle Research Campus, the West Pickle Research Building, and the Dell Pediatric Research Institute

| | |
|---|---|
| Agency: | Varsity Facility Services |
| Funds: | Not to exceed $3,971,427 for the initial term and all possible renewal terms |
| Source of Funds: | Tuition Funds |
| Period: | February 10, 2017 through February 1, 2018; with four possible one-year renewal terms |
| Description: | Varsity Facility Services will provide custodial services at the J.J. Pickle Research campus, the West Pickle Research Building, and the Dell Pediatric Research Institute. The contract was competitively bid. |

11. Interagency Agreement (funds coming in) - **U. T. Austin**: Amendment to Interagency Cooperation Contract with the Texas Higher Education Coordinating Board for the Office of Admissions to maintain ApplyTexas, the Texas Common Application system for admission into college

| | |
|---|---|
| Agency: | Texas Higher Education Coordinating Board (THECB) |
| Funds: | The value through the life of the First Amendment is $739,895. The total value of the Agreement including the Amendment is $3,460,917. |
| Period: | Initial Term: September 1, 2013 through August 31, 2017<br><br>Amendment Term: September 1, 2017 through August 31, 2018 |
| Description: | Amendment to Interagency Cooperation Contract between U. T. Austin and the THECB. U. T. Austin will maintain ApplyTexas, the Texas Common Application system for admission into college [as prescribed in *Texas Education Code* Section 51.762(g)], on behalf of the THECB and general academic teaching institutions and community colleges in Texas. The Amendment will extend the term of the Agreement and increase the total value of the contract.<br><br>The initial agreement was approved by the Board on August 22, 2013, for $2,271,022 and a term from September 1, 2013 through August 31, 2017. |

12. Request for Budget Change - **U. T. Austin**: Transfer $6,000,000 from Vice President for Business Affairs - University Budget Council Commitments - Designated Funds, Repair and Renovation to Project Management and Construction Services - Repair & Renovation: Program - Plant Funds, allocated for facility condition index repairs (RBC No. 8207) -- amendment to the 2016-2017 budget

13. Request for Budget Change - **U. T. Austin**: New Hires with Tenure -- amendment to the 2016-2017 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

| Description | Effective Date | % Time | Full-time Salary No. Mos. | Full-time Salary Rate $ | RBC # |
|---|---|---|---|---|---|
| **Dell Medical School** | | | | | |
| Department of Medical Education | | | | | |
| Professor | | | | | |
| Elizabeth Teisberg (T) | 9/1-8/31 | 100 | 12 | 500,000 | 8213 |
| Department of Pediatrics | | | | | |
| Professor | | | | | |
| James T. Brenna (T) | 1/1-8/31 | 100 | 12 | 215,000 | 8193 |
| Department of Surgery | | | | | |
| Professor | | | | | |
| Thomas Vetter (T) | 9/1-8/31 | 100 | 12 | 344,000 | 8199 |

14. Request for Budget Change - **U. T. Austin**: New Hire with Tenure -- amendment to the 2017-2018 budget

The following Request for Budget Change (RBC) for new hire with tenure with a future hire date has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

| Description | Effective Date | % Time | Full-time Salary No. Mos. | Full-time Salary Rate $ | RBC # |
|---|---|---|---|---|---|
| **McCombs School of Business** | | | | | |
| Department of Information, Risk, and Operations Management | | | | | |
| Professor | | | | | |
| Diwakar Gupta (T) | 9/1/2017-8/31/2018 | 100 | 9 | 230,000 | 8226 |

15. Request for Budget Change - **U. T. Austin**: Approval of Emeritus Titles

**Neal M. Burns**, from Professor to Professor Emeritus, Stan Richards School of Advertising and Public Relations in the Moody College of Communication (RBC No. 8203) -- amendment to the 2016-2017 budget

**Pamela D. Christian**, from Associate Professor to Associate Professor Emerita, Department of Theatre and Dance in the College of Fine Arts (RBC No. 8211) -- amendment to the 2016-2017 budget

**Francisco L. Perez**, from Professor to Professor Emeritus, Department of Geography and the Environment in the College of Liberal Arts (RBC No. 8212) -- amendment to the 2016-2017 budget

