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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/23/2017

Board Meeting: 8/24/2017
Austin, Texas

Jeffery D. Hildebrand, Chairman
David J. Beck
Kevin P. Eltife
Janiece Longoria
Sara Martinez Tucker
Rad Weaver

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

RECOMMENDATION

The proposed Consent Agenda items assigned to this Committee are Items 6 - 16.

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 84 - 91 and the June Monthly Financial Report on Pages 92 - 122. 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 2012 through May 2017. Ratios requiring balance sheet data are provided for Fiscal Year 2012 through Fiscal Year 2016.

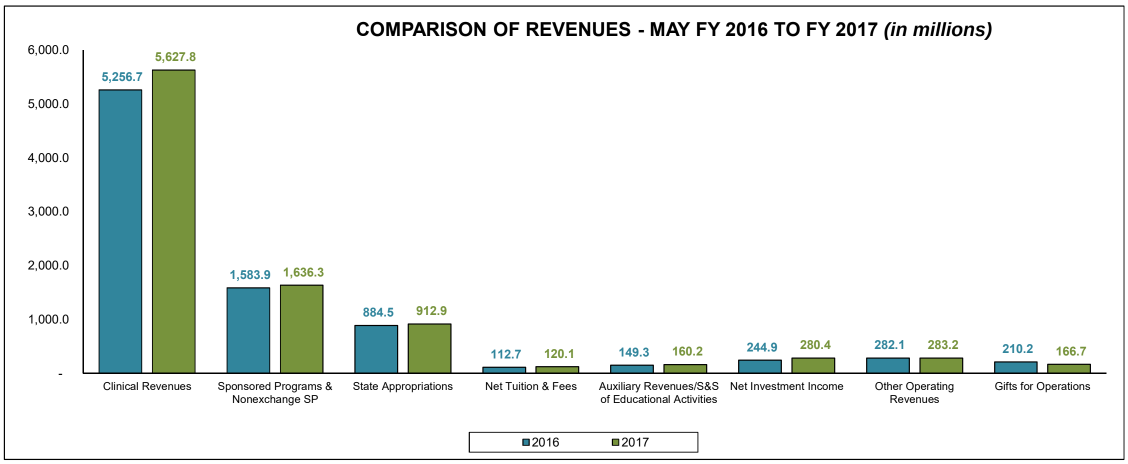
THE UNIVERSITY OF TEXAS SYSTEM

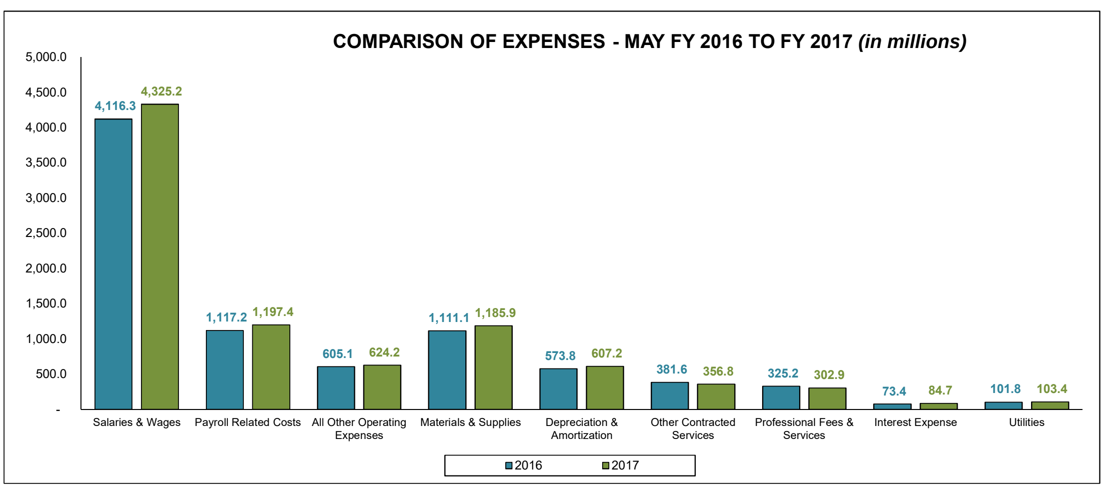
KEY FINANCIAL INDICATORS REPORT

U. T. SYSTEM BOARD OF REGENTS' MEETING
FINANCE AND PLANNING COMMITTEE
AUGUST 23, 2017

KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2016 AND 2017 FROM MAY MONTHLY FINANCIAL REPORT AND PROJECTED 2017 YEAR-END

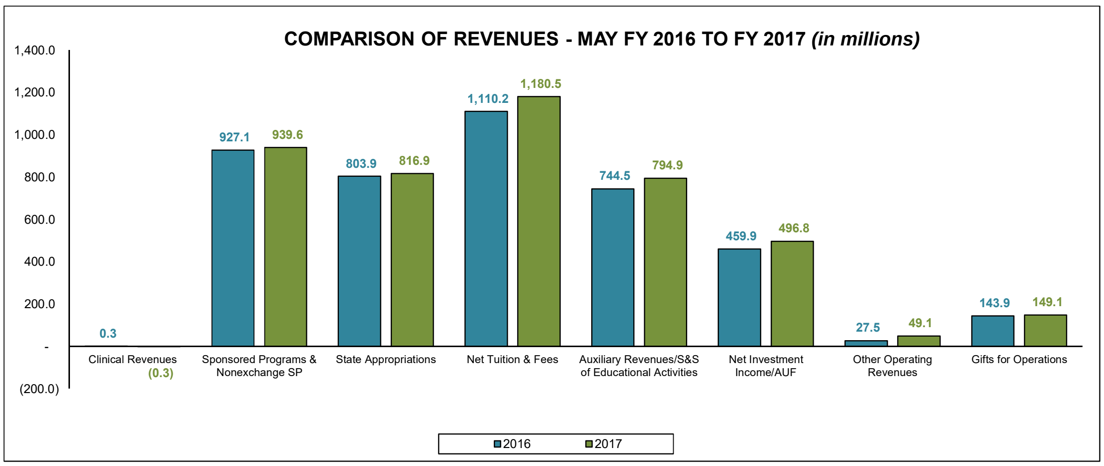
	U. T. Health Institutions		
(in millions)	May FY 2016	May FY 2017	Projected FY 2017
Clinical Revenues	$ 5,256.7	5,627.8	7,574.7
Sponsored Programs	1,583.9	1,636.3	2,168.4
State Appropriations	884.5	912.9	1,217.3
Net Tuition and Fees	112.7	120.1	158.2
Auxiliary Revenues/Sales & Services of Educational Activities	149.3	160.2	211.1
Net Investment Income	244.9	280.4	393.8
Other Operating Revenues	282.1	283.2	405.6
Gift Contributions for Operations	210.2	166.7	188.6
Total Revenues	8,724.5	9,187.5	12,317.7
Salaries and Wages	4,116.3	4,325.2	5,773.1
Payroll Related Costs	1,117.2	1,197.4	1,579.3
All Other Operating Expenses	605.1	624.2	858.8
Materials and Supplies	1,111.1	1,185.9	1,579.6
Depreciation and Amortization	573.8	607.2	830.2
Other Contracted Services	381.6	356.8	451.1
Professional Fees and Services	325.2	302.9	412.8
Interest Exp. on Cap. Asset Financing	73.4	84.7	116.5
Utilities	101.8	103.4	143.7
Total Expenses	$ 8,405.5	8,787.8	11,745.2
Adjusted Income (Loss)	318.9	399.8	572.5

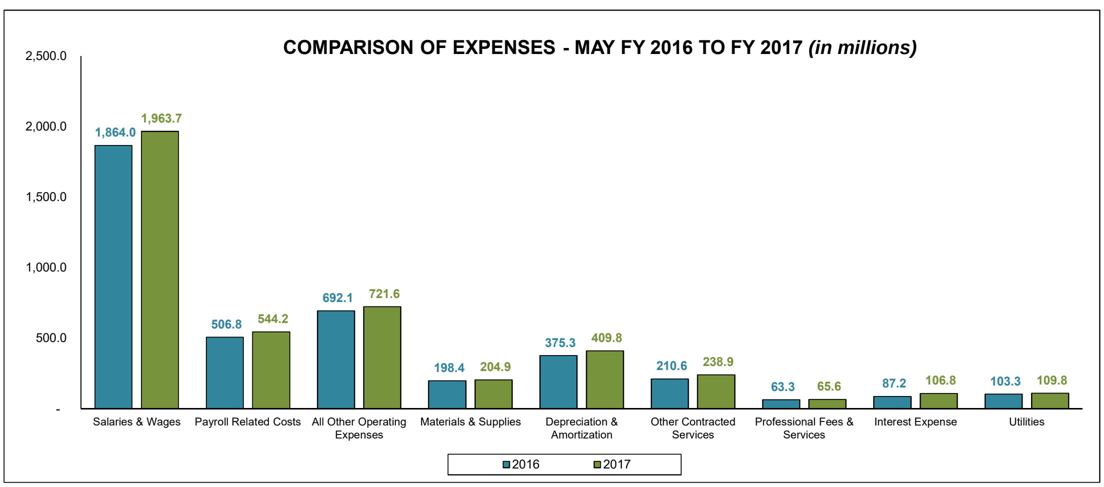




KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2016 AND 2017 FROM MAY MONTHLY FINANCIAL REPORT
AND PROJECTED 2017 YEAR-END

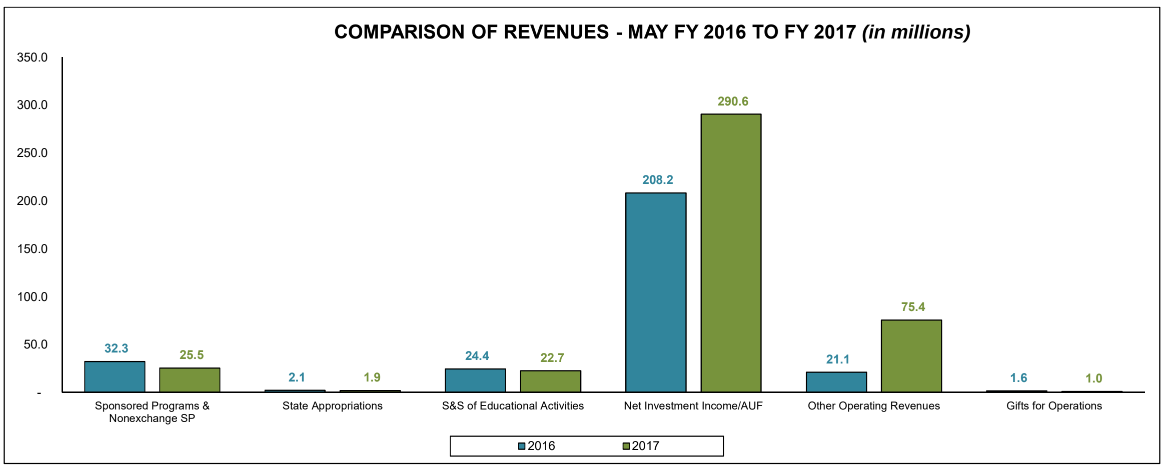
	U. T. Academic Institutions		
(in millions)	May FY 2016	May FY 2017	Projected FY 2017
Clinical Revenues	$ 0.3	(0.3)	0.2
Sponsored Programs	927.1	939.6	1,376.2
State Appropriations	803.9	816.9	1,084.1
Net Tuition and Fees	1,110.2	1,180.5	1,579.7
Auxiliary Revenues/Sales & Services of Educational Activities	744.5	794.9	827.1
Net Investment Income/Available University Fund (AUF)	459.9	496.8	635.0
Other Operating Revenues	27.5	49.1	59.1
Gift Contributions for Operations	143.9	149.1	198.3
Total Revenues	4,217.3	4,426.7	5,759.8
Salaries and Wages	1,864.0	1,963.7	2,533.6
Payroll Related Costs	506.8	544.2	702.0
All Other Operating Expenses	692.1	721.6	970.4
Materials and Supplies	198.4	204.9	262.7
Depreciation and Amortization	375.3	409.8	551.3
Other Contracted Services	210.6	238.9	307.9
Professional Fees and Services	63.3	65.6	95.1
Interest Exp. on Cap. Asset Financing	87.2	106.8	143.0
Utilities	103.3	109.8	135.4
Total Expenses	$ 4,101.0	4,365.3	5,701.4
Adjusted Income (Loss)	116.3	61.3	58.4

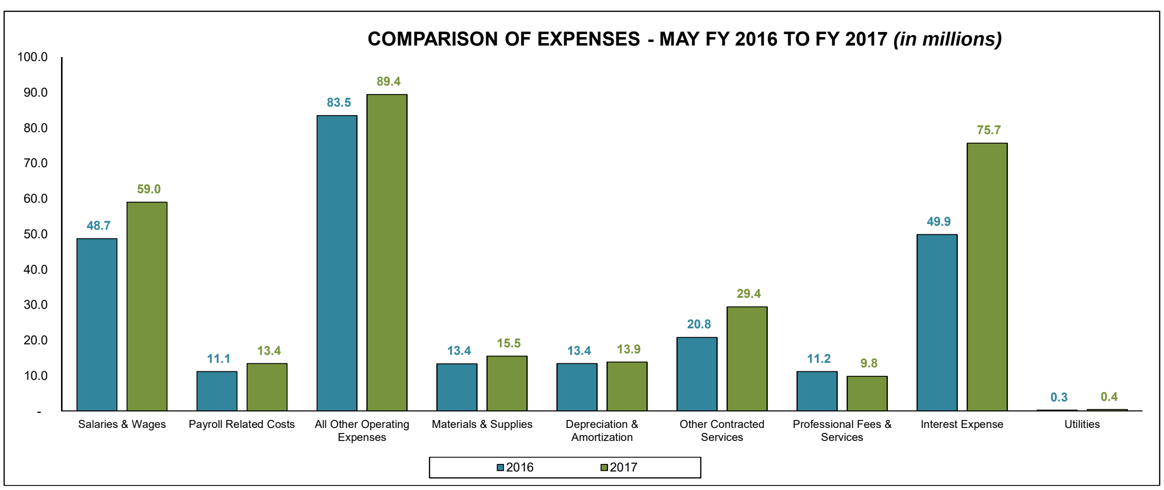




KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2016 AND 2017 FROM MAY MONTHLY FINANCIAL REPORT AND PROJECTED 2017 YEAR-END

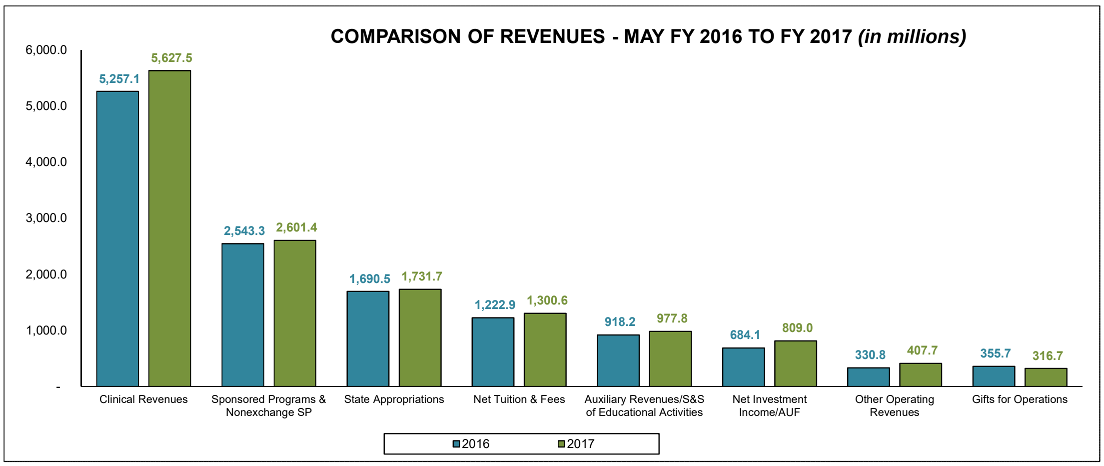
	U. T. System Administration		
(in millions)	May FY 2016	May FY 2017	Projected FY 2017
Sponsored Programs	$ 32.3	25.5	42.6
State Appropriations	2.1	1.9	2.5
Sales & Services of Educational Activities	24.4	22.7	30.3
Net Investment Income/AUF	208.2	290.6	318.5
Other Operating Revenues	21.1	75.4	100.6
Gift Contributions for Operations	1.6	1.0	1.0
Total Revenues	289.7	417.1	495.4
Salaries and Wages	48.7	59.0	78.7
Payroll Related Costs	11.1	13.4	17.9
All Other Operating Expenses	83.5	89.4	115.2
Materials and Supplies	13.4	15.5	20.6
Depreciation and Amortization	13.4	13.9	18.8
Other Contracted Services	20.8	29.4	39.3
Professional Fees and Services	11.2	9.8	13.1
Interest Exp. on Cap. Asset Financing	49.9	75.7	100.9
Utilities	0.3	0.4	0.5
Total Expenses	$ 252.1	306.5	405.0
Adjusted Income (Loss) - ***Excluding Other Postemployment Benefits (OPEB), Pension Expense, & Elimination of AUF Transfer to U. T. Austin***	37.6	110.6	90.3
Increase in Net OPEB Obligation	500.1	530.3	707.0
Pension Expense	159.7	187.7	250.3
Elimination of AUF Transfer to U. T. Austin	228.9	258.8	349.6
Adjusted Income (Loss)	(851.1)	(866.2)	(1,216.6)

