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FOR
FINANCE AND PLANNING COMMITTEE**

Committee Meeting: 11/17/2021

Board Meeting: 11/18/2021
Austin, Texas

Janiece Longoria, Chairman
R. Steven Hicks
Jodie Lee Jiles
Stuart W. Stedman
Kelcy L. Warren
Rad Weaver

	Committee Meeting	Board Meeting	Page
Convene	<i>3:30 p.m.</i> <i>Chairman Longoria</i>		
1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	Discussion	Action	58
2. U. T. System: Financial Status Presentation	Report/Discussion <i>Mr. Hull</i>	Not on Agenda	59
3. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund	Action <i>Mr. Hull</i>	Action	65
4. U. T. System Board of Regents: University Lands Update	Report/Discussion <i>Mr. Quoyeser</i>	Not on Agenda	67
Adjourn	<i>4:00 p.m.</i>		

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

RECOMMENDATION

The proposed Consent Agenda items assigned to this Committee are [Items 2 - 8](#).

2. U. T. System: Financial Status Presentation

Mr. Terry Hull, Interim Executive Vice Chancellor for Business Affairs, will discuss the Financial Status Presentation, the highlights of which are set forth in the PowerPoint on the following pages. The report represents the consolidated and individual operating detail of the U. T. institutions.