16. Purchase - **U. T. Austin**: Authorization to purchase approximately 0.0881 acre of improved property located at 2911 Medical Arts Square, Building 8, Austin, Travis County, Texas, from ATX Bluebonnet Properties, LLC, for future programmed campus expansion

| | |
|---|---|
| Description: | Purchase of approximately 0.0881 acre of improved property located at 2911 Medical Arts Square, Building 8, Austin, Travis County, Texas; together with the easement estate appurtenant thereto, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The improvements consist of a 4,254 square foot, two-story, brick medical office building. This property is anticipated to be valued under $1 million, but is outside of U. T. Austin's Board-approved campus master plan. |
| Seller: | ATX Bluebonnet Properties, LLC, a Texas limited liability company |
| Purchase Price: | Not to exceed fair market value as determined by an independent appraisal performed by Paul Hornsby and Company; appraisal confidential pursuant to *Texas Education Code* Section 51.951 |
| Source of Funds: | Available University Funds and Investment Income |

17. Purchase - **U. T. Austin**: Authorization to purchase a total of approximately 0.6768 acres of land located at 2401 Rio Grande Street, 2405 Rio Grande Street, and 2400 Seton Avenue, Austin, Travis County, Texas, from 24 RG Partners, L.L.C., for future programmed campus expansion

| | |
|---|---|
| Description: | Purchase of lots with improvements within the West Campus Neighborhood. Property located at 2401 Rio Grande Street has a commercial building with approximately 3,360 square feet, property located at 2405 Rio Grande Street has an apartment building with approximately 8,472 square feet, and property located at 2400 Seton Avenue has a restaurant with approximately 3,840 square feet. Third-party tenants occupy some or all of these properties. The lots are located approximately four blocks from the institution's main campus. |
| Total Area: | Approximately 0.6768 acres |
| Location: | 2401 and 2405 Rio Grande Street; and 2400 Seton Avenue, Austin, Travis County, Texas |
| Seller: | 24 RG Partners, L.L.C., a Texas limited liability company |
| Purchase Price: | Not to exceed fair market value as established by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951. |
| Source of Funds: | Investment Income |
| Intended Use: | Future programmed campus expansion |

18. Purchase - **U. T. Austin**: Authorization to purchase approximately 0.24 acre of improved property located at 1705 Guadalupe Street, Austin, Travis County, Texas, from TBDG 1705 Guadalupe L.P., for future programmed campus expansion

| | |
|---|---|
| Description: | Purchase of approximately 0.24 acre of improved property, located at 1705 Guadalupe Street, Austin, Travis County, Texas; and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The improvements consist of a 47,345 square foot, five-story office building located approximately three blocks south of U. T. Austin's main campus. The building is currently fully leased, including space leased to the Board of Regents for the use and benefit of U. T. Health Science Center - Houston's School of Public Health. U. T. Austin will initially use the building for surge office space, as space becomes available.<br><br>The property contains no parking for the building, but will convey with a Parking Space License Agreement specifying parking rights and obligations at a parking garage owned by the Catholic Diocese of Austin for a term expiring November 30, 2021. The parking garage is located approximately four blocks away from the property. As of February 1, 2017, the remaining payment obligations under the parking agreement total $899,600. U. T. Austin will provide parking for its employees at its building across the street at 1616 Guadalupe and/or the AT&T Executive Education and Conference Center. |
| Seller: | TBDG 1705 Guadalupe, L.P., a Texas limited partnership |
| Purchase Price: | Not to exceed fair market value as established by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951. The appraisal will reflect the lack of parking on the property and the payment obligations of the parking agreement. |
| Source of Funds: | Investment Income |

19. Contract (funds going out) - **U. T. Dallas**: GCA Education Services of Texas, Inc. to provide custodial services

| | |
|---|---|
| Agency: | GCA Education Services of Texas, Inc. |
| Funds: | Approximately $11,000,000 over five years |
| Source of Funds: | 80% Designated Tuition<br>6% Library Services Fee<br>4% Indirect Cost Recovery<br>4% Recreational Facility Fee<br>4% Student Services Building Fee<br>2% Student Union Fee |
| Period: | Three years commencing January 2, 2017; with two one-year options to extend for maximum contract period terminating December 31, 2021 |
| Description: | GCA Education Services of Texas, Inc. will provide custodial services for all facilities on the main campus. This contract was competitively bid. |