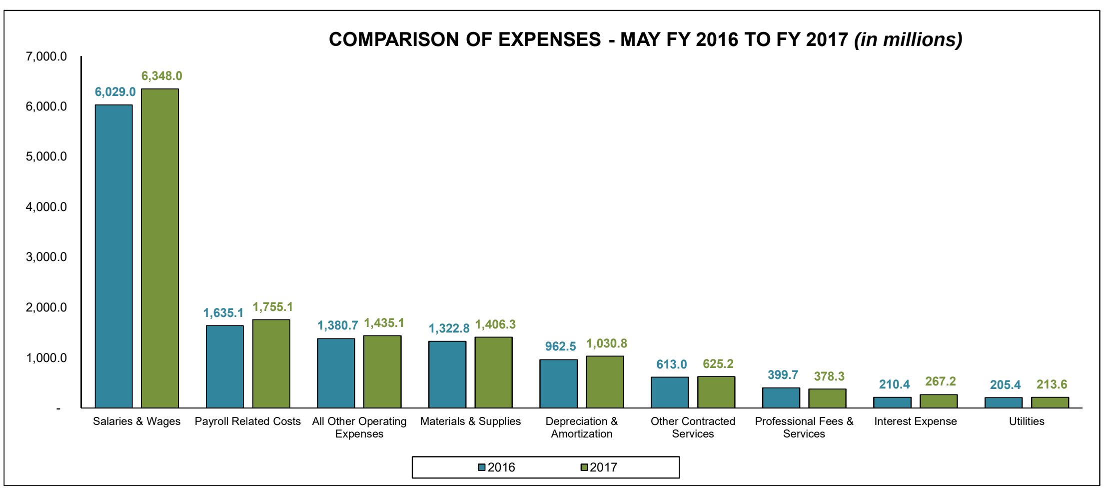




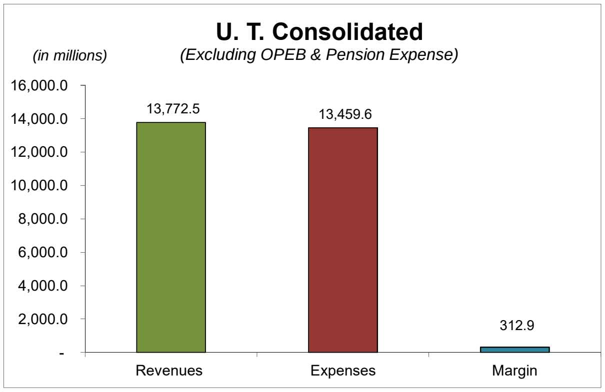
KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2016 AND 2017 FROM MAY MONTHLY FINANCIAL REPORT
AND PROJECTED 2017 YEAR-END

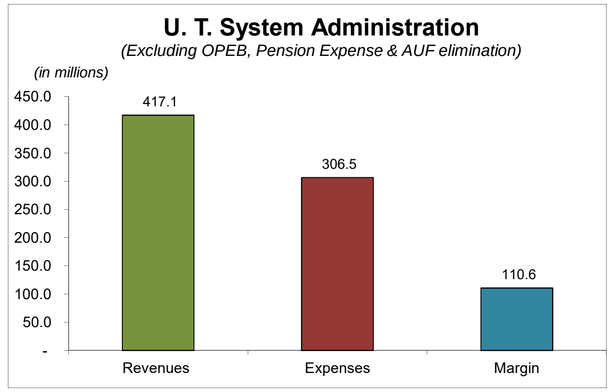
	U. T. Consolidated		
(in millions)	May FY 2016	May FY 2017	Projected FY 2017
Clinical Revenues	$ 5,257.1	5,627.5	7,574.9
Sponsored Programs	2,543.3	2,601.4	3,587.2
State Appropriations	1,690.5	1,731.7	2,303.9
Net Tuition and Fees	1,222.9	1,300.6	1,737.8
Auxiliary Revenues/Sales & Services of Educational Activities	918.2	977.8	1,068.5
Net Investment Income/AUF	684.1	809.0	997.7
Other Operating Revenues	330.8	407.7	565.3
Gift Contributions for Operations	355.7	316.7	387.9
Total Revenues	13,002.6	13,772.5	18,223.2
Salaries and Wages	6,029.0	6,348.0	8,385.3
Payroll Related Costs	1,635.1	1,755.1	2,299.2
All Other Operating Expenses	1,380.7	1,435.1	1,944.5
Materials and Supplies	1,322.8	1,406.3	1,862.9
Depreciation and Amortization	962.5	1,030.8	1,400.3
Other Contracted Services	613.0	625.2	798.2
Professional Fees and Services	399.7	378.3	521.0
Interest Exp. on Cap. Asset Financing	210.4	267.2	360.5
Utilities	205.4	213.6	279.7
Total Expenses	$ 12,758.6	13,459.6	17,851.6
Adjusted Income (Loss) - Excluding OPEB & Pension Exp.	243.9	312.9	371.6
Increase in Net OPEB Obligation	500.1	530.3	707.0
Pension Expense	159.7	187.7	250.3
Adjusted Income (Loss)	(415.9)	(405.1)	(585.7)

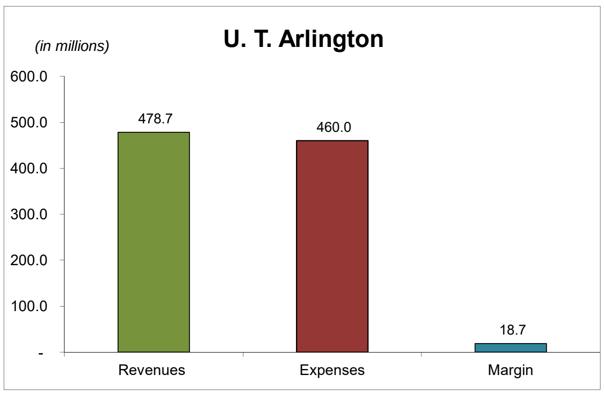


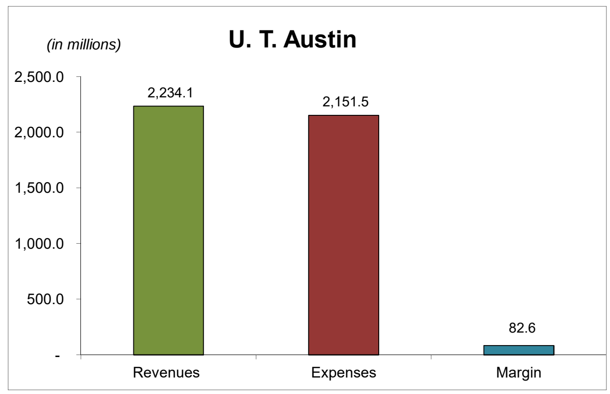


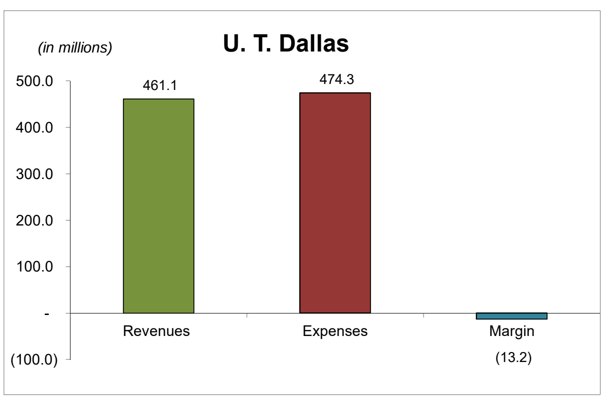
KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2017 FROM MAY MONTHLY FINANCIAL REPORT

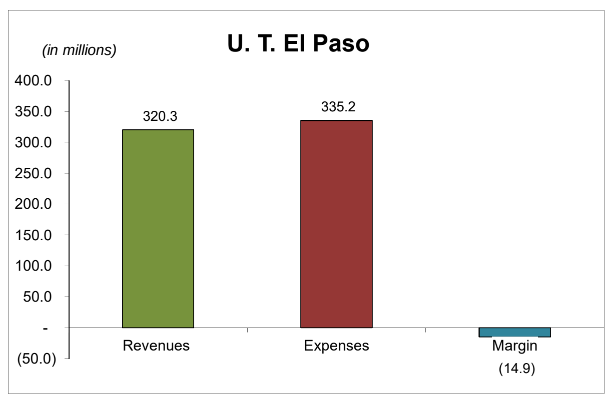


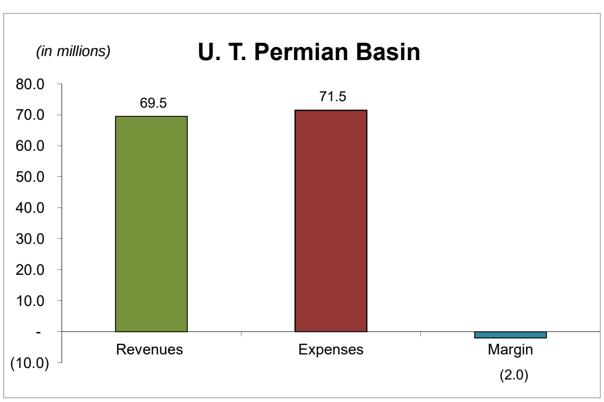


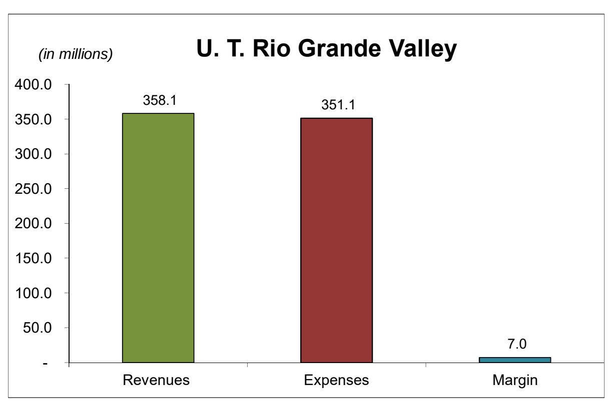




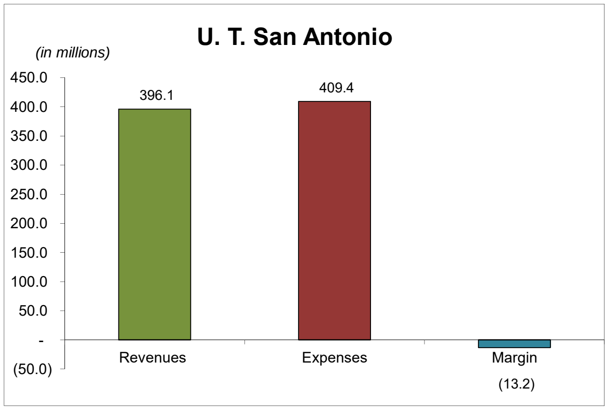


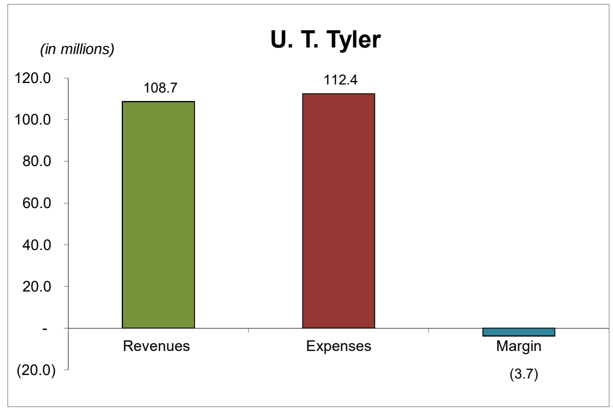


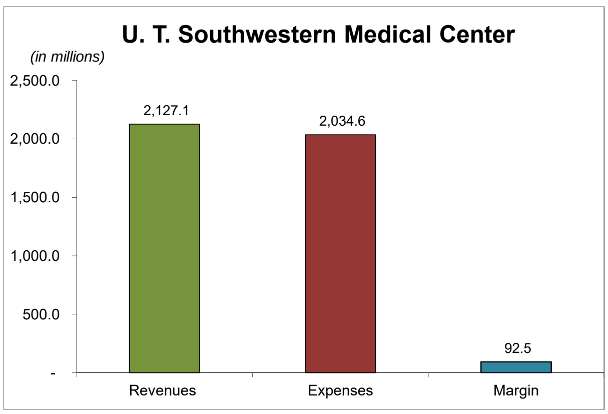


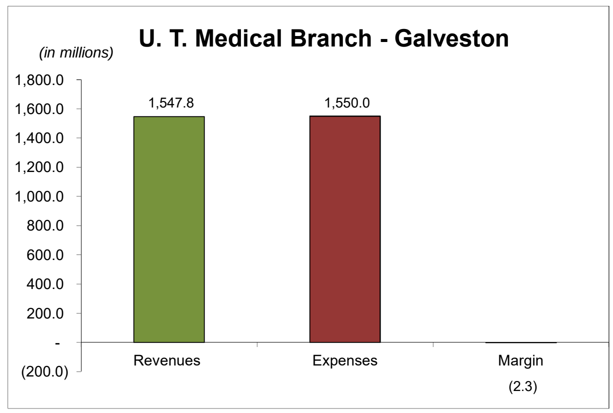


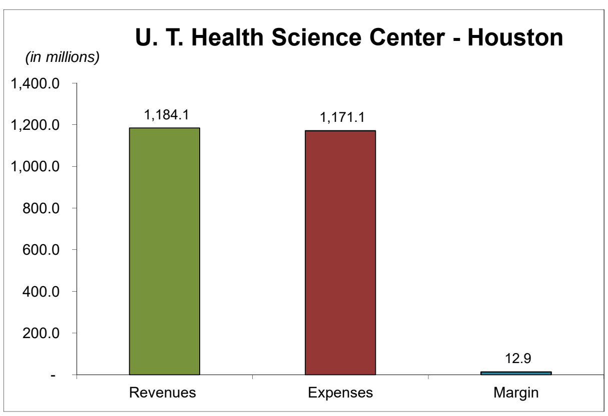
KEY INDICATORS OF FINANCIAL RESULTS
YEAR-TO-DATE 2017 FROM MAY MONTHLY FINANCIAL REPORT

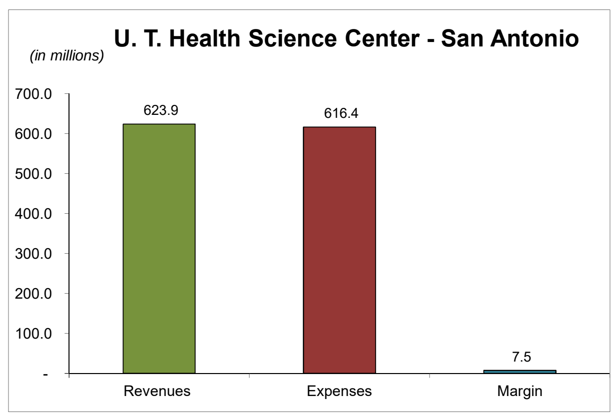


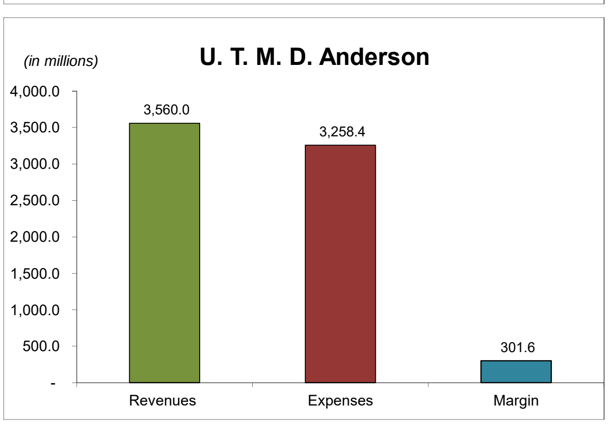


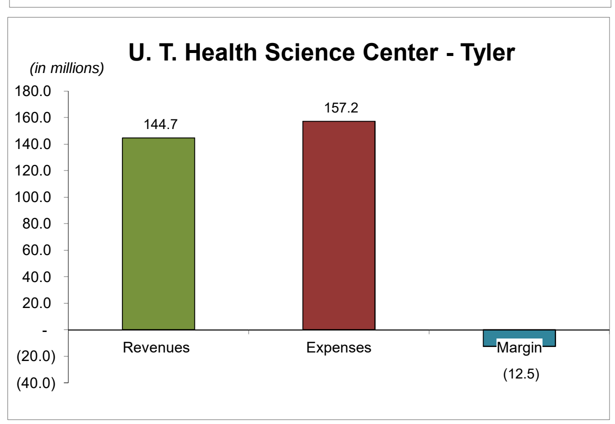






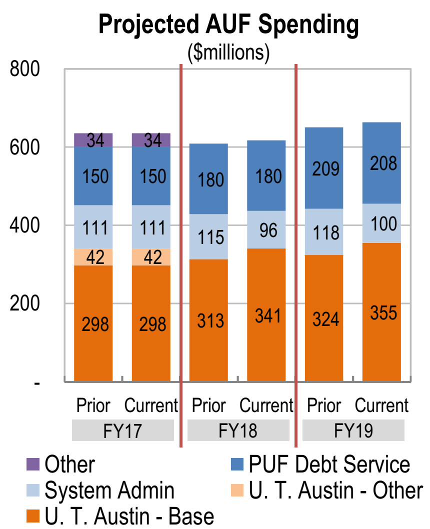


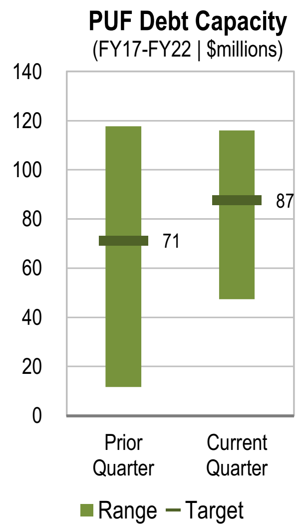




PUF / AUF / ILP Update
For Quarter Ending May 31, 2017

PUF / AUF

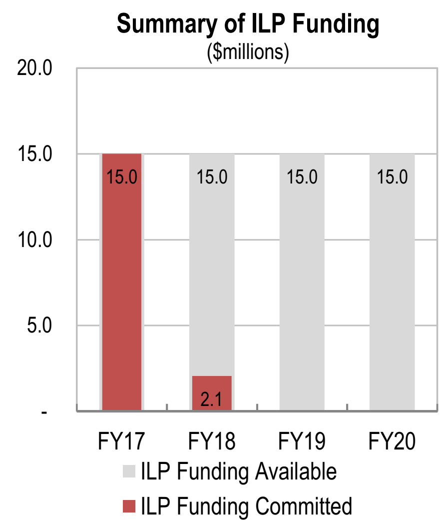




Changes to PUF/AUF Since Prior Quarter

- PUF investment returns outperformed projections (3.0% act vs 1.6% proj)
- PUF land receipts of $168M exceeded projection of $125M
- Funding for U. T. Austin has been increased to 53% of the AUF distribution for FY18 and FY19 as a result of Board action on July 13, 2017.
- System Administration for FY18 and FY19 estimated at 15% of AUF distribution.