U. T. System

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

Terry Hull

Interim Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents Meeting

Finance and Planning Committee

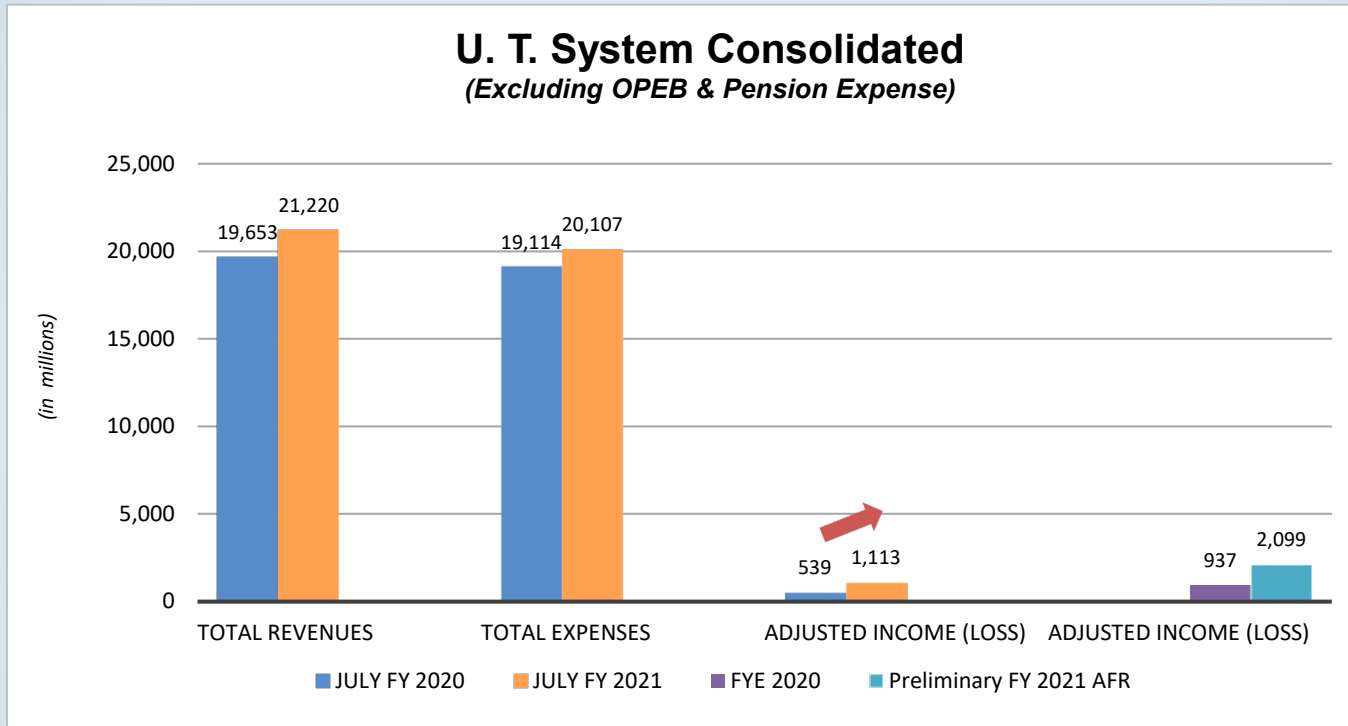
November 2021



THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

U. T. System Consolidated Landscape

For the Period Ending July 31, 2021 and Preliminary Fiscal Year-End



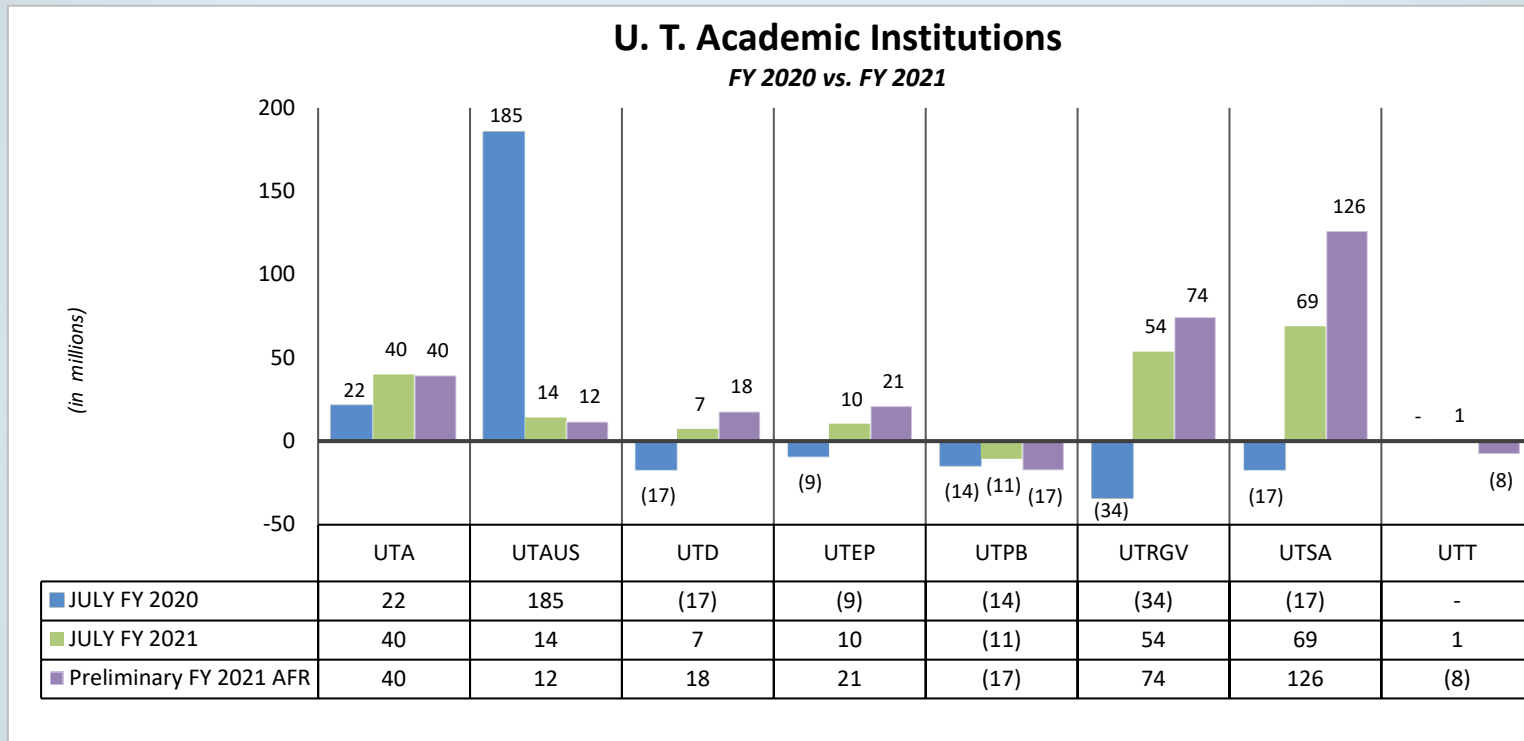
Source: July 2021 Monthly Financial Report and preliminary FY 2021 Annual Financial Report amounts



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Academic Adjusted Income (Loss) Comparison