20. Contract (funds going out) - **U. T. Dallas**: Win-Sam, Inc. to provide maintenance and management services for the thermal energy plant facilities

| | |
|---|---|
| Agency: | Win-Sam, Inc. |
| Funds: | An estimated amount of $50,000,000 for the entire term, including all renewal terms. Fees paid to Win-Sam, Inc. are determined by a fixed monthly fee plus a variable monthly fee based on U. T. Dallas's monthly energy requirements. Fees are subject to annual escalation based on the designated Consumer Price Index. |
| Source of Funds: | Institutional Funds |
| Period: | Initial Term: 60-months, beginning May 1, 2017 through April 30, 2022<br><br>Renewal Term(s): Two additional 60-month renewals, at option of U. T. Dallas |
| Description: | The agreement secures on-site operation, maintenance, and management services for U. T. Dallas's thermal energy plant facilities. The total estimated cost of the agreement includes a monthly fixed cost and the procurement of chilled water, steam, and/or hot water for campus use.<br><br>The agreement resulted from a multicampus competitive Request for Proposal that combined the requirements of U. T. Dallas, U. T. Permian Basin, and U. T. San Antonio, and was facilitated by U. T. System. |

21. Request for Budget Change - **U. T. El Paso**: New Hire with Tenure -- amendment to the 2016-2017 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

| Description | Effective Date | % Time | Full-time Salary No. Mos. | Full-time Salary Rate $ | RBC # |
|---|---|---|---|---|---|
| **School of Pharmacy** | | | | | |
| Pharmaceutical Sciences | | | | | |
| Associate Professor and Chair | | | | | |
| Fadi Khasawneh (T) | 10/17-8/31 | 100 | 09 | 105,000 | 8133 |
| | | 0 | 12 | 10,000 | |

22. Request for Budget Change - **U. T. El Paso**: Approval of Emeritus Titles

**Kathleen A. Curtis,** from Dean and Professor to Dean Emerita and Professor Emerita, Dean's Office in the College of Health Sciences (RBC No. 8248) -- amendment to the 2015-2016 budget

**Sandra Rollins Hurley,** from Professor to Professor Emerita, Creative Writing in the College of Liberal Arts (RBC No. 8249) -- amendment to the 2016-2017 budget

**William P. Mackay,** from Professor to Professor Emeritus, Biological Sciences in the College of Science (RBC No. 8250) -- amendment to the 2016-2017 budget

**Joan G. Staniswalis,** from Professor to Professor Emerita, Mathematical Sciences in the College of Science (RBC No. 8245) -- amendment to the 2016-2017 budget

**Patricia J. Teller,** from Professor to Professor Emerita, Computer Science in the College of Engineering (RBC No. 8251) -- amendment to the 2016-2017 budget

23. Contract (funds going out) - **U. T. Permian Basin**: Win-Sam, Inc. to provide maintenance and management services for the thermal energy plant facilities

| | |
|---|---|
| Agency: | Win-Sam, Inc. |
| Funds: | An estimated amount of $24,000,000 for the entire term, including all renewal terms. Fees paid to Win-Sam, Inc. are determined by a fixed monthly fee plus a variable monthly fee based on U. T. Permian Basin's monthly energy requirements. Fees are subject to annual escalation based on the designated Consumer Price Index. |
| Source of Funds: | Institutional Funds |
| Period: | Initial Term: 60-months; beginning May 1, 2017 through April 30, 2022<br><br>Renewal Term(s): Two additional 60-month renewals, at option of U. T. Permian Basin |
| Description: | The agreement secures on-site operation, maintenance, and management services for U. T. Permian Basin's thermal energy plant facilities. The total estimated cost of the agreement includes a monthly fixed cost and the procurement of chilled water, steam, and/or hot water for campus use.<br><br>The agreement resulted from a multicampus competitive Request for Proposal that combined the requirements of U. T. San Antonio, U. T. Permian Basin, and U. T. Dallas, and was facilitated by U. T. System. |

24. Admissions Criteria - **U. T. Permian Basin**: Changes to Admission Criteria to the Master of Science (MS) in Biology program

The changes have been reviewed and administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

**Summary of Changes to Admission Criteria**

The Biology Graduate Program at U. T. Permian Basin seeks to make the following changes to the admission requirements to its Master of Science (MS) in Biology program.