ILP



Summary of FY 2017/2018 ILP Funding

FY17 ILP Available Funding:	$4,500,000
FY18 ILP Available Funding:	$15,000,000
Proposed ILP Funding Commitments:	
- Proof-of-Concept Fund	($5,000,000)
- Turnaround Partnerships	($700,000)
- National Security Program	($500,000)
- Regents Employee Awards	($350,000)
Remaining FY18 ILP Available	$12,950,000

PUF - Permanent University Fund
AUF - Available University Fund
ILP - Internal Lending Program

THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2017

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 TEN MONTHS ENDING

June 30, 2017

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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.

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UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,446,418,051.61	1,356,845,711.60	89,572,340.01	6.6%
Sponsored Programs	2,651,554,016.85	2,561,729,464.35	89,824,552.50	3.5%
Net Sales and Services of Educational Activities	536,046,105.16	520,643,813.52	15,402,291.64	3.0%
Net Sales and Services of Hospitals	4,802,970,267.91	4,470,720,114.49	332,250,153.42	7.4%
Net Professional Fees	1,497,900,300.46	1,384,778,958.24	113,121,342.22	8.2%
Net Auxiliary Enterprises	547,438,980.58	513,083,389.50	34,355,591.08	6.7%
Other Operating Revenues	435,975,341.76	408,514,421.54	27,460,920.22	6.7%
Total Operating Revenues	**11,918,303,064.33**	**11,216,315,873.24**	**701,987,191.09**	**6.3%**
Operating Expenses				
Salaries and Wages	7,037,841,523.73	6,692,063,670.09	345,777,853.64	5.2%
Payroll Related Costs	1,946,149,215.04	1,817,549,048.28	128,600,166.76	7.1%
Membership Dues	23,253,233.04	-	23,253,233.04	100.0%
Registration Fees/Meetings/Conferences	53,007,072.97	-	53,007,072.97	100.0%
Cost of Goods Sold	129,256,857.98	123,228,672.13	6,028,185.85	4.9%
Professional Fees and Services	421,314,075.17	451,624,232.73	(30,310,157.56)	-6.7%
Other Contracted Services	693,485,351.22	680,303,051.13	13,182,300.09	1.9%
Fees and Other Charges	52,248,500.09	-	52,248,500.09	100.0%
Travel	128,524,458.46	120,900,101.41	7,624,357.05	6.3%
Materials and Supplies	1,571,321,377.59	1,473,709,284.08	97,612,093.51	6.6%
Utilities	241,347,663.23	232,256,917.98	9,090,745.25	3.9%
Communications	86,767,476.62	93,937,600.05	(7,170,123.43)	-7.6%
Repairs and Maintenance	263,328,212.46	267,166,584.62	(3,838,372.16)	-1.4%
Rentals and Leases	146,192,562.62	140,944,790.11	5,247,772.51	3.7%
Printing and Reproduction	31,933,631.07	31,058,697.67	874,933.40	2.8%
Royalty Payments	14,098,372.08	-	14,098,372.08	100.0%
Bad Debt Expense	950,201.22	859,986.97	90,214.25	10.5%
Impairment of Capital Assets	11,797,588.77	-	11,797,588.77	100.0%
Insurance Costs/Premiums	68,966,922.06	-	68,966,922.06	100.0%
Claims and Losses	23,559,575.36	9,787,714.72	13,771,860.64	140.7%
Increase in Net OPEB Obligation	589,191,811.67	555,702,212.50	33,489,599.17	6.0%
Pension Expense	208,605,327.50	177,412,306.22	31,193,021.28	17.6%
Scholarships and Fellowships	336,183,840.17	307,502,856.84	28,680,983.33	9.3%
Depreciation and Amortization	1,145,692,384.61	1,075,770,638.80	69,921,745.81	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	20,309,850.35	23,606,679.35	(3,296,829.00)	-14.0%
State Sponsored Program Pass-Through to Other State Agencies	4,103,484.19	12,429,968.98	(8,326,484.79)	-67.0%
Other Operating Expenses	186,373,883.08	366,238,031.82	(179,864,148.74)	-49.1%
Total Operating Expenses	**15,435,804,452.35**	**14,654,053,046.48**	**781,751,405.87**	**5.3%**
Operating Loss	**(3,517,501,388.02)**	**(3,437,737,173.24)**	**(79,764,214.78)**	**-2.3%**
Other Nonoperating Adjustments				
State Appropriations	1,923,931,146.29	1,871,539,990.28	52,391,156.01	2.8%
Nonexchange Sponsored Programs	248,424,486.74	270,763,894.86	(22,339,408.12)	-8.3%
Gift Contributions for Operations	353,013,335.96	375,958,723.60	(22,945,387.64)	-6.1%
Net Investment Income	935,643,333.12	783,400,339.05	152,242,994.07	19.4%
Interest Expense on Capital Asset Financings	(298,213,014.51)	(226,728,889.70)	(71,484,124.81)	-31.5%
Net Other Nonoperating Adjustments	**3,162,799,287.60**	**3,074,934,058.09**	**87,865,229.51**	**2.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(354,702,100.42)**	**(362,803,115.15)**	**8,101,014.73**	**2.2%**
Adjusted Margin % including Depreciation & Amortization	**-2.3%**	**-2.5%**		
Investment Gain (Losses)	2,913,721,395.47	(531,198,486.89)	3,444,919,882.36	648.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,559,019,295.05**	**(894,001,602.04)**	**3,453,020,897.09**	**386.2%**
Adj. Margin % with Investment Gains (Losses)	**14.0%**	**-6.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**790,990,284.19**	**712,967,523.65**	**78,022,760.54**	**10.9%**
Adjusted Margin % excluding Depreciation & Amortization	**5.1%**	**4.9%**		

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The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2017

	Including Depreciation and Amortization Expense					
	June Year-to-Date FY 2017		June Year-to-Date FY 2016	Variance		Fluctuation Percentage
U. T. System Administration	$ (614,866,048.23)	(1)	$ (595,482,163.16)	(19,383,885.07)		-3.3%
U. T. Arlington	32,670,698.93		19,222,351.13	13,448,347.80	(2)	70.0%
U. T. Austin	89,786,932.90		144,059,867.85	(54,272,934.95)	(3)	-37.7%
U. T. Dallas	(13,229,328.59)		2,435,976.57	(15,665,305.16)	(4)	-643.1%
U. T. El Paso	(16,220,029.39)		(12,283,031.32)	(3,936,998.07)	(5)	-32.1%
U. T. Permian Basin	(1,595,285.44)		(3,655,484.29)	2,060,198.85	(6)	56.4%
U. T. Rio Grande Valley	11,287,529.77		14,043,876.70	(2,756,346.93)		-19.6%
U. T. San Antonio	(13,039,935.00)	(7)	(12,216,400.11)	(823,534.89)		-6.7%
U. T. Tyler	(2,026,613.36)		(8,105,141.33)	6,078,527.97	(8)	75.0%
U. T. Southwestern Medical Center	114,362,830.01		155,885,188.76	(41,522,358.75)	(9)	-26.6%
U. T. Medical Branch - Galveston	2,957,411.16		(7,593,221.53)	10,550,632.69	(10)	138.9%
U. T. Health Science Center - Houston	3,110,237.58		72,325,869.22	(69,215,631.64)	(11)	-95.7%
U. T. Health Science Center - San Antonio	1,900,633.25		9,244,313.15	(7,343,679.90)	(12)	-79.4%
U. T. M. D. Anderson Cancer Center	356,388,452.68		121,828,790.13	234,559,662.55	(13)	192.5%
U. T. Health Science Center - Tyler	(13,487,529.26)		(7,477,217.75)	(6,010,311.51)	(14)	-80.4%
Elimination of AUF Transfer	(292,702,057.43)		(255,036,689.17)	(37,665,368.26)		-14.8%
Total Adjusted Income (Loss)	(354,702,100.42)		(362,803,115.15)	8,101,014.73		2.2%
Investment Gains (Losses)	2,913,721,395.47		(531,198,486.89)	3,444,919,882.36		648.5%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 2,559,019,295.05**		**$ (894,001,602.04)**	**$ 3,453,020,897.09**		**386.2%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
U. T. System Administration	$ (599,469,564.28)	$ (580,634,729.96)	(18,834,834.32)	-3.2%
U. T. Arlington	73,943,358.94	57,394,811.77	16,548,547.17	28.8%
U. T. Austin	320,620,266.23	350,309,867.85	(29,689,601.62)	-8.5%
U. T. Dallas	47,969,653.10	55,420,976.57	(7,451,323.47)	-13.4%
U. T. El Paso	9,302,933.92	13,790,640.48	(4,487,706.56)	-32.5%
U. T. Permian Basin	10,046,577.17	7,982,015.71	2,064,561.46	25.9%
U. T. Rio Grande Valley	43,521,321.43	45,483,442.89	(1,962,121.46)	-4.3%
U. T. San Antonio	27,042,670.20	27,600,322.06	(557,651.86)	-2.0%
U. T. Tyler	10,181,226.64	3,982,977.61	6,198,249.03	155.6%
U. T. Southwestern Medical Center	251,162,383.46	287,914,047.91	(36,751,664.45)	-12.8%
U. T. Medical Branch - Galveston	125,719,926.84	95,814,199.46	29,905,727.38	31.2%
U. T. Health Science Center - Houston	54,392,238.31	123,739,740.19	(69,347,501.88)	-56.0%
U. T. Health Science Center - San Antonio	45,233,966.58	53,410,979.82	(8,177,013.24)	-15.3%
U. T. M. D. Anderson Cancer Center	667,508,364.78	424,241,434.35	243,266,930.43	57.3%
U. T. Health Science Center - Tyler	(3,482,981.70)	1,553,486.71	(5,036,468.41)	-324.2%
Elimination of AUF Transfer	(292,702,057.43)	(255,036,689.17)	(37,665,368.26)	-14.8%
Total Adjusted Income (Loss)	790,990,284.19	712,967,523.65	78,022,760.54	10.9%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 790,990,284.19**	**$ 712,967,523.65**	**$ 78,022,760.54**	**10.9%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2017

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 $614.9 million primarily as a result of an accrual of $589.2 million for other postemployment benefits (OPEB) expense and an accrual of $208.6 million for pension expense for the entire *U. T. System* for the first ten months of 2017. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $599.5 million or -118.5% of revenues. *U. T. System Administration* anticipates ending the year with a $780.3 million loss, -138.6% of projected revenues, which includes $18.8 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 $13.4 million (70.0%) increase in adjusted income over the same period last year was primarily attributable to an increase in net tuition and fees as a result of increased enrollment and increased tuition rates. Net investment income, which was understated in the prior year, also contributed to the increase. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was $73.9 million or 13.7% of revenues.

(3) *U. T. Austin* - The $54.3 million (37.7%) 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 were the following: an increase in depreciation and amortization expense resulting from new buildings and equipment related to the Dell Medical School; an increase in other contracted services due to costs related to the hiring of a new baseball coach, the cancellation of the agreement with Aspire Marketing, and increased expenses related to the Administrative Systems Modernization Program project; and an increase in materials and supplies primarily driven by furniture and equipment purchases for the Dell Medical School, a wireless access point upgrade initiative, and the *U. T. System* IT Assessment payment made in June 2017 as compared to August of the prior year. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $320.6 million or 12.9% of revenues.

(4) *U. T. Dallas* - The $15.7 million (643.1%) 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 $13.2 million. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $48.0 million or 9.4% of revenues. *U. T. Dallas* anticipates ending the year with a $16.3 million loss, -2.6% of projected revenues, which includes $73.4 million of depreciation and amortization expense.

(5) *U. T. El Paso* - The $3.9 million (32.1%) increase in adjusted loss over the same period last year was largely attributable to an increase in salaries and wages and payroll related costs due to a 2% merit increase for faculty and staff implemented in 2017, and an increase in professional fees and services as a result of a current year accrual which was not recorded in the prior year. As a result, *U. T. El Paso* incurred a year-to-date loss of $16.2 million. Other factors contributing to the year-to-date loss include the following: an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs; and an increase in interest expense on capital asset financings. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $9.3 million or 2.7% of revenues. *U. T. El Paso* anticipates ending the year with a $17.9 million loss, -4.2% of projected revenues, which includes $32.0 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, a freeze on all non-academic travel, mandatory departmental budget cuts, restrictions on the purchase of equipment and capital assets, utility savings efforts, and other cost savings measures.

(6) *U. T. Permian Basin* - The $2.1 million (56.4%) decrease in adjusted loss over the same period last year was primarily attributable to an increase in nonexchange sponsored programs as a result of a portion of the prior year Pell Grant funding not being drawn until 2017. Despite the decrease in adjusted loss, *U. T. Permian Basin* still incurred a year-to-date loss of $1.6 million primarily attributable to the following: an increase in salaries and wages to accommodate enrollment growth combined with a 2% salary increase; an increase in payroll related costs due to rising premium sharing costs; 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 $10.0 million or 13.3% of revenues. *U. T. Permian Basin* anticipates ending the year with a $1.0 million loss, -1.2% of projected revenues, which includes $14.8 million of depreciation and amortization expense.

(7) *U. T. San Antonio* incurred a year-to-date loss of $13.0 million primarily due to the following: an increase in salaries and wages and payroll related costs; an increase in repairs and maintenance due to maintenance performed on various classrooms, grounds and vehicles; an increase in utilities due to rate increases in electricity and water, as well as increased water usage; a decrease in net investment income; 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. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $27.0 million or 6.2% of revenues. *U. T. San Antonio* anticipates ending the year with a $15.9

million loss, -3.0% of projected revenues, which includes $48.1 million of depreciation and amortization expense.

(8) *U. T. Tyler* - The $6.1 million (75.0%) decrease in adjusted loss over the same period last year was primarily due to an increase in net student tuition and fees as a result of increased enrollment and designated tuition rates. Net sales and services of educational activities also increased as a result of pharmacy revenue now including the second year student cohort. Finally, state appropriations increased as a result of increased Tuition Revenue Bonds authorized by the Texas Legislature. Despite the decrease in adjusted loss, *U. T. Tyler* still incurred a year-to-date loss of $2.0 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; and additional pharmacy start-up costs. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $10.2 million or 8.5% of revenues. *U. T. Tyler* anticipates ending the year with a $4.0 million loss, -2.8% of projected revenues, which includes $14.6 million of depreciation and amortization expense.

(9) *U. T. Southwestern Medical Center* - The $41.5 million (26.6%) 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 number of large gifts received in 2016 with no such comparable gifts in 2017. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $251.2 million or 10.5% of revenues.

(10) *U. T. Medical Branch – Galveston* - The $10.6 million (138.9%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals and net professional fees as a result of growth in private prison contract revenue and a 7.1% increase in Work Relative Value Units in the practice plan. Although *UTMB* is currently reporting a positive margin of $3.0 million, *UTMB* conservatively anticipates ending the year with a $7.2 million loss, -0.3% of projected revenues, which includes $151.4 million of depreciation and amortization expense. The conservative projected loss is primarily attributable to the following: a decrease in projected revenue accruals for Delivery System Reform Incentive Payments (DSRIP) projects; an increase in salaries and wages and payroll related costs in part driven by faculty hires in July and August who will be in a revenue ramp-up during this period; an increase in depreciation and amortization related to capital asset purchases anticipated in the last two months of the year; and an increase in cost of goods sold largely due to increased pharmacy costs. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $125.7 million or 7.3% of revenues.