For the Period Ending July 31, 2021 and Preliminary Fiscal Year-End

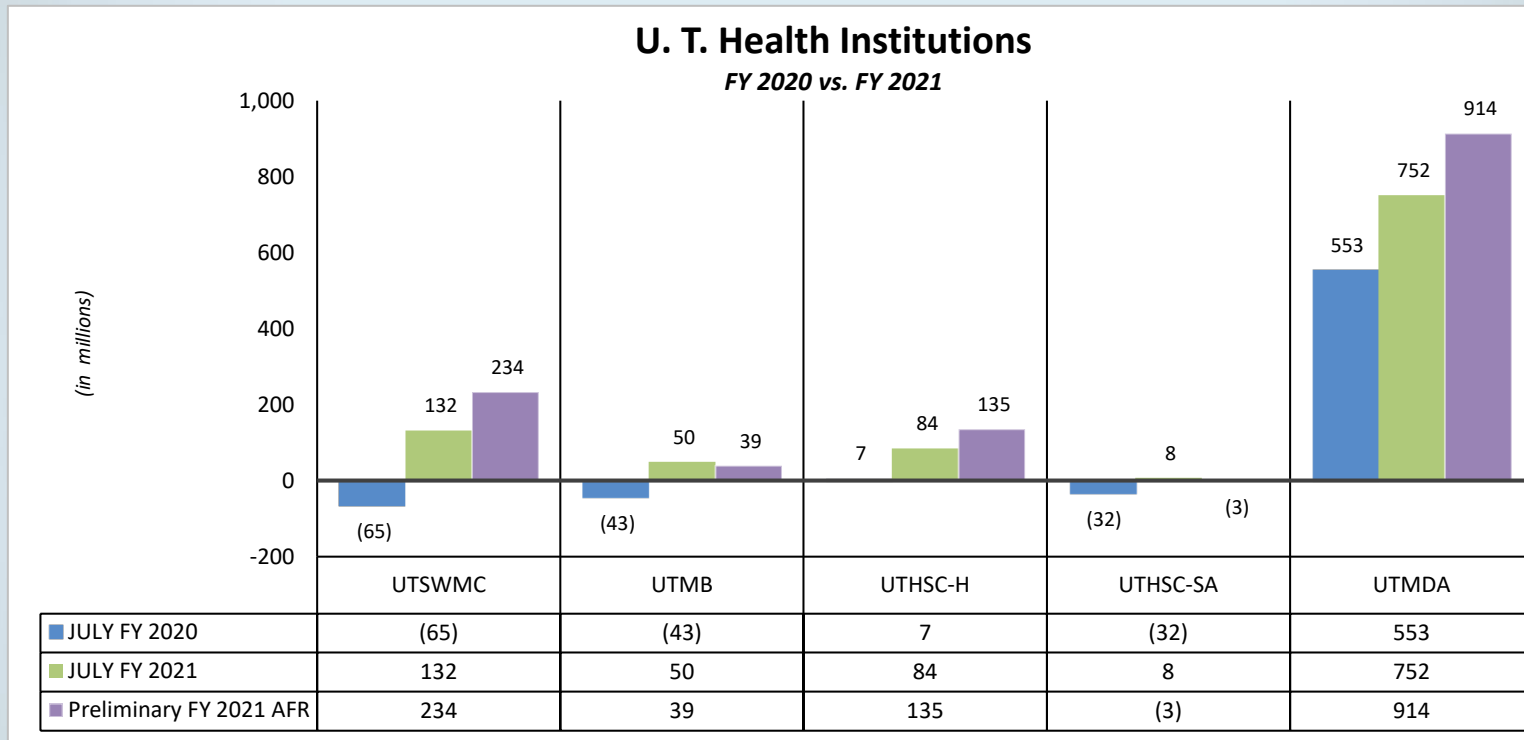


Source: July 2021 Monthly Financial Report and preliminary FY 2021 Annual Financial Report amounts



Health Adjusted Income (Loss) Comparison

For the Period Ending July 31, 2021 and Preliminary Fiscal Year-End



Source: July 2021 Monthly Financial Report and preliminary FY 2021 Annual Financial Report amounts



Systemwide Operations Financial Summary

	FY 2021 Budget	FYTD Actual (August 2021)	% of Budget
U. T. System Administration (AUF)	\$ 50,540,434	\$ 47,081,886	93%
Direct Campus Support (AUF)	41,459,566	39,112,245	94%
Other Operations Funded with AUF Reserves	300,000	923,236	308%
Service Departments and Other Non-AUF*	59,911,237	52,032,948	87%
Total – U. T. System Administration and Campus Support	\$ 152,211,237	\$ 139,150,315	91%

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



3. U. T. System Board of Regents: Approval of annual distributions from the Permanent University Fund

RECOMMENDATION

The Chancellor concurs with the Interim Executive Vice Chancellor for Business Affairs in the recommendation that the Fiscal Year 2022 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased from \$1,112,265,000 to \$1,161,760,000.