Under Unconditional Admission, applicants will be required to take the GRE, but the criteria will no longer include specific minimum scores. Rather, the GRE scores will be part of the holistic review of the application.

Under Conditional Admission, applicants will likewise be required to take the GRE, but not necessarily attain specific minimum scores. The GRE scores will be part of the holistic review of the application. The proposed changes also identify the classes conditionally admitted students may need to take as leveling classes and list three options, any one of which will allow for acceptance if the applicant does not have an overall GPA of 3.0 or above. These three options involve either substantial undergraduate research experience, a GRE score of 310 or above on Verbal and Quantitative Reasoning, or a GPA of 3.0 or above in upper level biology and chemistry classes.

These changes align the admission criteria with common practice in graduate admissions nationally.

| **Current Unconditional Admission Criteria** | **Proposed Unconditional Admission Criteria** |
|---|---|
| A GRE score in verbal reasoning, quantitative reasoning, and analytical reasoning at the 50% percentile or above in each category. Regularly admitted students do not require any leveling courses in Mathematics, Chemistry, or Biology. | Students must submit GRE scores (no minimum scores) which will be considered in combination with other components of the application. |
| **Current Conditional (Probationary) Admission Criteria** | **Proposed Conditional (Probationary) Admission Criteria** |
| A GRE score in verbal reasoning, quantitative reasoning, and analytical reasoning at the 50% percentile or above in each category. | Students must submit GRE scores (with no minimum scores) which will be considered in combination with other components of the application. To be considered for conditional admission, students must have of any one of the following: one (1) year of positive research undergraduate research experience, a combined GRE score on Verbal Reasoning and Quantitative Reasoning of 310, a GPA of 3.0 or above in upper level biology and chemistry classes. |

25. Request for Budget Change - **U. T. Rio Grande Valley**: New Hires with Tenure -- amendment to the 2016-2017 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

| Description | Effective Date | % Time | Full-time Salary No. Mos. | Full-time Salary Rate $ | RBC # |
|---|---|---|---|---|---|
| **College of Health Affairs** | | | | | |
| Communication Sciences and Disorders | | | | | |
| Professor and Chair | | | | | |
| Donald Fuller (T) | 9/1-8/31 | 100 | 9 | 135,833 | 8204 |

26. Lease - **U. T. Rio Grande Valley**: Authorization to sub-lease approximately 22,148 square feet of space located at 275 South Kansas Avenue, Weslaco, Hidalgo County, Texas, from the Economic Development Corporation of Weslaco for future programmed expansion

| | |
|---|---|
| Description: | Sub-lease of approximately 22,148 rentable square feet of space located at 275 South Kansas Avenue, Weslaco, Hidalgo County, Texas, for academic research, student services, expansion of the Center for Innovation and Commercialization (CIC), and related uses. |
| Lessor: | Economic Development Corporation of Weslaco |
| Term: | The sub-lease for approximately 22,148 rentable square feet is estimated to commence on January 1, 2018, and the initial term is for a period of 120 months. U. T. Rio Grande Valley will have the option, exercisable in its discretion, to renew the sub-lease for two five-year renewal terms. |
| Lease Cost: | The rental rate is being negotiated and will not exceed fair market value. Rent for the renewal option period will not exceed the then current market rate. In addition to the base rent, U. T. Rio Grande Valley will pay for the cost of the operating expenses. |
| Tenant Improvements: | Lessor will finish out the space to U. T. Rio Grande Valley's requirements at lessor's expense |
| Appraisal: | Confidential pursuant to *Texas Education Code* Section 51.951 |
| Source of Funds: | Designated Tuition and CIC Revenue |

27. Purchase **- U. T. Rio Grande Valley**: Authorization to purchase approximately 9,065 square feet of condominium space located at 4144, 4150, and 4156 Crosspoint Boulevard, Edinburg, Hidalgo County, Texas, from TDB Properties, Ltd. for medical office and clinical use