(11) *U. T. Health Science Center – Houston* – The $69.2 million (95.7%) 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. Other operating revenues also decreased primarily due to the timing of DSRIP revenue recognition. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $54.4 million or 4.1% of revenues.

(12) *U. T. Health Science Center – San Antonio* – The $7.3 million (79.4%) 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 $45.2 million or 6.5% of revenues.

(13) *U. T. M. D. Anderson Cancer Center* – The $234.6 million (192.5%) increase in adjusted income over the same period last year was primarily attributable to the following: an increase in net sales and services of hospitals due to an increase in inpatient and outpatient activity; and an increase in net investment income. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $667.5 million or 16.8% of revenues.

(14) *U. T. Health Science Center – Tyler* - The $6.0 million (80.4%) increase in adjusted loss over the same period last year was primarily due to *UTHSC-Tyler* recognizing $6.1 million less in DSRIP revenue as compared to the prior year, as well as 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 also increased due to higher usage levels of contracted physician services, new contractual expenses related to the Northeast Texas Consortium (NETnet) community college subcontract and increased expenses for maintenance of NETnet operations. Depreciation and amortization expense also increased contributing to the unfavorable variance. In addition, *UTHSC-Tyler* recorded a one-time charge of $1.3 million to account for a current year recoupment attributed to a 2011 Medicare claims outlier review. As a result of these factors, *UTHSC-Tyler* incurred a year-to-date loss of $13.5 million. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted loss was $3.5 million or -2.2% of revenues. *UTHSC-Tyler* anticipates ending the year with a $4.7 million loss primarily as a result of ongoing expense reduction initiatives, continued growth in clinical services with a corresponding increase in net patient revenues, and additional DSRIP and sponsored programs revenue recognized once metrics and deliverables are fully achieved. The projected loss of $4.7 million represents -2.3% of projected revenues and includes $12.0 million of depreciation and amortization expense.

GLOSSARY OF TERMS

<u>OPERATING REVENUES</u>:

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.

<u>OPERATING EXPENSES</u>:

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 <u>not</u> 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 <u>not</u> 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.

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UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	22,034,293.65	20,149,437.60	1,884,856.05	9.4%
Net Sales and Services of Educational Activities	29,566,919.94	38,130,169.32	(8,563,249.38)	-22.5%
Other Operating Revenues	81,729,846.92	48,101,389.10	33,628,457.82	69.9%
Total Operating Revenues	**133,331,060.51**	**106,380,996.02**	**26,950,064.49**	**25.3%**
Operating Expenses				
Salaries and Wages	67,411,354.05	53,991,652.99	13,419,701.06	24.9%
Payroll Related Costs	14,993,488.25	12,376,886.27	2,616,601.98	21.1%
Membership Dues	540,262.41	-	540,262.41	100.0%
Registration Fees/Meetings/Conferences	452,357.68	-	452,357.68	100.0%
Professional Fees and Services	11,475,146.15	11,846,312.14	(371,165.99)	-3.1%
Other Contracted Services	31,921,173.25	22,224,778.93	9,696,394.32	43.6%
Fees and Other Charges	95,789.22	-	95,789.22	100.0%
Travel	1,531,663.22	1,375,859.17	155,804.05	11.3%
Materials and Supplies	10,877,146.05	13,800,061.26	(2,922,915.21)	-21.2%
Utilities	466,358.64	309,586.53	156,772.11	50.6%
Communications	5,933,758.92	6,341,504.95	(407,746.03)	-6.4%
Repairs and Maintenance	7,693,294.14	21,373,774.51	(13,680,480.37)	-64.0%
Rentals and Leases	6,262,235.75	4,791,446.42	1,470,789.33	30.7%
Printing and Reproduction	332,103.56	1,139,031.02	(806,927.46)	-70.8%
Impairment of Capital Assets	11,797,588.77	-	11,797,588.77	100.0%
Insurance Costs/Premiums	26,127,630.38	-	26,127,630.38	100.0%
Claims and Losses	23,559,575.36	9,787,714.72	13,771,860.64	140.7%
Increase in Net OPEB Obligation	589,191,811.67	555,702,212.50	33,489,599.17	6.0%
Pension Expense	208,605,327.50	177,412,306.22	31,193,021.28	17.6%
Scholarships and Fellowships	962,823.91	841,212.97	121,610.94	14.5%
Depreciation and Amortization	15,396,483.95	14,847,433.20	549,050.75	3.7%
State Sponsored Program Pass-Through to Other State Agencies	1,909,861.07	1,951,830.12	(41,969.05)	-2.2%
Other Operating Expenses	3,464,577.44	19,855,457.54	(16,390,880.10)	-82.6%
Total Operating Expenses	**1,041,001,811.34**	**929,969,061.46**	**111,032,749.88**	**11.9%**
Operating Loss	**(907,670,750.83)**	**(823,588,065.44)**	**(84,082,685.39)**	**-10.2%**
Other Nonoperating Adjustments				
State Appropriations	2,098,617.69	2,279,901.11	(181,283.42)	-8.0%
Nonexchange Sponsored Programs	15,774,667.24	15,857,960.30	(83,293.06)	-0.5%
Gift Contributions for Operations	1,013,746.37	1,703,314.57	(689,568.20)	-40.5%
Net Investment Income	261,011,726.19	171,810,247.85	89,201,478.34	51.9%
Interest Expense on Capital Asset Financings	(79,925,272.39)	(49,594,912.38)	(30,330,360.01)	-61.2%
Net Other Nonoperating Adjustments	**199,973,485.10**	**142,056,511.45**	**57,916,973.65**	**40.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(707,697,265.73)**	**(681,531,553.99)**	**(26,165,711.74)**	**-3.8%**
Adjusted Margin % including Depreciation & Amortization	**-171.3%**	**-228.7%**		
Available University Fund Transfer	92,831,217.50	86,049,390.83	6,781,826.67	7.9%
Adjusted Income (Loss) with AUF Transfer	**(614,866,048.23)**	**(595,482,163.16)**	**(19,383,885.07)**	**-3.3%**
Adjusted Margin % with AUF Transfer	**-121.5%**	**-155.0%**		
Investment Gain (Losses)	2,278,735,919.07	(136,003,354.36)	2,414,739,273.43	1,775.5%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$1,663,869,870.84**	**(731,485,517.52)**	**$2,395,355,388.36**	**327.5%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**59.7%**	**-294.9%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(599,469,564.28)**	**(580,634,729.96)**	**(18,834,834.32)**	**-3.2%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-118.5%**	**-151.2%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	236,126,088.26	204,320,488.30	31,805,599.96	15.6%
Sponsored Programs	58,997,129.42	56,898,535.96	2,098,593.46	3.7%
Net Sales and Services of Educational Activities	16,937,141.74	16,887,160.11	49,981.63	0.3%
Net Auxiliary Enterprises	36,459,597.49	35,123,398.55	1,336,198.94	3.8%
Other Operating Revenues	10,791,600.57	8,435,353.06	2,356,247.51	27.9%
Total Operating Revenues	**359,311,557.48**	**321,664,935.98**	**37,646,621.50**	**11.7%**
Operating Expenses				
Salaries and Wages	227,606,024.58	218,643,723.19	8,962,301.39	4.1%
Payroll Related Costs	60,590,261.46	57,578,116.98	3,012,144.48	5.2%
Membership Dues	1,035,495.81	-	1,035,495.81	100.0%
Registration Fees/Meetings/Conferences	1,276,264.34	-	1,276,264.34	100.0%
Cost of Goods Sold	4,950.87	5,556.16	(605.29)	-10.9%
Professional Fees and Services	10,284,295.79	9,541,027.99	743,267.80	7.8%
Other Contracted Services	52,214,387.26	44,720,746.63	7,493,640.63	16.8%
Fees and Other Charges	768,860.04	-	768,860.04	100.0%
Travel	6,657,702.59	6,449,269.43	208,433.16	3.2%
Materials and Supplies	19,978,068.48	19,886,056.65	92,011.83	0.5%
Utilities	8,335,567.43	8,333,267.33	2,300.10	-
Communications	5,263,671.35	6,041,706.28	(778,034.93)	-12.9%
Repairs and Maintenance	9,258,077.56	6,915,296.80	2,342,780.76	33.9%
Rentals and Leases	2,661,170.19	3,121,319.19	(460,149.00)	-14.7%
Printing and Reproduction	2,609,637.12	2,254,209.92	355,427.20	15.8%
Royalty Payments	204,441.66	-	204,441.66	100.0%
Bad Debt Expense	166,304.87	219,709.58	(53,404.71)	-24.3%
Insurance Costs/Premiums	702,722.94	-	702,722.94	100.0%
Scholarships and Fellowships	29,687,642.99	27,328,264.27	2,359,378.72	8.6%
Depreciation and Amortization	41,272,660.01	38,172,460.04	3,100,199.97	8.1%
Federal Sponsored Program Pass-Through to Other State Agencies	5,216,021.55	4,602,433.77	613,587.78	13.3%
State Sponsored Program Pass-Through to Other State Agencies	126,781.32	131,401.79	(4,620.47)	-3.5%
Other Operating Expenses	9,082,495.68	10,879,175.54	(1,796,679.86)	-16.5%
Total Operating Expenses	**495,003,505.89**	**464,823,741.54**	**30,179,764.35**	**6.5%**
Operating Loss	**(135,691,948.41)**	**(143,158,805.56)**	**7,466,857.15**	**5.2%**
Other Nonoperating Adjustments				
State Appropriations	115,624,634.17	109,569,159.17	6,055,475.00	5.5%
Nonexchange Sponsored Programs	45,865,236.71	48,508,192.83	(2,642,956.12)	-5.4%
Gift Contributions for Operations	3,720,947.76	3,779,596.76	(58,649.00)	-1.6%
Net Investment Income	13,738,448.71	10,259,907.03	3,478,541.68	33.9%
Interest Expense on Capital Asset Financings	(10,586,620.00)	(9,735,699.10)	(850,920.90)	-8.7%
Net Other Nonoperating Adjustments	**168,362,647.35**	**162,381,156.69**	**5,981,490.66**	**3.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**32,670,698.94**	**19,222,351.13**	**13,448,347.81**	**70.0%**
Adjusted Margin % including Depreciation & Amortization	**6.1%**	**3.9%**		
Investment Gain (Losses)	11,915,554.60	(9,442,283.67)	21,357,838.27	226.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**44,586,253.54**	**9,780,067.46**	**34,806,186.08**	**355.9%**
Adj. Margin % with Investment Gains (Losses)	**8.1%**	**2.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**73,943,358.95**	**57,394,811.17**	**16,548,547.78**	**28.8%**
Adjusted Margin % excluding Depreciation & Amortization	**13.7%**	**11.6%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	408,333,333.33	401,666,666.67	6,666,666.66	1.7%
Sponsored Programs	474,591,751.10	460,394,126.24	14,197,624.86	3.1%
Net Sales and Services of Educational Activities	359,757,180.05	343,410,136.49	16,347,043.56	4.8%
Net Auxiliary Enterprises	297,536,979.64	276,044,284.43	21,492,695.21	7.8%
Other Operating Revenues	9,167,487.60	6,744,297.65	2,423,189.95	35.9%
Total Operating Revenues	**1,549,386,731.72**	**1,488,259,511.48**	**61,127,220.24**	**4.1%**
Operating Expenses				
Salaries and Wages	1,044,185,879.21	989,001,658.97	55,184,220.24	5.6%
Payroll Related Costs	305,996,705.90	284,007,297.33	21,989,408.57	7.7%
Membership Dues	2,899,430.57	-	2,899,430.57	100.0%
Registration Fees/Meetings/Conferences	26,534,617.10	-	26,534,617.10	100.0%
Cost of Goods Sold	20,913,239.35	21,811,887.87	(898,648.52)	-4.1%
Professional Fees and Services	32,446,492.67	32,261,629.77	184,862.90	0.6%
Other Contracted Services	151,360,354.72	135,900,060.69	15,460,294.03	11.4%
Fees and Other Charges	10,444,792.97	-	10,444,792.97	100.0%
Travel	37,864,369.62	35,124,267.94	2,740,101.68	7.8%
Materials and Supplies	122,438,662.74	108,482,713.40	13,955,949.34	12.9%
Utilities	77,650,070.60	72,775,705.20	4,874,365.40	6.7%
Communications	28,255,808.92	31,390,468.17	(3,134,659.25)	-10.0%
Repairs and Maintenance	52,768,731.72	55,101,357.17	(2,332,625.45)	-4.2%
Rentals and Leases	18,269,268.40	17,452,732.91	816,535.49	4.7%
Printing and Reproduction	7,257,329.65	7,308,997.23	(51,667.58)	-0.7%
Royalty Payments	5,398,290.53	-	5,398,290.53	100.0%
Bad Debt Expense	477,146.99	466,476.20	10,670.79	2.3%
Insurance Costs/Premiums	1,141,366.44	-	1,141,366.44	100.0%
Scholarships and Fellowships	116,666,666.67	100,000,000.00	16,666,666.67	16.7%
Depreciation and Amortization	230,833,333.33	206,250,000.00	24,583,333.33	11.9%
Federal Sponsored Program Pass-Through to Other State Agencies	2,686,209.37	2,925,196.28	(238,986.91)	-8.2%
State Sponsored Program Pass-Through to Other State Agencies	146,301.40	9,396,811.61	(9,250,510.21)	-98.4%
Other Operating Expenses	57,772,006.06	100,034,556.91	(42,262,550.85)	-42.2%
Total Operating Expenses	**2,354,407,074.93**	**2,209,691,817.65**	**144,715,257.28**	**6.5%**
Operating Loss	**(805,020,343.21)**	**(721,432,306.17)**	**(83,588,037.04)**	**-11.6%**
Other Nonoperating Adjustments				
State Appropriations	291,943,063.33	301,554,670.64	(9,611,607.31)	-3.2%
Nonexchange Sponsored Programs	35,835,577.43	36,666,666.67	(831,089.24)	-2.3%
Gift Contributions for Operations	129,468,490.94	122,036,294.25	7,432,196.69	6.1%
Net Investment Income	190,974,891.08	187,589,170.99	3,385,720.09	1.8%
Interest Expense on Capital Asset Financings	(46,116,804.10)	(37,391,317.70)	(8,725,486.40)	-23.3%
Net Other Nonoperating Adjustments	**602,105,218.68**	**610,455,484.85**	**(8,350,266.17)**	**-1.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(202,915,124.53)**	**(110,976,821.32)**	**(91,938,303.21)**	**-82.8%**
Adjusted Margin % including Depreciation & Amortization	**-9.2%**	**-5.2%**		
Available University Fund Transfer	292,702,057.43	255,036,689.17	37,665,368.26	14.8%
Adjusted Income (Loss) with AUF Transfer	**89,786,932.90**	**144,059,867.85**	**(54,272,934.95)**	**-37.7%**
Adjusted Margin % with AUF Transfer	**3.6%**	**6.0%**		
Investment Gain (Losses)	205,343,263.01	(153,404,257.83)	358,747,520.84	233.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$295,130,195.91**	**(9,344,389.98)**	**$304,474,585.89**	**3,258.4%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**10.9%**	**-0.4%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**320,620,266.23**	**350,309,867.85**	**(29,689,601.62)**	**-8.5%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**12.9%**	**14.7%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	254,557,433.49	235,596,327.92	18,961,105.57	8.0%
Sponsored Programs	51,062,824.28	48,242,239.87	2,820,584.41	5.8%
Net Sales and Services of Educational Activities	17,966,689.43	15,653,006.84	2,313,682.59	14.8%
Net Auxiliary Enterprises	27,817,865.98	23,869,070.21	3,948,795.77	16.5%
Other Operating Revenues	4,386,263.89	3,877,926.79	508,337.10	13.1%
Total Operating Revenues	**355,791,077.07**	**327,238,571.63**	**28,552,505.44**	**8.7%**
Operating Expenses				
Salaries and Wages	249,111,308.89	236,974,525.63	12,136,783.26	5.1%
Payroll Related Costs	59,682,697.36	55,501,637.81	4,181,059.55	7.5%
Membership Dues	840,311.40	-	840,311.40	100.0%
Registration Fees/Meetings/Conferences	2,618,762.37	-	2,618,762.37	100.0%
Professional Fees and Services	8,066,988.13	8,191,943.95	(124,955.82)	-1.5%
Other Contracted Services	12,886,029.24	12,145,863.31	740,165.93	6.1%
Fees and Other Charges	1,014,921.76	-	1,014,921.76	100.0%
Travel	6,822,100.86	5,951,959.16	870,141.70	14.6%
Materials and Supplies	26,013,425.33	25,975,019.01	38,406.32	0.1%
Utilities	8,539,138.03	8,976,847.88	(437,709.85)	-4.9%
Communications	1,509,039.38	1,524,448.38	(15,409.00)	-1.0%
Repairs and Maintenance	6,893,635.96	5,559,538.86	1,334,097.10	24.0%
Rentals and Leases	6,441,965.26	6,416,669.51	25,295.75	0.4%
Printing and Reproduction	1,625,209.53	1,753,918.85	(128,709.32)	-7.3%
Royalty Payments	1,237,409.14	-	1,237,409.14	100.0%
Bad Debt Expense	53,200.00	-	53,200.00	100.0%
Insurance Costs/Premiums	9,401,859.09	-	9,401,859.09	100.0%
Scholarships and Fellowships	35,705,104.34	34,263,352.70	1,441,751.64	4.2%
Depreciation and Amortization	61,198,981.69	52,985,000.00	8,213,981.69	15.5%
Federal Sponsored Program Pass-Through to Other State Agencies	83,831.78	62,504.49	21,327.29	34.1%
State Sponsored Program Pass-Through to Other State Agencies	201,636.40	332,403.39	(130,766.99)	-39.3%
Other Operating Expenses	5,056,293.54	18,722,302.32	(13,666,008.78)	-73.0%
Total Operating Expenses	**505,003,849.48**	**475,337,935.25**	**29,665,914.23**	**6.2%**
Operating Loss	**(149,212,772.41)**	**(148,099,363.62)**	**(1,113,408.79)**	**-0.8%**
Other Nonoperating Adjustments				
State Appropriations	97,543,051.67	92,185,406.82	5,357,644.85	5.8%
Nonexchange Sponsored Programs	26,922,982.55	44,999,951.67	(18,076,969.12)	-40.2%
Gift Contributions for Operations	10,346,882.80	10,833,333.33	(486,450.53)	-4.5%
Net Investment Income	22,087,715.13	19,799,129.27	2,288,585.86	11.6%
Interest Expense on Capital Asset Financings	(20,917,188.33)	(17,282,480.90)	(3,634,707.43)	-21.0%
Net Other Nonoperating Adjustments	**135,983,443.82**	**150,535,340.19**	**(14,551,896.37)**	**-9.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(13,229,328.59)**	**2,435,976.57**	**(15,665,305.16)**	**-643.1%**
Adjusted Margin % including Depreciation & Amortization	**-2.6%**	**0.5%**		
Investment Gain (Losses)	19,982,968.20	(10,859,750.31)	30,842,718.51	284.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**6,753,639.61**	**(8,423,773.74)**	**15,177,413.35**	**180.2%**
Adj. Margin % with Investment Gains (Losses)	**1.3%**	**-1.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**47,969,653.10**	**55,420,976.57**	**(7,451,323.47)**	**-13.4%**
Adjusted Margin % excluding Depreciation & Amortization	**9.4%**	**11.2%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	99,651,830.00	95,484,695.95	4,167,134.05	4.4%
Sponsored Programs	73,487,419.96	70,921,977.57	2,565,442.39	3.6%
Net Sales and Services of Educational Activities	5,648,947.54	6,903,844.86	(1,254,897.32)	-18.2%
Net Auxiliary Enterprises	26,467,139.37	27,063,921.82	(596,782.45)	-2.2%
Other Operating Revenues	144,586.41	20,242.82	124,343.59	614.3%
Total Operating Revenues	**205,399,923.28**	**200,394,683.02**	**5,005,240.26**	**2.5%**
Operating Expenses				
Salaries and Wages	164,561,906.22	154,956,786.89	9,605,119.33	6.2%
Payroll Related Costs	44,278,505.53	42,409,287.19	1,869,218.34	4.4%
Membership Dues	728,450.45	-	728,450.45	100.0%
Registration Fees/Meetings/Conferences	630,999.94	-	630,999.94	100.0%
Professional Fees and Services	11,703,829.59	9,233,273.63	2,470,555.96	26.8%
Other Contracted Services	10,490,806.99	9,515,406.41	975,400.58	10.3%
Fees and Other Charges	2,938,529.75	-	2,938,529.75	100.0%
Travel	7,485,565.54	7,108,470.55	377,094.99	5.3%
Materials and Supplies	15,406,545.03	16,140,483.89	(733,938.86)	-4.5%
Utilities	7,263,107.10	7,064,339.13	198,767.97	2.8%
Communications	1,309,928.86	686,139.01	623,789.85	90.9%
Repairs and Maintenance	6,373,292.79	5,194,018.86	1,179,273.93	22.7%
Rentals and Leases	2,192,042.88	2,544,803.03	(352,760.15)	-13.9%
Printing and Reproduction	1,132,006.41	1,024,766.35	107,240.06	10.5%
Insurance Costs/Premiums	786,826.70	-	786,826.70	100.0%
Scholarships and Fellowships	44,122,004.97	46,329,552.65	(2,207,547.68)	-4.8%
Depreciation and Amortization	25,522,963.31	26,073,671.80	(550,708.49)	-2.1%
Federal Sponsored Program Pass-Through to Other State Agencies	802,999.52	4,657,733.12	(3,854,733.60)	-82.8%
State Sponsored Program Pass-Through to Other State Agencies	-	1,936.30	(1,936.30)	-100.0%
Other Operating Expenses	7,535,258.56	10,215,081.77	(2,679,823.21)	-26.2%
Total Operating Expenses	**355,265,570.14**	**343,155,750.58**	**12,109,819.56**	**3.5%**
Operating Loss	**(149,865,646.86)**	**(142,761,067.56)**	**(7,104,579.30)**	**-5.0%**
Other Nonoperating Adjustments				
State Appropriations	96,810,205.67	92,157,304.67	4,652,901.00	5.0%
Nonexchange Sponsored Programs	28,926,727.90	28,643,370.45	283,357.45	1.0%
Gift Contributions for Operations	6,687,759.27	5,352,157.82	1,335,601.45	25.0%
Net Investment Income	11,308,163.83	10,309,691.80	998,472.03	9.7%
Interest Expense on Capital Asset Financings	(10,087,239.20)	(5,984,488.50)	(4,102,750.70)	-68.6%
Net Other Nonoperating Adjustments	**133,645,617.47**	**130,478,036.24**	**3,167,581.23**	**2.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(16,220,029.39)**	**(12,283,031.32)**	**(3,936,998.07)**	**-32.1%**
Adjusted Margin % including Depreciation & Amortization	**-4.6%**	**-3.6%**		
Investment Gain (Losses)	13,628,726.40	(9,209,314.30)	22,838,040.70	248.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,591,302.99)**	**(21,492,345.62)**	**18,901,042.63**	**87.9%**
Adj. Margin % with Investment Gains (Losses)	**-0.7%**	**-6.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**9,302,933.92**	**13,790,640.48**	**(4,487,706.56)**	**-32.5%**
Adjusted Margin % excluding Depreciation & Amortization	**2.7%**	**4.1%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	15,656,700.24	15,296,149.03	360,551.21	2.4%
Sponsored Programs	9,003,490.08	7,151,822.61	1,851,667.47	25.9%
Net Sales and Services of Educational Activities	1,489,817.26	1,603,851.80	(114,034.54)	-7.1%
Net Auxiliary Enterprises	6,469,563.27	4,553,988.91	1,915,574.36	42.1%
Other Operating Revenues	304,437.24	362,745.38	(58,308.14)	-16.1%
Total Operating Revenues	**32,924,008.09**	**28,968,557.73**	**3,955,450.36**	**13.7%**
Operating Expenses				
Salaries and Wages	29,401,573.07	27,514,046.93	1,887,526.14	6.9%
Payroll Related Costs	8,192,183.37	7,277,950.61	914,232.76	12.6%
Membership Dues	178,254.62	-	178,254.62	100.0%
Registration Fees/Meetings/Conferences	125,879.86	-	125,879.86	100.0%
Cost of Goods Sold	-	6,576.34	(6,576.34)	-100.0%
Professional Fees and Services	3,042,881.46	2,475,395.46	567,486.00	22.9%
Other Contracted Services	4,287,017.38	2,792,513.76	1,494,503.62	53.5%
Fees and Other Charges	19,099.47	-	19,099.47	100.0%
Travel	1,600,124.59	1,259,939.38	340,185.21	27.0%
Materials and Supplies	4,164,648.10	4,025,356.39	139,291.71	3.5%
Utilities	2,173,405.98	1,879,362.57	294,043.41	15.6%
Communications	383,031.18	574,551.94	(191,520.76)	-33.3%
Repairs and Maintenance	887,580.21	82,149.34	805,430.87	980.4%
Rentals and Leases	775,089.06	524,927.12	250,161.94	47.7%
Printing and Reproduction	88,276.47	143,037.02	(54,760.55)	-38.3%
Royalty Payments	840.00	-	840.00	100.0%
Bad Debt Expense	1,898.85	-	1,898.85	100.0%
Insurance Costs/Premiums	175,011.93	-	175,011.93	100.0%
Scholarships and Fellowships	3,432,002.31	4,707,043.96	(1,275,041.65)	-27.1%
Depreciation and Amortization	11,641,862.61	11,637,500.00	4,362.61	-
Federal Sponsored Program Pass-Through to Other State Agencies	(45,152.53)	(32,102.71)	(13,049.82)	-40.7%
Other Operating Expenses	482,035.37	1,206,061.55	(724,026.18)	-60.0%
Total Operating Expenses	**71,007,543.36**	**66,074,309.66**	**4,933,233.70**	**7.5%**
Operating Loss	**(38,083,535.27)**	**(37,105,751.93)**	**(977,783.34)**	**-2.6%**
Other Nonoperating Adjustments				
State Appropriations	31,918,500.00	28,395,616.29	3,522,883.71	12.4%
Nonexchange Sponsored Programs	6,936,698.30	4,366,583.01	2,570,115.29	58.9%
Gift Contributions for Operations	2,066,786.94	2,246,454.13	(179,667.19)	-8.0%
Net Investment Income	1,807,335.99	2,959,683.11	(1,152,347.12)	-38.9%
Interest Expense on Capital Asset Financings	(6,241,071.40)	(4,518,068.90)	(1,723,002.50)	-38.1%
Net Other Nonoperating Adjustments	**36,488,249.83**	**33,450,267.64**	**3,037,982.19**	**9.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,595,285.44)**	**(3,655,484.29)**	**2,060,198.85**	**56.4%**
Adjusted Margin % including Depreciation & Amortization	**-2.1%**	**-5.5%**		
Investment Gain (Losses)	2,182,382.11	(1,943,630.98)	4,126,013.09	212.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**587,096.67**	**(5,599,115.27)**	**6,186,211.94**	**110.5%**
Adj. Margin % with Investment Gains (Losses)	**0.8%**	**-8.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**10,046,577.17**	**7,982,015.71**	**2,064,561.46**	**25.9%**
Adjusted Margin % excluding Depreciation & Amortization	**13.3%**	**11.9%**		