BACKGROUND INFORMATION

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

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

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$1,161,760,000 is substantially greater than PUF bond debt service of \$465,288,501 projected for Fiscal Year 2022.

System	Debt Service
U. T.	\$ 289,688,501
TAMU	175,600,000
Total:	\$ 465,288,501

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

2. The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2021, was 6.67%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return, Net of Investment Manager Fees	8.23%
Mineral Interest Receipts	5.07%
Expense Rate	(0.20%) ⁽¹⁾
Inflation Rate	(1.74%)
Distribution Rate	(4.69%)
Net Real Return	6.67%

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

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

Value of PUF Investments ⁽¹⁾	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$21,757,738,409	\$ 1,161,760,000	5.34%	7.00%

(1) Source: UTIMCO

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

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

University Lands (UL) Update

Joe Quoyeser, Interim CEO – University Lands

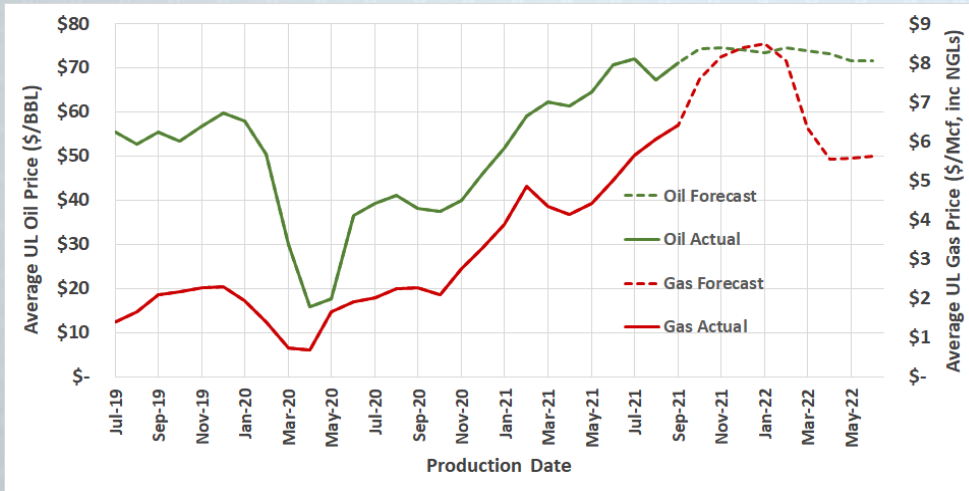
U. T. System Board of Regents' Meeting
Finance and Planning Committee
November 2021



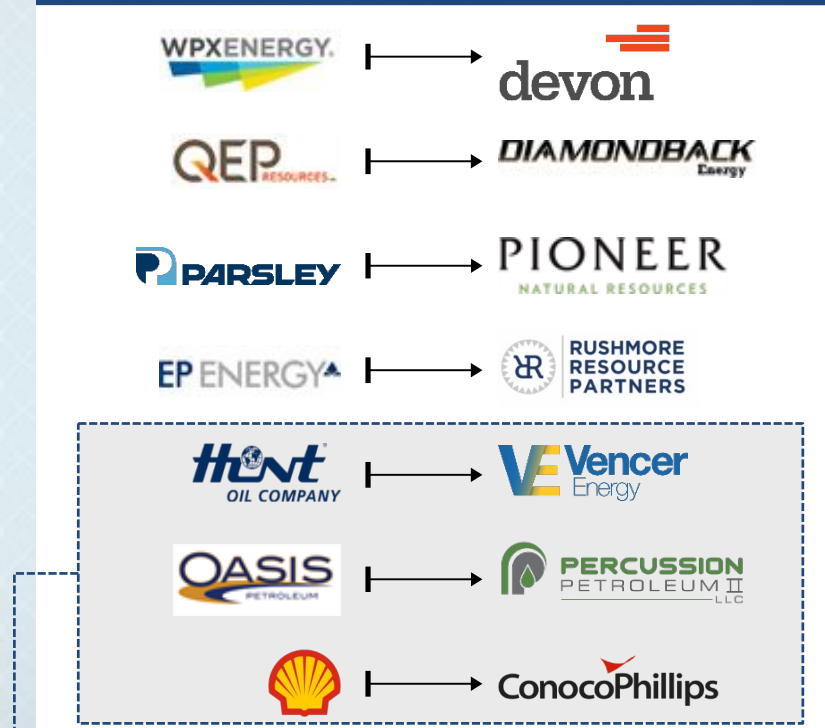
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Oil and Gas Market Environment