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|---|---|
| Description: | Purchase of three condominium units totaling approximately 9,065 square feet of improvements located at 4144, 4150, and 4156 Crosspoint Boulevard, Edinburg, Hidalgo County, Texas; and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to purchase the property. This property is located approximately three miles from U. T. Rio Grande Valley's Edinburg campus and in a medically oriented area within one mile of Doctors Hospital at Renaissance, U. T. Rio Grande Valley's teaching hospital. The property will be used as medical offices and for clinical uses by the School of Medicine. |
| Seller: | TDB Properties, Ltd. a Domestic Limited Partnership (LP) |
| Purchase Price: | Not to exceed fair market value as determined by independent appraisal. Confidential pursuant to *Texas Education Code* Section 51.951 |
| Source of Funds: | Permanent University Fund (PUF) proceeds |

28. Contract (funds going out) - **U. T. San Antonio**: Win-Sam, Inc. to provide maintenance and management services for the thermal energy plant facilities

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| Agency: | Win-Sam, Inc. |
| Funds: | An estimated amount of $40,000,000 for the entire term, including all renewal terms. Fees paid to Win-Sam, Inc. are determined by a fixed monthly fee plus a variable monthly fee based on U. T. San Antonio's monthly energy requirements. Fees are subject to annual escalation based on the designated Consumer Price Index. |
| Source of Funds: | Institutional Funds |
| Period: | Initial Term: 60-months; beginning May 1, 2017 through April 30, 2022<br><br>Renewal Term(s): Two additional 60-month renewals, at option of U. T. San Antonio |
| Description: | The agreement secures on-site operation, maintenance, and management services for U. T. San Antonio's thermal energy plant facilities. The total estimated cost of the agreement includes a monthly fixed cost and the procurement of chilled water, steam, and/or hot water for campus use.<br><br>The agreement resulted from a multicampus competitive Request for Proposal that combined the requirements of U. T. San Antonio, U. T. Permian Basin, and U. T. Dallas, and was facilitated by U. T. System. |

## HEALTH AFFAIRS COMMITTEE

29. Sale of Surplus Property **- U. T. Southwestern Medical Center**: Authorization to sell a 2011 Gatan K2 summit direct electron detector (camera) with computer

The following sale of surplus property has been administratively approved by the Executive Vice Chancellor for Health Affairs. A sale in the amount of $100,000 or more requires approval through the Consent Agenda by the U. T. System Board of Regents to comply with Regents' *Rules and Regulations*, Rule 80201.

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| Item to be Sold: | 2011 Gatan K2 summit direct electron detector (camera) with computer that was previously operated from November 2012 through September 2016 at U. T. Southwestern Medical Center Electron Microscopy Core Facility in the C. Kern Wildenthal Research Building |
| Amount: | Appraisal has not been completed (original cost $600,000) |
| Purchaser: | To be determined (two potential buyers) |
| Explanation: | The 2011 Gatan K2 camera was installed in the Electron Microscopy Core Facility in November 2012. Cryo-electron microscopy has recently undergone a technical revolution and the 2011 Gatan K2 camera is no longer adequate for current research at U. T. Southwestern Medical Center. The department has received a new high-resolution microscope with a camera. |
| Method of Sale: | Competitive bidding process |
| Authorization: | U. T. Southwestern Medical Center is requesting that the Board authorize the Vice President and Chief Financial Officer to conduct the bidding process and consummate the sale of the 2011 Gatan K2 summit direct electron detector (camera) with computer. |

30. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide services to qualified women, infants, and children for the Texas Human and Health Services Commission's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

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| Agency: | Texas Human and Health Services Commission (HHSC)<br>Department of State Health Services (DSHS) |
| Funds: | $7,637,723 |
| Period: | October 1, 2016 through September 30, 2017 |
| Description: | U. T. Medical Branch - Galveston to perform professional, administrative, and clerical services necessary to determine eligibility, provide food benefits, and provide appropriate nutrition education and counseling to qualified women, infants, and children in a specified geographic area, in accordance with the statutes, rules, policies, and directives of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). |

31. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide services for the Texas Department of Criminal Justice to eligible female offenders related to parenting