UNAUDITED

The University of Texas Rio Grande Valley
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	97,146,848.46	90,759,370.29	6,387,478.17	7.0%
Sponsored Programs	74,982,909.71	71,491,495.83	3,491,413.88	4.9%
Net Sales and Services of Educational Activities	6,010,201.94	4,467,469.85	1,542,732.09	34.5%
Net Professional Fees	(15,997.41)	409,100.28	(425,097.69)	-103.9%
Net Auxiliary Enterprises	8,546,045.45	8,646,767.91	(100,722.46)	-1.2%
Other Operating Revenues	24,724,802.83	10,853,151.12	13,871,651.71	127.8%
Total Operating Revenues	**211,394,810.98**	**186,627,355.28**	**24,767,455.70**	**13.3%**
Operating Expenses				
Salaries and Wages	181,014,441.29	167,752,763.88	13,261,677.41	7.9%
Payroll Related Costs	53,688,560.33	49,012,402.35	4,676,157.98	9.5%
Membership Dues	904,344.26	-	904,344.26	100.0%
Registration Fees/Meetings/Conferences	692,615.16	-	692,615.16	100.0%
Cost of Goods Sold	209,469.96	280,032.83	(70,562.87)	-25.2%
Professional Fees and Services	1,640,839.08	4,510,904.58	(2,870,065.50)	-63.6%
Other Contracted Services	16,756,521.41	8,409,612.45	8,346,908.96	99.3%
Fees and Other Charges	3,455,646.49	-	3,455,646.49	100.0%
Travel	6,753,736.57	5,625,235.96	1,128,500.61	20.1%
Materials and Supplies	16,097,459.14	13,543,824.90	2,553,634.24	18.9%
Utilities	6,483,571.56	6,475,305.02	8,266.54	0.1%
Communications	479,867.07	677,703.82	(197,836.75)	-29.2%
Repairs and Maintenance	4,854,011.50	4,157,204.24	696,807.26	16.8%
Rentals and Leases	4,250,894.46	4,114,202.59	136,691.87	3.3%
Printing and Reproduction	594,552.51	631,528.26	(36,975.75)	-5.9%
Royalty Payments	25,000.00	-	25,000.00	100.0%
Bad Debt Expense	78,374.88	4,700.38	73,674.50	1,567.4%
Insurance Costs/Premiums	778,644.89	-	778,644.89	100.0%
Scholarships and Fellowships	35,887,881.56	35,126,868.38	761,013.18	2.2%
Depreciation and Amortization	32,233,791.66	31,439,566.19	794,225.47	2.5%
Federal Sponsored Program Pass-Through to Other State Agencies	484,775.68	278,927.38	205,848.30	73.8%
Other Operating Expenses	4,599,157.92	8,300,486.47	(3,701,328.55)	-44.6%
Total Operating Expenses	**371,964,157.38**	**340,341,269.68**	**31,622,887.70**	**9.3%**
Operating Loss	**(160,569,346.40)**	**(153,713,914.40)**	**(6,855,432.00)**	**-4.5%**
Other Nonoperating Adjustments				
State Appropriations	132,081,802.50	125,581,504.17	6,500,298.33	5.2%
Nonexchange Sponsored Programs	34,828,529.77	35,887,955.49	(1,059,425.72)	-3.0%
Gift Contributions for Operations	4,968,736.53	4,562,768.10	405,968.43	8.9%
Net Investment Income	7,485,141.91	6,990,433.14	494,708.77	7.1%
Interest Expense on Capital Asset Financings	(7,507,334.54)	(5,264,869.80)	(2,242,464.74)	-42.6%
Net Other Nonoperating Adjustments	**171,856,876.17**	**167,757,791.10**	**4,099,085.07**	**2.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**11,287,529.77**	**14,043,876.70**	**(2,756,346.93)**	**-19.6%**
Adjusted Margin % including Depreciation & Amortization	**2.9%**	**3.9%**		
Investment Gain (Losses)	2,952,398.77	(1,215,513.66)	4,167,912.43	342.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,239,928.54**	**12,828,363.04**	**1,411,565.50**	**11.0%**
Adj. Margin % with Investment Gains (Losses)	**3.6%**	**3.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**43,521,321.43**	**45,483,442.89**	**(1,962,121.46)**	**-4.3%**
Adjusted Margin % excluding Depreciation & Amortization	**11.1%**	**12.6%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	160,797,555.64	154,058,526.17	6,739,029.47	4.4%
Sponsored Programs	62,958,846.60	52,375,225.68	10,583,620.92	20.2%
Net Sales and Services of Educational Activities	11,058,494.41	11,820,005.80	(761,511.39)	-6.4%
Net Auxiliary Enterprises	37,268,316.59	35,522,553.72	1,745,762.87	4.9%
Other Operating Revenues	3,642,454.18	3,507,002.89	135,451.29	3.9%
Total Operating Revenues	**275,725,667.42**	**257,283,314.26**	**18,442,353.16**	**7.2%**
Operating Expenses				
Salaries and Wages	206,051,297.28	200,021,895.31	6,029,401.97	3.0%
Payroll Related Costs	56,664,106.75	54,230,915.81	2,433,190.94	4.5%
Membership Dues	1,201,784.32	-	1,201,784.32	100.0%
Registration Fees/Meetings/Conferences	996,551.30	-	996,551.30	100.0%
Cost of Goods Sold	391,776.98	81,531.14	310,245.84	380.5%
Professional Fees and Services	7,242,997.54	5,672,276.21	1,570,721.33	27.7%
Other Contracted Services	10,783,139.90	13,268,000.74	(2,484,860.84)	-18.7%
Fees and Other Charges	1,364,227.31	-	1,364,227.31	100.0%
Travel	10,200,978.49	8,938,849.78	1,262,128.71	14.1%
Materials and Supplies	21,360,677.47	23,986,550.69	(2,625,873.22)	-10.9%
Utilities	11,168,405.00	9,144,103.11	2,024,301.89	22.1%
Communications	3,026,361.39	3,189,693.77	(163,332.38)	-5.1%
Repairs and Maintenance	9,281,861.32	6,329,386.22	2,952,475.10	46.6%
Rentals and Leases	1,674,373.04	1,856,857.82	(182,484.78)	-9.8%
Printing and Reproduction	1,436,724.12	1,040,953.82	395,770.30	38.0%
Royalty Payments	4,166.67	-	4,166.67	100.0%
Bad Debt Expense	173,275.63	169,100.81	4,174.82	2.5%
Insurance Costs/Premiums	347,256.26	-	347,256.26	100.0%
Scholarships and Fellowships	42,960,651.79	36,873,226.67	6,087,425.12	16.5%
Depreciation and Amortization	40,082,605.20	39,816,722.17	265,883.03	0.7%
Federal Sponsored Program Pass-Through to Other State Agencies	1,108,959.02	1,326,532.49	(217,573.47)	-16.4%
Other Operating Expenses	10,364,370.93	14,103,547.73	(3,739,176.80)	-26.5%
Total Operating Expenses	**437,886,547.71**	**420,050,144.29**	**17,836,403.42**	**4.2%**
Operating Loss	**(162,160,880.29)**	**(162,766,830.03)**	**605,949.74**	**0.4%**
Other Nonoperating Adjustments				
State Appropriations	103,826,155.82	103,477,227.50	348,928.32	0.3%
Nonexchange Sponsored Programs	40,811,250.00	43,541,620.83	(2,730,370.83)	-6.3%
Gift Contributions for Operations	7,500,000.00	1,785,494.01	5,714,505.99	320.1%
Net Investment Income	11,358,293.77	14,352,051.08	(2,993,757.31)	-20.9%
Interest Expense on Capital Asset Financings	(14,374,754.30)	(12,605,963.50)	(1,768,790.80)	-14.0%
Net Other Nonoperating Adjustments	**149,120,945.29**	**150,550,429.92**	**(1,429,484.63)**	**-0.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(13,039,935.00)**	**(12,216,400.11)**	**(823,534.89)**	**-6.7%**
Adjusted Margin % including Depreciation & Amortization	**-3.0%**	**-2.9%**		
Investment Gain (Losses)	27,423,798.49	(8,909,058.04)	36,332,856.53	407.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,383,863.49**	**(21,125,458.15)**	**35,509,321.64**	**168.1%**
Adj. Margin % with Investment Gains (Losses)	**3.1%**	**-5.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**27,042,670.20**	**27,600,322.06**	**(557,651.86)**	**-2.0%**
Adjusted Margin % excluding Depreciation & Amortization	**6.2%**	**6.6%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	40,658,968.34	34,173,183.33	6,485,785.01	19.0%
Sponsored Programs	11,527,070.86	11,220,650.68	306,420.18	2.7%
Net Sales and Services of Educational Activities	8,436,903.25	5,509,688.56	2,927,214.69	53.1%
Net Auxiliary Enterprises	8,086,780.00	7,063,480.00	1,023,300.00	14.5%
Other Operating Revenues	194,360.91	317,396.38	(123,035.47)	-38.8%
Total Operating Revenues	**68,904,083.36**	**58,284,398.95**	**10,619,684.41**	**18.2%**
Operating Expenses				
Salaries and Wages	57,842,607.27	55,191,315.86	2,651,291.41	4.8%
Payroll Related Costs	16,227,302.72	15,083,149.48	1,144,153.24	7.6%
Membership Dues	209,914.26	-	209,914.26	100.0%
Registration Fees/Meetings/Conferences	324,964.67	-	324,964.67	100.0%
Cost of Goods Sold	36,255.69	37,890.67	(1,634.98)	-4.3%
Professional Fees and Services	2,306,033.64	2,351,798.88	(45,765.24)	-1.9%
Other Contracted Services	5,177,432.26	5,370,200.93	(192,768.67)	-3.6%
Fees and Other Charges	151,203.04	-	151,203.04	100.0%
Travel	1,964,885.44	1,762,927.62	201,957.82	11.5%
Materials and Supplies	6,178,318.10	6,953,888.90	(775,570.80)	-11.2%
Utilities	1,667,362.77	2,013,744.49	(346,381.72)	-17.2%
Communications	570,535.52	879,593.67	(309,058.15)	-35.1%
Repairs and Maintenance	2,215,040.83	1,986,604.75	228,436.08	11.5%
Rentals and Leases	876,204.38	597,758.19	278,446.19	46.6%
Printing and Reproduction	811,173.78	1,063,683.15	(252,509.37)	-23.7%
Royalty Payments	6,482.68	-	6,482.68	100.0%
Insurance Costs/Premiums	93,436.98	-	93,436.98	100.0%
Scholarships and Fellowships	6,317,846.50	2,284,200.17	4,033,646.33	176.6%
Depreciation and Amortization	12,207,840.00	12,088,118.94	119,721.06	1.0%
Other Operating Expenses	2,072,385.14	2,989,061.22	(916,676.08)	-30.7%
Total Operating Expenses	**117,257,225.67**	**110,653,936.92**	**6,603,288.75**	**6.0%**
Operating Loss	**(48,353,142.31)**	**(52,369,537.97)**	**4,016,395.66**	**7.7%**
Other Nonoperating Adjustments				
State Appropriations	37,281,570.00	33,308,700.00	3,972,870.00	11.9%
Nonexchange Sponsored Programs	9,209,750.00	8,169,320.00	1,040,430.00	12.7%
Gift Contributions for Operations	855,681.33	1,596,733.43	(741,052.10)	-46.4%
Net Investment Income	4,092,548.02	3,918,531.61	174,016.41	4.4%
Interest Expense on Capital Asset Financings	(5,113,020.40)	(2,728,888.40)	(2,384,132.00)	-87.4%
Net Other Nonoperating Adjustments	**46,326,528.95**	**44,264,396.64**	**2,062,132.31**	**4.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,026,613.36)**	**(8,105,141.33)**	**6,078,527.97**	**75.0%**
Adjusted Margin % including Depreciation & Amortization	**-1.7%**	**-7.7%**		
Investment Gain (Losses)	5,038,058.13	(3,201,541.84)	8,239,599.97	257.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,011,444.77**	**(11,306,683.17)**	**14,318,127.94**	**126.6%**
Adj. Margin % with Investment Gains (Losses)	**2.4%**	**-11.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**10,181,226.64**	**3,982,977.61**	**6,198,249.03**	**155.6%**
Adjusted Margin % excluding Depreciation & Amortization	**8.5%**	**3.8%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	19,664,743.00	18,939,429.33	725,313.67	3.8%
Sponsored Programs	475,176,926.36	476,495,567.42	(1,318,641.06)	-0.3%
Net Sales and Services of Educational Activities	10,779,239.93	11,070,814.69	(291,574.76)	-2.6%
Net Sales and Services of Hospitals	944,979,047.92	888,843,435.88	56,135,612.04	6.3%
Net Professional Fees	521,399,186.28	459,344,660.48	62,054,525.80	13.5%
Net Auxiliary Enterprises	22,324,086.02	22,785,417.15	(461,331.13)	-2.0%
Other Operating Revenues	98,769,526.19	93,095,228.87	5,674,297.32	6.1%
Total Operating Revenues	**2,093,092,755.70**	**1,970,574,553.82**	**122,518,201.88**	**6.2%**
Operating Expenses				
Salaries and Wages	1,156,938,946.45	1,074,227,747.15	82,711,199.30	7.7%
Payroll Related Costs	300,909,520.38	275,659,477.58	25,250,042.80	9.2%
Membership Dues	2,795,710.68	-	2,795,710.68	100.0%
Registration Fees/Meetings/Conferences	5,564,169.77	-	5,564,169.77	100.0%
Cost of Goods Sold	5,166,146.23	5,142,491.00	23,655.23	0.5%
Professional Fees and Services	55,766,884.99	71,878,582.21	(16,111,697.22)	-22.4%
Other Contracted Services	107,641,410.26	93,732,436.10	13,908,974.16	14.8%
Fees and Other Charges	3,333,241.32	-	3,333,241.32	100.0%
Travel	11,602,049.82	10,803,627.02	798,422.80	7.4%
Materials and Supplies	367,367,917.79	325,488,588.80	41,879,328.99	12.9%
Utilities	19,177,795.76	17,276,667.41	1,901,128.35	11.0%
Communications	10,074,297.80	9,455,057.99	619,239.81	6.5%
Repairs and Maintenance	16,335,007.69	12,822,926.52	3,512,081.17	27.4%
Rentals and Leases	8,036,412.30	7,192,924.74	843,487.56	11.7%
Printing and Reproduction	2,299,227.43	2,204,459.90	94,767.53	4.3%
Royalty Payments	2,170,241.80	-	2,170,241.80	100.0%
Insurance Costs/Premiums	2,281,993.10	-	2,281,993.10	100.0%
Scholarships and Fellowships	1,542,025.19	1,137,966.87	404,058.32	35.5%
Depreciation and Amortization	136,799,553.45	132,028,859.15	4,770,694.30	3.6%
Federal Sponsored Program Pass-Through to Other State Agencies	1,681,910.01	2,019,640.05	(337,730.04)	-16.7%
Other Operating Expenses	25,897,573.00	54,167,112.77	(28,269,539.77)	-52.2%
Total Operating Expenses	**2,243,382,035.22**	**2,095,238,565.26**	**148,143,469.96**	**7.1%**
Operating Loss	**(150,289,279.52)**	**(124,664,011.44)**	**(25,625,268.08)**	**-20.6%**
Other Nonoperating Adjustments				
State Appropriations	158,215,549.55	154,791,500.00	3,424,049.55	2.2%
Gift Contributions for Operations	33,743,923.47	68,855,096.02	(35,111,172.55)	-51.0%
Net Investment Income	100,959,644.80	82,364,283.78	18,595,361.02	22.6%
Interest Expense on Capital Asset Financings	(28,267,008.30)	(25,461,679.60)	(2,805,328.70)	-11.0%
Net Other Nonoperating Adjustments	**264,652,109.52**	**280,549,200.20**	**(15,897,090.68)**	**-5.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**114,362,830.00**	**155,885,188.76**	**(41,522,358.76)**	**-26.6%**
Adjusted Margin % including Depreciation & Amortization	**4.8%**	**6.8%**		
Investment Gain (Losses)	80,495,458.67	(66,665,006.18)	147,160,464.85	220.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**194,858,288.67**	**89,220,182.58**	**105,638,106.09**	**118.4%**
Adj. Margin % with Investment Gains (Losses)	**7.9%**	**4.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**251,162,383.45**	**287,914,047.91**	**(36,751,664.46)**	**-12.8%**
Adjusted Margin % excluding Depreciation & Amortization	**10.5%**	**12.6%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	32,120,205.95	29,888,600.17	2,231,605.78	7.5%
Sponsored Programs	163,831,348.91	163,048,036.06	783,312.85	0.5%
Net Sales and Services of Educational Activities	15,879,101.52	14,796,546.94	1,082,554.58	7.3%