Average Commodity Prices		
	Oil , \$/bbl	Gas including liquids, \$/mcf
FY2021 Actual	52.61	3.49
FY2022 Current Estimate	72.66	6.82

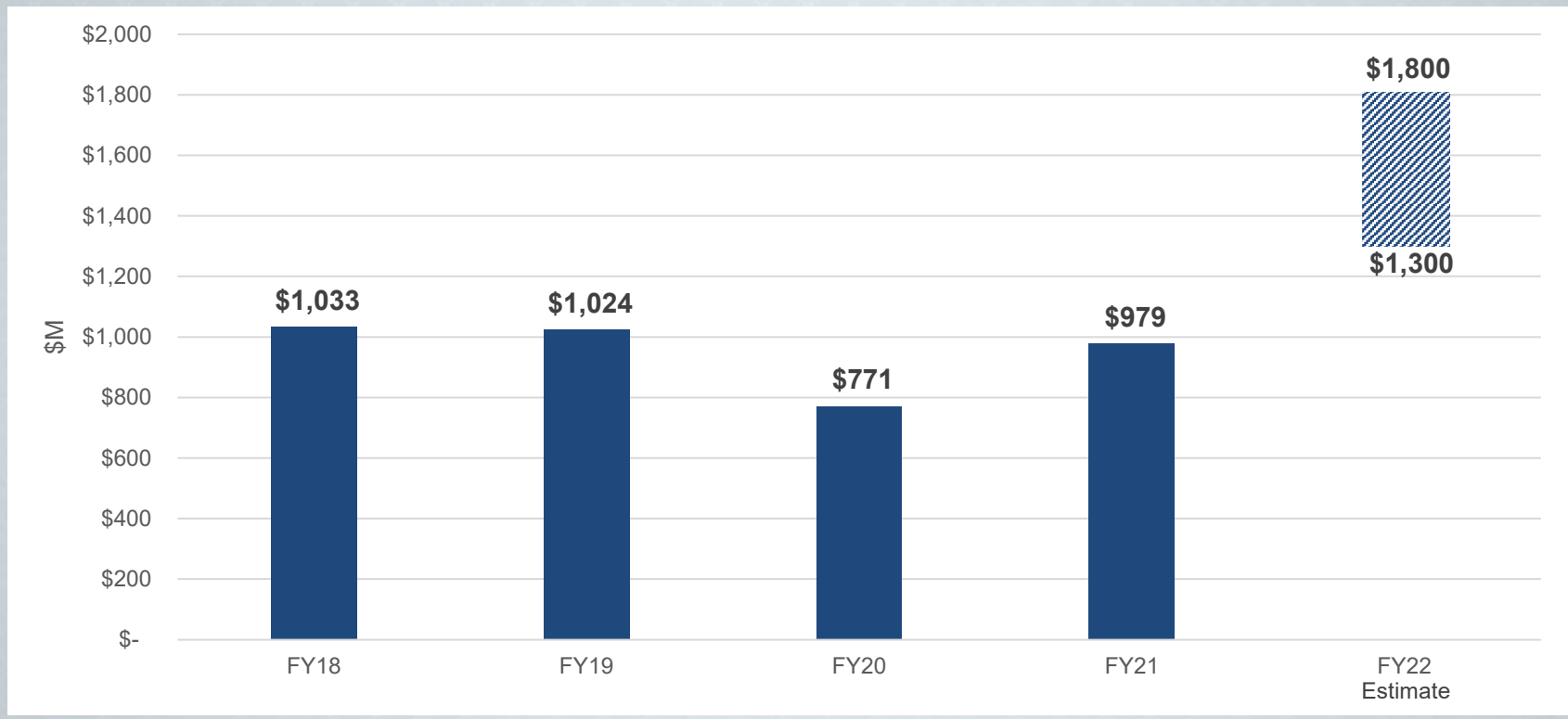


Major Transactions on UL last 12 months



Transactions since May 5, 2021, Board meeting

Permanent University Fund Revenue Close to Highest Ever



Agenda Book - 70



University Lands Lease Sale Results

- 36,176 acres awarded
- \$88.5 million of proceeds (5th highest in UL history)
- \$2,446 average per acre (2nd highest in UL history)
- Essentially all acreage won by early-stage companies not currently producing on UL