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| Agency: | Texas Department of Criminal Justice (TDCJ) |
| Funds: | $5,245,210 |
| Period: | Extended for the period of September 1, 2016 through August 31, 2017 |
| Description: | U. T. Medical Branch - Galveston will continue to provide services to eligible female offenders related to parenting by providing the opportunity for mother and newborn to bond and develop a positive relationship in a secure TDCJ residential facility, the Santa Maria Hostel/Bonita House.<br><br>The initial contract was approved by the Board on August 21, 2014 for the amount of $3,534,760 for the period of March 17, 2010 through August 31, 2015.<br><br>The contract was amended in FY 2016 for an amount equal to a 24% increase ($840,945), which did not require Board approval at that time. The period for that amendment was September 1, 2015 through August 31, 2016.<br><br>The FY 2017 increase in the amount of $869,505, together with $840,945 FY 2016 increase, represents a 48% increase over the previously approved $3,534,760, for a total of $5,245,210. |

32. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide services for the State of Texas Health and Human Services Commission under the Family Planning Grant Program

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| Agency: | State of Texas Health and Human Services Commission (HHSC) |
| Funds: | Not to exceed $4,504,270;<br>Fee-for-service component is $2,252,135 and<br>Cost Reimbursement component is $2,252,135 |
| Period: | September 1, 2016 through August 31, 2017; with a renewal option for up to two additional two-year terms |
| Description: | The Family Planning Grant Program provides a wide variety of clinical, testing, and family planning methods to patients at its Galveston teaching facility as well as its network of 13 outpatient clinics. |

33. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide medical services to eligible women in the State of Texas, by and through the Texas Health and Human Services Commission (HHSC) under the new Healthy Texas Women's Grant Program (HTW Program)

| | |
|---|---|
| Agency: | State of Texas Health and Human Services Commission (HHSC) |
| Funds: | $6,973,283 total reimbursement for the Healthy Texas Women's Grant Program (HTW Program)<br>$1,327,645 for the categorical portion (contract)<br>$5,645,638 for the fee-for-service portion (open enrollment) |
| Period: | August 29, 2016 through August 31, 2017; with options for two additional two-year terms (categorical portion) |
| Description: | U. T. Medical Branch - Galveston will provide services to Medicaid eligible clients under the HHSC HTW Program. The contract for $1,327,645 represents the reimbursement under the categorical costs reimbursement methodology.<br><br>U. T. Medical Branch - Galveston will also provide services and be reimbursed by HHSC under the HHSC HTW Program under the fee-for-service cost reimbursement methodology. HHSC did not issue a contract under the fee-for-service portion of the total award amount (categorical and fee-for-service combined) of $6,973,283, instead opting for an open-enrollment model, reimbursing all qualified providers submitting approved claims. |

34. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: CSC ServiceWorks to provide automated laundry machine operations in student housing and pay royalties to U. T. Medical Branch - Galveston

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|---|---|
| Agency: | CSC ServiceWorks (formerly Coinmach Corporation dba ASI Campus Laundry Solutions) |
| Funds: | Estimated at $40,000 |
| Period: | November 11, 2016 through August 31, 2021 |
| Description: | CSC ServiceWorks will install and service automated laundry machines in student housing. CSC ServiceWorks will pay royalties to U. T. Medical Branch - Galveston according to agreed fee schedule. Board approval is sought in accordance with *Texas Government Code* Section 2203.005(a). |

35. Contract (funds going out) - **U. T. Medical Branch - Galveston**: Convergint Technologies LLC to provide certain equipment and installation services pertaining to the Lenel/On Guard System

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| Agency: | Convergint Technologies LLC |
| Funds: | Not to exceed cap of $5,000,000 |
| Source of Funds: | Unexpended Plant Funds would be used the majority of the time; however, there may be occasions where Educational and General Funds or Auxiliary Funds are used |
| Period: | Commencing on October 28, 2016, for a period of 60 months; with option to renew for two 12-month renewal periods |
| Description: | Convergint Technologies LLC will provide equipment and perform installation services pertaining to the Lenel/On Guard system on an as-needed basis for wireless locks, access control, and closed circuit television at U. T. Medical Branch - Galveston, Angleton Danbury, and League City Campuses and other off-campus clinic locations as well as other locations that may be added during the term of the contract. This contract was competitively bid. |

36. Foreign Contract (funds coming in) - **U. T. Medical Branch - Galveston**: Secondment of Professor Mariano Garcia-Blanco (the "Secondee") to the National University of Singapore acting through its Duke-NUS Graduate Medical School (Duke-NUS)