Net Sales and Services of Hospitals	938,132,476.30	846,275,230.95	91,857,245.35	10.9%
Net Professional Fees	164,392,423.52	147,635,896.39	16,756,527.13	11.3%
Net Auxiliary Enterprises	9,586,841.80	8,336,154.34	1,250,687.46	15.0%
Other Operating Revenues	42,279,270.51	45,523,298.97	(3,244,028.46)	-7.1%
Total Operating Revenues	**1,366,221,668.51**	**1,255,503,763.82**	**110,717,904.69**	**8.8%**
Operating Expenses				
Salaries and Wages	856,605,793.72	804,325,076.65	52,280,717.07	6.5%
Payroll Related Costs	235,622,710.86	219,119,864.40	16,502,846.46	7.5%
Membership Dues	1,841,524.82	-	1,841,524.82	100.0%
Registration Fees/Meetings/Conferences	2,590,261.49	-	2,590,261.49	100.0%
Cost of Goods Sold	83,108,925.23	74,616,384.09	8,492,541.14	11.4%
Professional Fees and Services	33,107,327.98	32,835,848.13	271,479.85	0.8%
Other Contracted Services	97,559,961.73	98,447,434.57	(887,472.84)	-0.9%
Fees and Other Charges	1,354,476.18	-	1,354,476.18	100.0%
Travel	6,595,087.64	6,371,859.24	223,228.40	3.5%
Materials and Supplies	132,392,381.66	131,376,305.99	1,016,075.67	0.8%
Utilities	28,479,448.93	29,627,638.30	(1,148,189.37)	-3.9%
Communications	8,556,751.33	8,190,690.61	366,060.72	4.5%
Repairs and Maintenance	37,222,253.51	38,203,321.52	(981,068.01)	-2.6%
Rentals and Leases	21,896,722.81	21,287,397.48	609,325.33	2.9%
Printing and Reproduction	1,278,769.94	1,370,360.39	(91,590.45)	-6.7%
Royalty Payments	2,413,305.97	-	2,413,305.97	100.0%
Insurance Costs/Premiums	8,706,660.62	-	8,706,660.62	100.0%
Scholarships and Fellowships	5,948,774.83	5,899,946.15	48,828.68	0.8%
Depreciation and Amortization	122,762,515.68	103,407,420.99	19,355,094.69	18.7%
Federal Sponsored Program Pass-Through to Other State Agencies	737,293.79	729,722.16	7,571.63	1.0%
Other Operating Expenses	14,057,148.81	27,683,707.34	(13,626,558.53)	-49.2%
Total Operating Expenses	**1,702,838,097.53**	**1,603,492,978.01**	**99,345,119.52**	**6.2%**
Operating Loss	**(336,616,429.02)**	**(347,989,214.19)**	**11,372,785.17**	**3.3%**
Other Nonoperating Adjustments				
State Appropriations	312,333,563.97	302,963,788.55	9,369,775.42	3.1%
Nonexchange Sponsored Programs	755,198.00	918,121.40	(162,923.40)	-17.7%
Gift Contributions for Operations	6,420,422.14	8,193,663.35	(1,773,241.21)	-21.6%
Net Investment Income	39,486,025.82	39,195,793.38	290,232.44	0.7%
Interest Expense on Capital Asset Financings	(19,421,369.75)	(10,875,374.02)	(8,545,995.73)	-78.6%
Net Other Nonoperating Adjustments	**339,573,840.18**	**340,395,992.66**	**(822,152.48)**	**-0.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,957,411.16**	**(7,593,221.53)**	**10,550,632.69**	**138.9%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**-0.5%**		
Investment Gain (Losses)	37,092,206.20	(26,342,239.08)	63,434,445.28	240.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**40,049,617.36**	**(33,935,460.61)**	**73,985,077.97**	**218.0%**
Adj. Margin % with Investment Gains (Losses)	**2.3%**	**-2.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**125,719,926.84**	**95,814,199.46**	**29,905,727.38**	**31.2%**
Adjusted Margin % excluding Depreciation & Amortization	**7.3%**	**6.0%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	45,689,702.90	42,846,774.56	2,842,928.34	6.6%
Sponsored Programs	599,417,148.89	591,321,052.83	8,096,096.06	1.4%
Net Sales and Services of Educational Activities	32,789,566.79	32,025,552.06	764,014.73	2.4%
Net Sales and Services of Hospitals	57,783,335.29	62,171,034.01	(4,387,698.72)	-7.1%
Net Professional Fees	289,625,006.46	276,113,641.23	13,511,365.23	4.9%
Net Auxiliary Enterprises	24,400,236.89	23,898,200.10	502,036.79	2.1%
Other Operating Revenues	34,842,531.46	52,034,482.12	(17,191,950.66)	-33.0%
Total Operating Revenues	**1,084,547,528.68**	**1,080,410,736.91**	**4,136,791.77**	**0.4%**
Operating Expenses				
Salaries and Wages	766,114,062.24	695,952,913.11	70,161,149.13	10.1%
Payroll Related Costs	173,938,924.80	161,483,021.23	12,455,903.57	7.7%
Membership Dues	1,755,899.65	-	1,755,899.65	100.0%
Registration Fees/Meetings/Conferences	2,737,701.86	-	2,737,701.86	100.0%
Cost of Goods Sold	17,437,180.32	19,305,693.26	(1,868,512.94)	-9.7%
Professional Fees and Services	52,151,284.99	57,620,112.67	(5,468,827.68)	-9.5%
Other Contracted Services	63,597,614.94	65,014,968.58	(1,417,353.64)	-2.2%
Fees and Other Charges	10,987,827.63	-	10,987,827.63	100.0%
Travel	9,308,311.45	9,086,645.65	221,665.80	2.4%
Materials and Supplies	49,922,683.62	51,445,391.32	(1,522,707.70)	-3.0%
Utilities	13,729,070.61	13,596,223.66	132,846.95	1.0%
Communications	5,482,212.86	4,813,081.45	669,131.41	13.9%
Repairs and Maintenance	12,699,772.03	10,311,344.01	2,388,428.02	23.2%
Rentals and Leases	29,751,401.87	27,679,902.33	2,071,499.54	7.5%
Printing and Reproduction	5,436,945.62	5,446,233.71	(9,288.09)	-0.2%
Royalty Payments	1,728,375.11	-	1,728,375.11	100.0%
Insurance Costs/Premiums	9,455,839.64	-	9,455,839.64	100.0%
Scholarships and Fellowships	4,001,767.60	4,190,304.11	(188,536.51)	-4.5%
Depreciation and Amortization	51,282,000.73	51,413,870.97	(131,870.24)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	5,191,401.91	5,060,516.05	130,885.86	2.6%
Other Operating Expenses	13,033,767.50	35,705,591.90	(22,671,824.40)	-63.5%
Total Operating Expenses	**1,299,744,046.98**	**1,218,125,814.01**	**81,618,232.97**	**6.7%**
Operating Loss	**(215,196,518.30)**	**(137,715,077.10)**	**(77,481,441.20)**	**-56.3%**
Other Nonoperating Adjustments				
State Appropriations	180,356,169.52	171,967,947.26	8,388,222.26	4.9%
Nonexchange Sponsored Programs	304,702.29	339,112.00	(34,409.71)	-10.1%
Gift Contributions for Operations	16,016,830.39	16,777,826.42	(760,996.03)	-4.5%
Net Investment Income	31,878,869.38	30,030,588.74	1,848,280.64	6.2%
Interest Expense on Capital Asset Financings	(10,249,815.70)	(9,074,528.10)	(1,175,287.60)	-13.0%
Net Other Nonoperating Adjustments	**218,306,755.88**	**210,040,946.32**	**8,265,809.56**	**3.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,110,237.58**	**72,325,869.22**	**(69,215,631.64)**	**-95.7%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**5.6%**		
Investment Gain (Losses)	35,371,869.79	(19,286,835.74)	54,658,705.53	283.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**38,482,107.37**	**53,039,033.48**	**(14,556,926.11)**	**-27.4%**
Adj. Margin % with Investment Gains (Losses)	**2.9%**	**4.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**54,392,238.31**	**123,739,740.19**	**(69,347,501.88)**	**-56.0%**
Adjusted Margin % excluding Depreciation & Amortization	**4.1%**	**9.5%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	33,936,648.33	32,097,314.17	1,839,334.16	5.7%
Sponsored Programs	250,490,397.06	246,775,649.00	3,714,748.06	1.5%
Net Sales and Services of Educational Activities	15,989,281.52	14,965,458.18	1,023,823.34	6.8%
Net Professional Fees	159,062,892.85	156,031,278.71	3,031,614.14	1.9%
Net Auxiliary Enterprises	5,123,944.05	5,004,593.17	119,350.88	2.4%
Other Operating Revenues	25,902,816.44	28,601,093.55	(2,698,277.11)	-9.4%
Total Operating Revenues	**490,505,980.25**	**483,475,386.78**	**7,030,593.47**	**1.5%**
Operating Expenses				
Salaries and Wages	366,458,186.68	348,090,199.76	18,367,986.92	5.3%
Payroll Related Costs	103,285,794.01	98,757,229.58	4,528,564.43	4.6%
Membership Dues	2,838,595.64	-	2,838,595.64	100.0%
Registration Fees/Meetings/Conferences	5,164,717.94	-	5,164,717.94	100.0%
Professional Fees and Services	19,408,971.94	17,457,476.70	1,951,495.24	11.2%
Other Contracted Services	22,058,621.20	24,909,408.48	(2,850,787.28)	-11.4%
Fees and Other Charges	1,688,336.93	-	1,688,336.93	100.0%
Travel	4,498,149.36	4,193,686.64	304,462.72	7.3%
Materials and Supplies	46,677,171.26	39,374,793.98	7,302,377.28	18.5%
Utilities	15,480,575.00	15,497,140.00	(16,565.00)	-0.1%
Communications	4,948,489.79	9,849,068.79	(4,900,579.00)	-49.8%
Repairs and Maintenance	6,658,994.63	4,552,661.65	2,106,332.98	46.3%
Rentals and Leases	3,698,313.49	5,396,666.68	(1,698,353.19)	-31.5%
Printing and Reproduction	2,052,312.55	1,571,023.26	481,289.29	30.6%
Royalty Payments	136,937.53	-	136,937.53	100.0%
Insurance Costs/Premiums	1,603,939.51	-	1,603,939.51	100.0%
Scholarships and Fellowships	6,584,533.45	5,759,616.56	824,916.89	14.3%
Depreciation and Amortization	43,333,333.33	44,166,666.67	(833,333.34)	-1.9%
Federal Sponsored Program Pass-Through to Other State Agencies	1,458,333.33	1,291,666.67	166,666.66	12.9%
Other Operating Expenses	22,672,182.99	31,148,610.02	(8,476,427.03)	-27.2%
Total Operating Expenses	**680,706,490.56**	**652,015,915.44**	**28,690,575.12**	**4.4%**
Operating Loss	**(190,200,510.31)**	**(168,540,528.66)**	**(21,659,981.65)**	**-12.9%**
Other Nonoperating Adjustments				
State Appropriations	144,663,970.00	140,515,948.33	4,148,021.67	3.0%
Nonexchange Sponsored Programs	1,041,666.67	1,083,333.33	(41,666.66)	-3.8%
Gift Contributions for Operations	22,101,011.67	11,924,582.56	10,176,429.11	85.3%
Net Investment Income	32,641,688.02	31,054,939.99	1,586,748.03	5.1%
Interest Expense on Capital Asset Financings	(8,347,192.80)	(6,793,962.40)	(1,553,230.40)	-22.9%
Net Other Nonoperating Adjustments	**192,101,143.56**	**177,784,841.81**	**14,316,301.75**	**8.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,900,633.25**	**9,244,313.15**	**(7,343,679.90)**	**-79.4%**
Adjusted Margin % including Depreciation & Amortization	**0.3%**	**1.4%**		
Investment Gain (Losses)	37,299,204.28	(24,553,170.65)	61,852,374.93	251.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**39,199,837.53**	**(15,308,857.50)**	**54,508,695.03**	**356.1%**
Adj. Margin % with Investment Gains (Losses)	**5.4%**	**-2.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**45,233,966.58**	**53,410,979.82**	**(8,177,013.24)**	**-15.3%**
Adjusted Margin % excluding Depreciation & Amortization	**6.5%**	**8.0%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,938,737.63	1,615,567.82	323,169.81	20.0%
Sponsored Programs	295,257,977.50	262,859,249.99	32,398,727.51	12.3%
Net Sales and Services of Educational Activities	1,751,032.55	1,664,901.67	86,130.88	5.2%
Net Sales and Services of Hospitals	2,812,363,439.01	2,625,831,796.30	186,531,642.71	7.1%
Net Professional Fees	348,222,558.17	331,715,148.76	16,507,409.41	5.0%
Net Auxiliary Enterprises	37,182,519.52	34,984,092.24	2,198,427.28	6.3%
Other Operating Revenues	83,609,312.44	85,377,055.53	(1,767,743.09)	-2.1%
Total Operating Revenues	**3,580,325,576.82**	**3,344,047,812.31**	**236,277,764.51**	**7.1%**
Operating Expenses				
Salaries and Wages	1,581,662,866.18	1,587,441,886.02	(5,779,019.84)	-0.4%
Payroll Related Costs	485,742,803.60	461,258,045.23	24,484,758.37	5.3%
Membership Dues	5,245,021.04	-	5,245,021.04	100.0%
Registration Fees/Meetings/Conferences	3,003,866.08	-	3,003,866.08	100.0%
Cost of Goods Sold	1,896,202.92	1,834,391.87	61,811.05	3.4%
Professional Fees and Services	161,978,899.21	176,042,878.47	(14,063,979.26)	-8.0%
Other Contracted Services	98,562,010.89	133,606,881.83	(35,044,870.94)	-26.2%
Fees and Other Charges	13,864,861.54	-	13,864,861.54	100.0%
Travel	14,939,000.43	16,247,380.66	(1,308,380.23)	-8.1%
Materials and Supplies	711,955,013.97	673,988,149.27	37,966,864.70	5.6%
Utilities	38,842,689.83	37,696,365.30	1,146,324.53	3.0%
Communications	10,079,733.50	9,382,374.59	697,358.91	7.4%
Repairs and Maintenance	85,158,443.87	89,728,835.93	(4,570,392.06)	-5.1%
Rentals and Leases	37,979,221.54	36,906,224.97	1,072,996.57	2.9%
Printing and Reproduction	4,904,465.87	4,050,816.89	853,648.98	21.1%
Royalty Payments	772,880.99	-	772,880.99	100.0%
Insurance Costs/Premiums	7,195,406.34	-	7,195,406.34	100.0%
Scholarships and Fellowships	2,285,563.50	2,649,366.88	(363,803.38)	-13.7%
Depreciation and Amortization	311,119,912.10	302,412,644.22	8,707,267.88	2.9%
Federal Sponsored Program Pass-Through to Other State Agencies	353,678.76	517,233.01	(163,554.25)	-31.6%
State Sponsored Program Pass-Through to Other State Agencies	1,718,904.00	615,585.77	1,103,318.23	179.2%
Other Operating Expenses	7,747,651.16	28,361,995.58	(20,614,344.42)	-72.7%
Total Operating Expenses	**3,587,009,097.32**	**3,562,741,056.49**	**24,268,040.83**	**0.7%**
Operating Loss	**(6,683,520.50)**	**(218,693,244.18)**	**212,009,723.68**	**96.9%**
Other Nonoperating Adjustments				
State Appropriations	173,227,753.93	167,865,027.50	5,362,726.43	3.2%
Nonexchange Sponsored Programs	1,211,499.88	1,781,706.88	(570,207.00)	-32.0%
Gift Contributions for Operations	107,734,778.52	115,883,087.28	(8,148,308.76)	-7.0%
Net Investment Income	110,483,649.45	83,305,790.95	27,177,858.50	32.6%
Interest Expense on Capital Asset Financings	(29,585,708.60)	(28,313,578.30)	(1,272,130.30)	-4.5%
Net Other Nonoperating Adjustments	**363,071,973.18**	**340,522,034.31**	**22,549,938.87**	**6.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**356,388,452.68**	**121,828,790.13**	**234,559,662.55**	**192.5%**
Adjusted Margin % including Depreciation & Amortization	**9.0%**	**3.3%**		
Investment Gain (Losses)	153,403,016.76	(58,163,682.01)	211,566,698.77	363.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**509,791,469.44**	**63,665,108.12**	**446,126,361.32**	**700.7%**
Adj. Margin % with Investment Gains (Losses)	**12.4%**	**1.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**667,508,364.78**	**424,241,434.35**	**243,266,930.43**	**57.3%**
Adjusted Margin % excluding Depreciation & Amortization	**16.8%**	**11.4%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2017