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|---|---|
| Agency: | National University of Singapore acting through its Duke-NUS Graduate Medical School |
| Funds: | Estimated to be $250,000 |
| Period: | September 1, 2014 through March 31, 2020 |
| Description: | Professor Mariano Garcia-Blanco will have the roles and responsibilities at Duke-NUS as set out below:<br>• Chair the faculty mentoring and promotions committees for the Program in Emerging Infectious Diseases<br>• Participate in thesis advisory committees<br>• Direct research on the role of a flaviviral non-coding RNA on the innate immune system<br>• Participate in the usual activities that faculty carry out for 10 percent of his full time equivalent annual work time |

37. Lease - **U. T. Medical Branch - Galveston**: Authorization to extend the lease of approximately 11,309 square feet of space located at 128 West Parkwood Avenue, Friendswood, Galveston County, Texas, from A-S 108 Friendswood Crossing, L.P., for office and clinical use

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|---|---|
| Description: | Lease extension of approximately 11,309 square feet of space located at 128 West Parkwood Avenue, Friendswood, Galveston County, Texas, for office and clinical use. |
| Lessor: | A-S 108 Friendswood Crossing, L.P., a domestic limited partnership |
| Term: | The lease originally commenced August 1, 2005. This initial extension term is 84 months, commencing approximately February 1, 2017, and continuing through January 31, 2024. U. T. Medical Branch - Galveston has one five-year renewal option to be exercised in its sole discretion. |

| | |
|---|---|
| Lease Cost: | Approximately $3,575,473 in rent and operating expenses have accrued to date since the lease commencement, and will become due during the extension term. The initial annual base rental rate for the extension term is $183,771 ($16.25 per square foot). Annual base rent for the renewal option will be $239,525. The initial annual operating expenses for the extension term are estimated to be $56,040. The landlord will reimburse U. T. Medical Branch - Galveston in an amount up to approximately $68,000 ($6 per square foot) for tenant improvements. |
| Source of Funds: | Health Systems |

38. Approval of Dual Position of Honor, Trust, or Profit - **U. T. Medical Branch - Galveston**: Appointment by Governor Abbott of Jeremy Wiseman, M.D., Clinical Assistant Professor, as Member of the Texas State Board of Acupuncture Examiners

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with Regents' *Rules and Regulations*, Rule 30103.

It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas Medical Branch at Galveston, and there is no conflict between holding this position and the appointment with the University.

The Board is also asked to find that holding this position is of benefit to the State of Texas and the University, and that there is no conflict between the position and the University.

| | |
|---|---|
| Name: | Jeremy Wiseman, M.D. |
| Title: | Clinical Assistant Professor |
| Position: | Member, Texas State Board of Acupuncture Examiners |
| Period: | Term expires on January 31, 2021 |
| Compensation: | None |
| Description: | Governor Greg Abbott has appointed Jeremy Wiseman, M.D., to the Texas State Board of Acupuncture Examiners. The Board is responsible for regulating the practice of acupuncture in Texas. |

39. Approval of Dual Position of Honor, Trust, or Profit **- U. T. Medical Branch - Galveston**: Appointment by Charles Smith, Executive Commissioner of Health and Human Services (HHSC), of Ben Raimer, M.D., as Member of the HHSC Executive Council

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with Regents' *Rules and Regulations*, Rule 30103.

It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas Medical Branch at Galveston, and there is no conflict between holding this position and the appointment with the University.

The Board is also asked to find that holding this position is of benefit to the State of Texas and the University, and that there is no conflict between the position and the University.

| | |
|---|---|
| Name: | Ben Raimer, M.D., M.A., F.A.A.P. |
| Title: | Senior Vice President, Health Policy and Legislative Affairs |
| Position: | Member, Health and Human Services (HHSC) Executive Council |
| Period: | January 1, 2017 through December 31, 2017 |
| Compensation: | None |
| Description: | Executive Commissioner Charles Smith has appointed Dr. Ben Raimer as member of the HHSC Executive Council. The HHSC Executive Council receives public input and advises the HHSC Executive Commissioner regarding the operation of HHSC. |

40. Request for Budget Change - **U. T. Health Science Center - Houston**: Tenure Appointments -- amendment to the 2016-2017 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

| | | | Full-time Salary | | |
|---|---|---|---|---|---|
| Description | Effective Date | % Time | No. Mos. | Rate $ | RBC # |
| **McGovern Medical School** | | | | | |
| Orthopaedic Surgery | | | | | |
| Professor | | | | | |
| Johnny Huard (T) | 1/17-8/31 | 100 | 12 | $450,000 | 8261 |
| Anesthesiology | | | | | |
| Professor | | | | | |
| Holger K. Eltzschig (T) | 11/16-8/31 | 100 | 12 | $710,000 | 8243 |
| **School of Biomedical Informatics** | | | | | |
| Biomedical Informatics | | | | | |
| Professor | | | | | |
| Xiaobo Zhou (T) | 2/16-8/31 | 100 | 12 | $260,000 | 8258 |

41. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Intuitive Surgical, Inc. master agreement for purchase of one or more surgical robotics systems, instrumentation, and associated products

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|---|---|
| Agency: | Intuitive Surgical, Inc. |
| Funds: | Not to exceed $13,000,000 |
| Source of Funds: | Hospital Patient Income |
| Period: | The term of this master agreement will be for a period of 36 months, commencing on March 1, 2017, and continuing through February 29, 2020. The agreement includes the option for one renewal of 24 months. |
| Description: | This is a master agreement that will permit the purchase of one or more surgical robotics systems and associated instrumentation. The surgical robotics system provided by Intuitive Surgical, Inc. is the only one that is approved by the Food and Drug Administration. As such, this agreement was sole sourced. |

42. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Cardinal Health 110, LLC and Cardinal Health 112, LLC will provide full line of wholesale drug services to all requesting U. T. M. D. Anderson Cancer Center departments

| | |
|---|---|
| Agency: | Cardinal Health 110, LLC and Cardinal Health 112, LLC |
| Funds: | Total fees under this contract, including all available renewal periods, will not exceed $5 billion for the potential eight-year term |
| Source of Funds: | Local Hospital Revenue |
| Period: | The term of the initial agreement will be for a period of 60 months, commencing on March 1, 2017; and continuing through February 28, 2022; with the option for three additional 12-month renewals. |
| Description: | Cardinal Health will provide a full line of wholesale drug services to all requesting U. T. M. D. Anderson Cancer Center departments including procurement, warehousing, and delivery. Services and products will include, but will not be limited to, pharmaceuticals, IV solutions, IV sets, and other health and proprietary products. This agreement was competitively bid. |

43. Request for Budget Change - **U. T. M. D. Anderson Cancer Center**: Tenure Appointment -- amendment to the 2016-2017 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

| | | | Full-time Salary | | |
|---|---|---|---|---|---|
| Description | Effective Date | % Time | No. Mos. | Rate $ | RBC # |
| **Medical Staff** | | | | | |
| Gynecologic Oncology and Reproductive Medicine | | | | | |
| Michael Frumovitz | | | | | 7667 |
| From: Associate Professor | | 100 | 12 | 380,073 | |
| To: Professor (T) | 5/1-8/31 | 100 | 12 | 415,314 | |

44. Request for Budget Change - **U. T. M. D. Anderson Cancer Center**: New Hires with Tenure -- amendment to the 2016-2017 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

| Description | Effective Date | % Time | Full-time Salary No. Mos. | Full-time Salary Rate $ | RBC # |
|---|---|---|---|---|---|
| **Medical Staff** | | | | | |
| Radiation Oncology | | | | | |
| Professor | | | | | |
| Joseph M. Herman (T) | 5/1-8/31 | 100 | 12 | 490,000 | 7968 |
| Anesthesiology and Critical Care Anesthesiology and Perioperative Medicine | | | | | |
| Division Head and Professor | | | | | |
| Carin Hagberg (T) | 10/7-8/31 | 100 | 12 | 600,000 | 8017 |
| Pediatrics | | | | | |
| Division Head, Chair, and Professor | | | | | |
| Richard Gorlick (T) | 12/5-8/31 | 100 | 12 | 490,000 | 8056 |

45. Request for Budget Change - **U. T. M. D. Anderson Cancer Center**: Approval of Emeritus Title

**Ellen Gritz,** from Chair to Professor Emerita, Department of Behavioral Science (RBC No. 8050) -- amendment to the 2016-2017 budget

## FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

No items for Consent Agenda

## TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

No items for Consent Agenda