	June Year-to-Date FY 2017	June Year-to-Date FY 2016	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	139,256.04	102,617.89	36,638.15	35.7%
Sponsored Programs	28,734,482.47	22,384,397.01	6,350,085.46	28.4%
Net Sales and Services of Educational Activities	1,985,587.29	1,735,206.35	250,380.94	14.4%
Net Sales and Services of Hospitals	49,711,969.39	47,598,617.35	2,113,352.04	4.4%
Net Professional Fees	15,214,230.59	13,529,232.39	1,684,998.20	12.5%
Net Auxiliary Enterprises	169,064.51	187,466.95	(18,402.44)	-9.8%
Other Operating Revenues	15,486,044.17	21,663,757.31	(6,177,713.14)	-28.5%
Total Operating Revenues	**111,440,634.46**	**107,201,295.25**	**4,239,339.21**	**4.0%**
Operating Expenses				
Salaries and Wages	82,875,276.60	77,977,477.75	4,897,798.85	6.3%
Payroll Related Costs	26,335,649.72	23,793,766.43	2,541,883.29	10.7%
Membership Dues	238,233.11	-	238,233.11	100.0%
Registration Fees/Meetings/Conferences	293,343.41	-	293,343.41	100.0%
Cost of Goods Sold	92,710.43	106,236.90	(13,526.47)	-12.7%
Professional Fees and Services	10,691,202.01	9,704,771.94	986,430.07	10.2%
Other Contracted Services	8,188,869.79	10,244,737.72	(2,055,867.93)	-20.1%
Fees and Other Charges	766,686.44	-	766,686.44	100.0%
Travel	700,732.84	600,123.21	100,609.63	16.8%
Materials and Supplies	20,491,258.85	19,242,099.63	1,249,159.22	6.5%
Utilities	1,891,095.99	1,590,622.05	300,473.94	18.9%
Communications	893,988.75	941,516.63	(47,527.88)	-5.0%
Repairs and Maintenance	5,028,214.70	4,848,164.24	180,050.46	3.7%
Rentals and Leases	1,427,247.19	1,060,957.13	366,290.06	34.5%
Printing and Reproduction	74,896.51	55,677.90	19,218.61	34.5%
Insurance Costs/Premiums	168,327.24	-	168,327.24	100.0%
Scholarships and Fellowships	78,550.56	111,934.50	(33,383.94)	-29.8%
Depreciation and Amortization	10,004,547.56	9,030,704.46	973,843.10	10.8%
Federal Sponsored Program Pass-Through to Other State Agencies	549,588.16	166,676.59	382,911.57	229.7%
Other Operating Expenses	2,536,978.98	2,865,283.16	(328,304.18)	-11.5%
Total Operating Expenses	**173,327,398.84**	**162,340,750.24**	**10,986,648.60**	**6.8%**
Operating Loss	**(61,886,764.38)**	**(55,139,454.99)**	**(6,747,309.39)**	**-12.2%**
Other Nonoperating Adjustments				
State Appropriations	46,006,538.47	44,926,288.27	1,080,250.20	2.4%
Gift Contributions for Operations	367,337.83	428,321.57	(60,983.74)	-14.2%
Net Investment Income	3,497,973.52	3,410,705.50	87,268.02	2.6%
Interest Expense on Capital Asset Financings	(1,472,614.70)	(1,103,078.10)	(369,536.60)	-33.5%
Net Other Nonoperating Adjustments	**48,399,235.12**	**47,662,237.24**	**736,997.88**	**1.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**(13,487,529.26)**	**(7,477,217.75)**	**(6,010,311.51)**	**-80.4%**
Adjusted Margin % including Depreciation & Amortization	**-8.4%**	**-4.8%**		
Investment Gain (Losses)	2,856,570.99	(1,998,848.24)	4,855,419.23	242.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(10,630,958.27)**	**(9,476,065.99)**	**(1,154,892.28)**	**-12.2%**
Adj. Margin % with Investment Gains (Losses)	**-6.5%**	**-6.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(3,482,981.70)**	**1,553,486.71**	**(5,036,468.41)**	**-324.2%**
Adjusted Margin % excluding Depreciation & Amortization	**-2.2%**	**1.0%**		

3. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt, including ratification of U. T. System Interest Rate Swap Policy

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt resolutions substantially in the form set out on the following pages (the Resolutions) authorizing appropriate officers of the U. T. System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

BACKGROUND INFORMATION

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

The U. T. System Interest Rate Swap Policy was approved by the Board of Regents as a Regental Policy on February 13, 2003, and was incorporated into the Regents' *Rules and Regulations*, Rule 70202, on December 10, 2004. The Rule was subsequently amended on August 23, 2007. Section 1371.056(l) of the *Texas Government Code* requires that while an interest rate management agreement transaction is outstanding, the governing body of the issuer shall review and ratify or modify its related risk management policy at least biennially.

On August 25, 2016, the Board approved bond enhancement agreement resolutions for FY 2017. Approval of this item would authorize the execution of bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy for FY 2018 and will ratify the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B, as required by *Texas Government Code* Section 1371.056. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chancellor and the Chairman of the Board's Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

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

August 24, 2017

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

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

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED, that

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

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy (except to the extent provided for in Section 2(h) hereof) and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2017.

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

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

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

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

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

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

(h) Deutsche Bank Credit Rating. Notwithstanding anything else in this Resolution or the System's Interest Rate Swap Policy to the contrary, an Authorized Representative is authorized specifically to execute a Bond Enhancement Agreement described in Section 4(a)(4) with Deutsche Bank AG, New York Branch ("Deutsche Bank"), provided that if Deutsche Bank does not have a long term rating of at least A/A2, any new Bond Enhancement Agreements executed with Deutsche Bank AG shall require Deutsche Bank to post collateral for the benefit of the Board at a zero threshold as security for Deutsche Bank's obligations under such Bond Enhancement Agreement. The Board hereby finds that entering into a Bond Enhancement Agreement contemplated by this subsection would constitute a beneficial transaction for the System and would be in the best interest of the Board, and upon the execution of such a Bond Enhancement Agreement, the Board hereby deems the System's Interest Rate Swap Policy to be amended to permit such a Bond Enhancement Agreement. Additionally, the Board's current Bond Enhancement Agreements with Deutsche Bank executed pursuant to the Board's resolution dated January 11, 2017 are hereby found to be within the System's Interest Rate Swap Policy as amended in accordance with Section 2(h) of such resolution.

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

SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS. (a) In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

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

the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7. MASTER AGREEMENTS.

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

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

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

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

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

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

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"LIBOR" – London Interbank Offered Rate.

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

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

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

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

"System" – The University of Texas System.

EXHIBIT B

**INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM**

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

EXHIBIT C

EXECUTED MASTER AGREEMENTS

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

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

August 24, 2017

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

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

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED, that

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

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. Prior to entering into any such transaction, an Authorized Representative must deliver to the General Counsel of the Board a certificate setting forth the determinations of the Authorized Representative in connection with the foregoing. Each Authorized Representative is also severally authorized to execute any required novation agreement related to the execution and delivery of a new or amended Confirmation undertaken in conjunction with the novation of an existing Confirmation. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2018.

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

Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

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

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

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

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

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

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

SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.

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

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

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

(3) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by

effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. MASTER AGREEMENTS.

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

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

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

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

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

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

[Remainder of page intentionally left blank]

EXHIBIT A

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

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

EXHIBIT C

EXECUTED MASTER AGREEMENTS

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

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

RECOMMENDATION

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

a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed $600 million to be used to refund certain outstanding PUF Bonds, to refund PUF Commercial Paper Notes, to provide new money to fund construction and acquisition costs, and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

On August 25, 2016, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed $600 million for Fiscal Year 2017. Adoption of this Resolution would provide a similar authorized amount and purposes for Fiscal Year 2018.

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

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

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

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

Note: The proposed Resolution is available online at https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2017-08-23.

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

RECOMMENDATION

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

a. adopt a Supplemental Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed $975 million to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program, and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

BACKGROUND INFORMATION

On August 25, 2016, the Board of Regents adopted the 31st Supplemental Resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $975 million. This authority was utilized to issue $250,000,000 of Revenue Financing System Bonds, Taxable Series 2016G on September 15, 2016; $233,350,000 of Revenue Financing System Refunding Bonds, Series 2016H on November 17, 2016; $184,725,000 of Revenue Financing System Refunding Bonds, Series 2016I on November 30, 2016; and $306,925,000 of Revenue Financing System Bonds, Series 2016J on January 4, 2017. Adoption of this 32nd Supplemental Resolution would provide additional capacity to finance additional projects under the same provisions as the prior resolution.

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

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

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

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

Note: The proposed Resolution is available online at https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2017-08-23.

6. U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2018 and resolution regarding parity debt

RECOMMENDATION

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

a. approve an aggregate amount of $201,950,000 of Revenue Financing System Equipment Financing for FY 2018 as allocated to those U. T. System institutions listed on Page 153; and

b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;

- the U. T. System institutions, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $201,950,000 for the purchase of equipment; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of Title 26 of the Code of Federal Regulations that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

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

This agenda item requests approval of an aggregate amount of $201,950,000 for equipment financing for Fiscal Year 2018. On August 25, 2016, the U. T. System Board of Regents approved a total of $249,293,000 of equipment financing for Fiscal Year 2017. Through August 1, 2017, $64,087,000 of equipment financing has been utilized for Fiscal Year 2017.

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

U. T. SYSTEM EQUIPMENT FINANCING - INSTITUTION REQUESTS
FY 2018

Institution	$ Amount of Request	Description of Expected Capital Equipment	DSC*
U. T. Arlington	$2,000,000	Telephone system upgrade; campus network and wireless upgrade	4.4x
U. T. Dallas	12,000,000	General purpose equipment supporting instruction, research, and business operations	2.5x
U. T. El Paso	750,000	Patrol vehicle purchases; campus network infrastructure upgrades	1.3x
U. T. San Antonio	500,000	Science and Engineering equipment; equipment for athletics and life safety renovations	1.2x
U. T. Southwestern Medical Center	30,000,000	Information resources projects; clinical and hospital equipment	4.5x
U. T. Medical Branch - Galveston	30,000,000	Clinical, IT infrastructure, research related, and facility related equipment	2.4x
U. T. Health Science Center - Houston	5,000,000	Research and clinic/laboratory equipment	5.0x
U. T. Health Science Center - San Antonio	35,000,000	Core research, clinical and/or infrastructure equipment	4.0x
U. T. M. D. Anderson Cancer Center	70,000,000	Medical, diagnostic, and research equipment, IT systems	6.3x
U. T. Health Science Center - Tyler	16,700,000	Clinical/Laboratory and IT equipment	2.6x

Total	$201,950,000

* Debt Service Coverage ("DSC") ratios based on FY2016 Analysis of Financial Condition (Feb 2017).

U. T. System Office of Finance, July 18, 2017

7. U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update and Investment Reports for the quarter ended May 31, 2017

INTRODUCTION

Mr. Thomas Britton "Britt" Harris IV, President, Chief Executive Officer and Chief Investment Officer, and Mr. Mark Warner, Senior Managing Director, will present an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint presentation set forth on the following pages.

The Investment Reports for the quarter ended May 31, 2017, are set forth on Pages 166 - 169.

REPORT

Item I on Page 166 reports activity for the Permanent University Fund (PUF) investments. The fiscal year to date PUF net investment return was 8.80% versus its composite benchmark return of 6.69%. The PUF's net asset value increased by $317 million during the quarter to $19,544 million. The increase was due to $168 million PUF Lands receipts, plus a net investment return of $569 million. Distributions for $420 million was made to the Available University Fund (AUF) during the quarter.

Item II on Page 167 reports activity for the General Endowment Fund (GEF) investments. The fiscal year to date GEF net investment return was 9.12% versus its composite benchmark return of 6.69%. The GEF's net asset value increased by $238 million during the quarter to $9,150 million.

Item III on Page 168 reports activity for the Intermediate Term Fund (ITF). The fiscal year to date ITF net investment return was 5.33% versus its composite benchmark return of 3.72%. The net asset value increased during the quarter to $8,490 million due to net contributions of $217 million, net investment return of $216 million and less distributions of $62 million.

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

Item IV on Page 169 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 $46 million to $3,022 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $20 million versus $21 million at the beginning of the period; equities: $67 million versus $67 million at the beginning of the period; and other investments: $22 million versus $305 thousand at the beginning of the period.

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

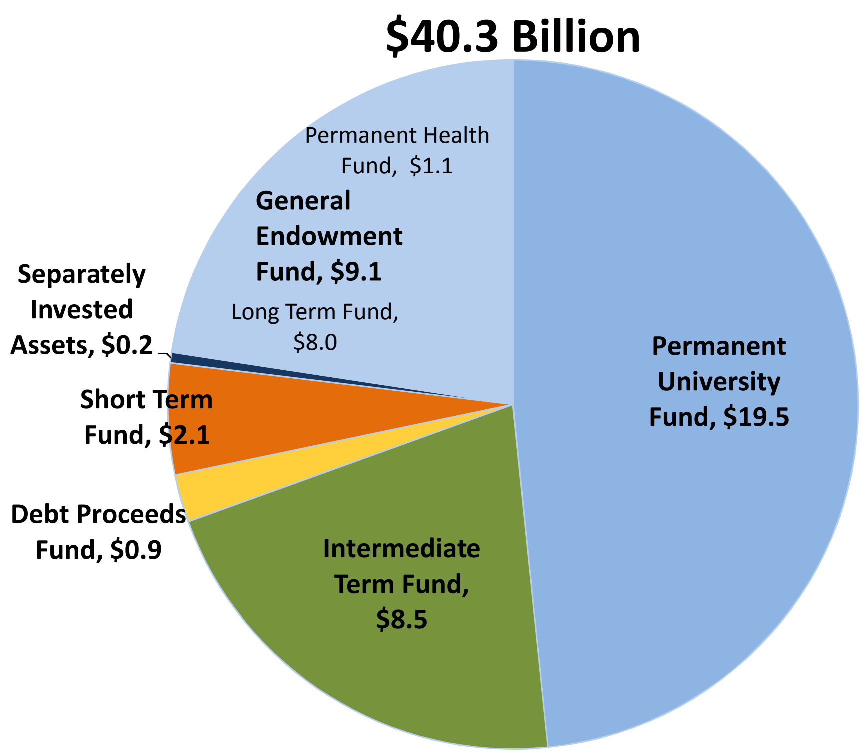
UTIMCO Update

Mr. Britt Harris, President, CEO and Chief Investment Officer
Mr. Mark Warner, Senior Managing Director

U. T. System Board of Regents' Meeting
Finance and Planning Committee
August 2017

UTIMCO ASSETS UNDER MANAGEMENT

As of May 31, 2017

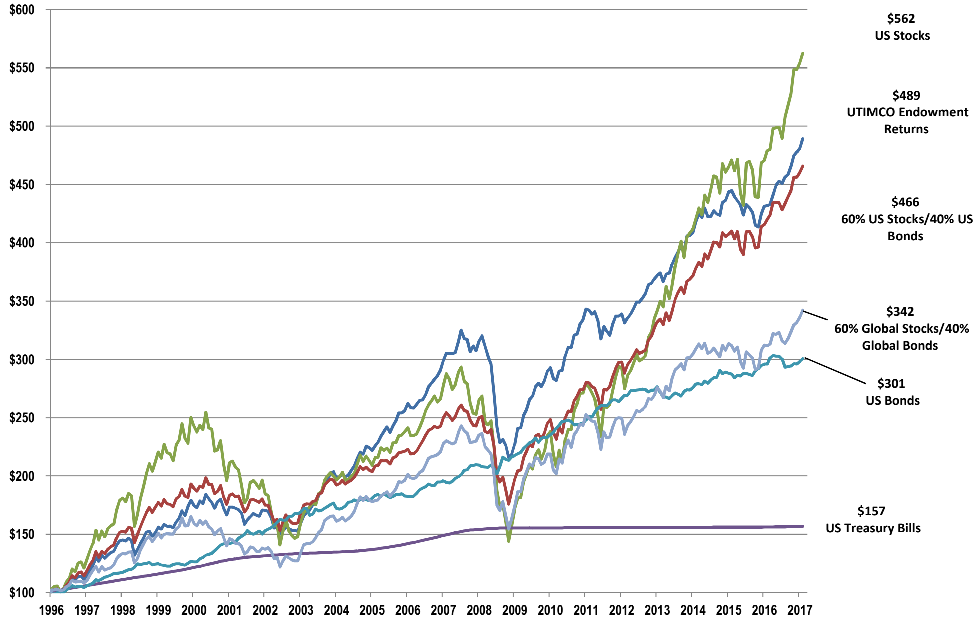


ENDOWMENT PERFORMANCE SUMMARY

Periods Ending May 31, 2017

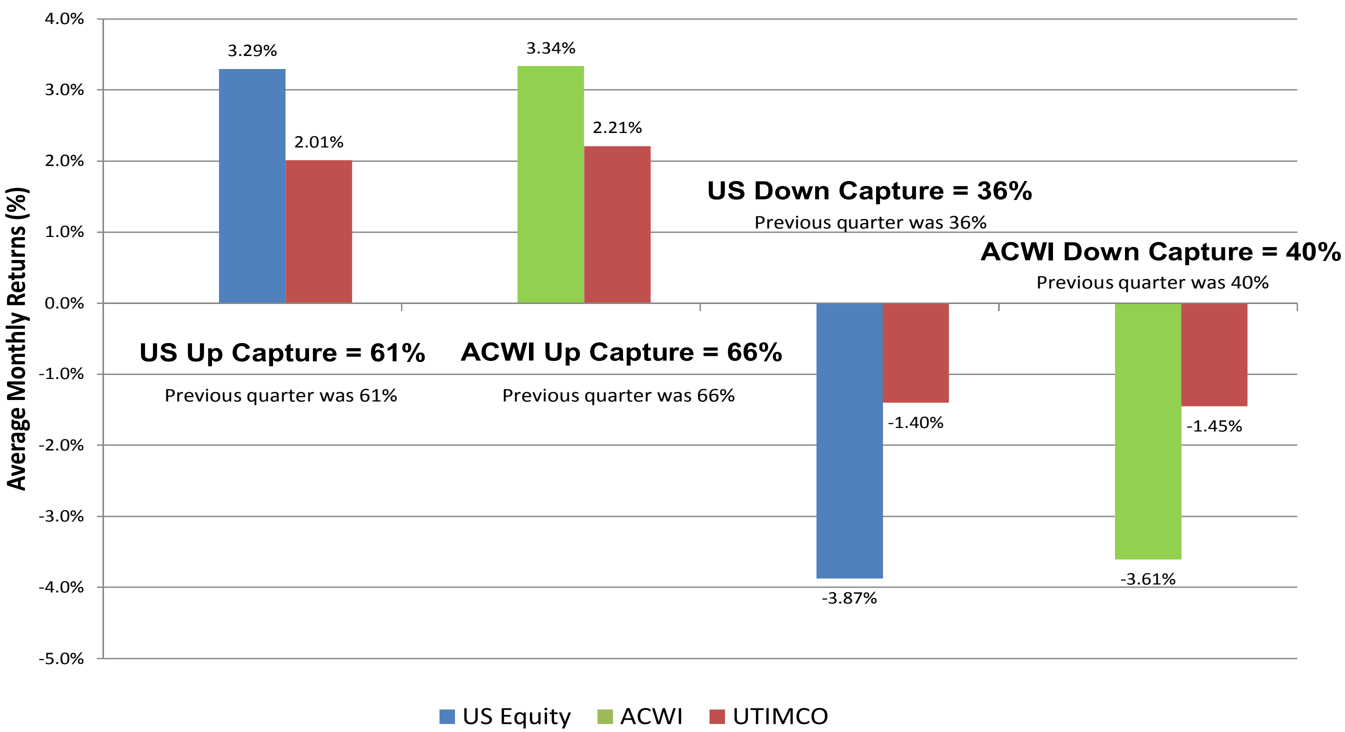
	Fiscal YTD Nine Months Ended	One Year	Three Years	Five Years	Seven Years	Ten Years
Endowments						
General Endowment Fund	9.12%	13.61%	5.65%	8.29%	8.25%	4.95%
Permanent University Fund	8.80%	13.20%	5.32%	8.08%	8.09%	4.83%
Policy Portfolio Returns	6.69%	9.22%	3.91%	7.10%	6.88%	3.04%
GEF Actual vs. Policy	**2.43%**	**4.39%**	**1.74%**	**1.19%**	**1.37%**	**1.91%**
PUF Actual vs. Policy	**2.11%**	**3.98%**	**1.41%**	**0.98%**	**1.21%**	**1.79%**
Sharpe Ratio		4.66	1.10	1.76	1.47	0.55
Information Ratio		1.77	0.61	0.44	0.52	0.68

RETURNS VS. MARKET



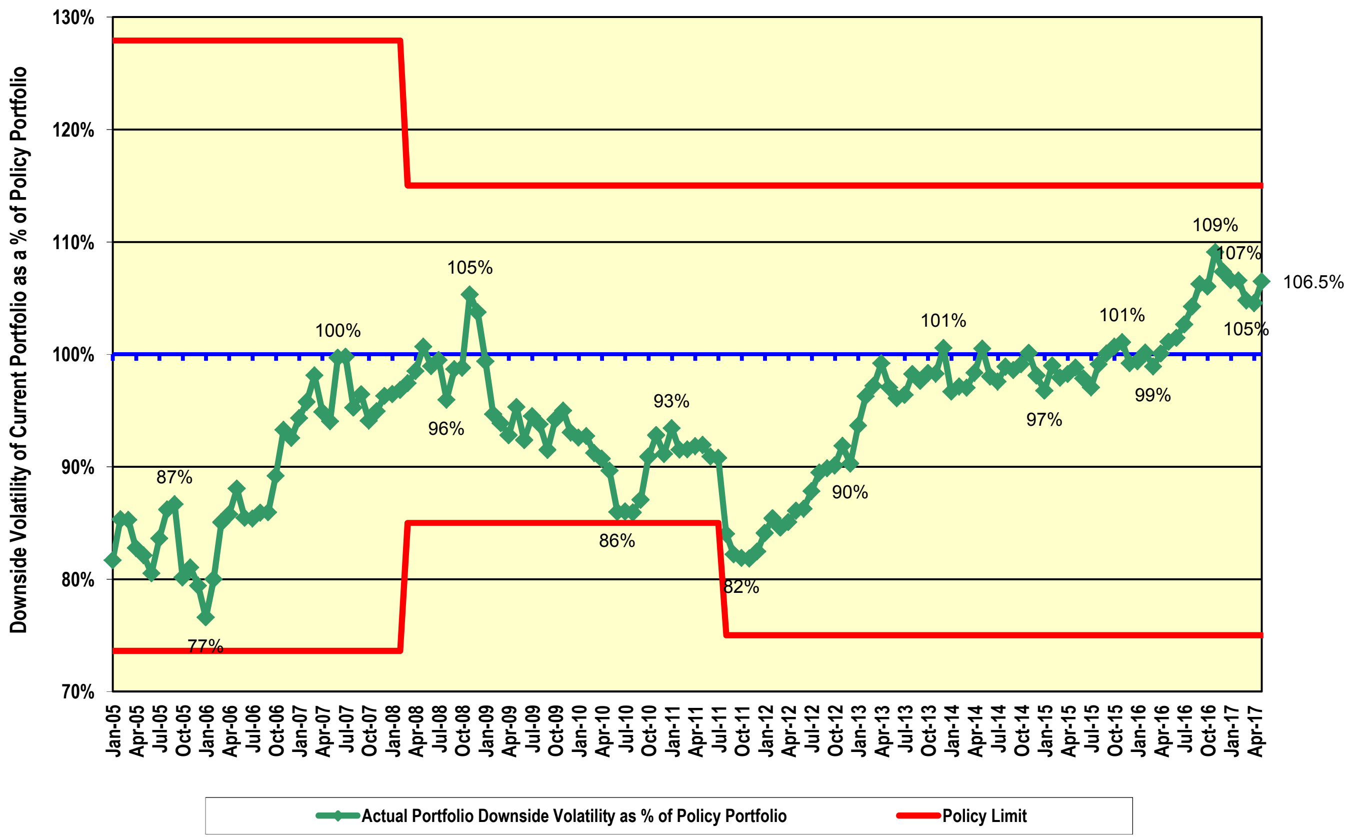
	Nine Months	Trailing Annualized Returns Period Ending May 31, 2017 One Year	Three Years	Five Years	Seven Years	Ten Years	Since March 31, 1996
UT Endowments	8.88%	13.29%	5.39%	8.11%	8.11%	4.83%	7.76%
60% US Stocks / 40% US Bonds	7.24%	10.89%	7.17%	10.10%	10.11%	6.24%	7.51%
60% Global Stocks / 40% Global Bonds	6.46%	9.86%	3.47%	7.76%	7.60%	4.05%	5.96%
US Stocks	12.79%	17.41%	10.12%	15.40%	14.42%	6.93%	8.46%
US Bonds	-0.73%	1.58%	2.53%	2.24%	3.43%	4.46%	5.31%
Treasury Bills	0.32%	0.41%	0.18%	0.14%	0.12%	0.48%	2.14%

UP-DOWN CAPTURE VS U.S. & WORLD EQUITIES

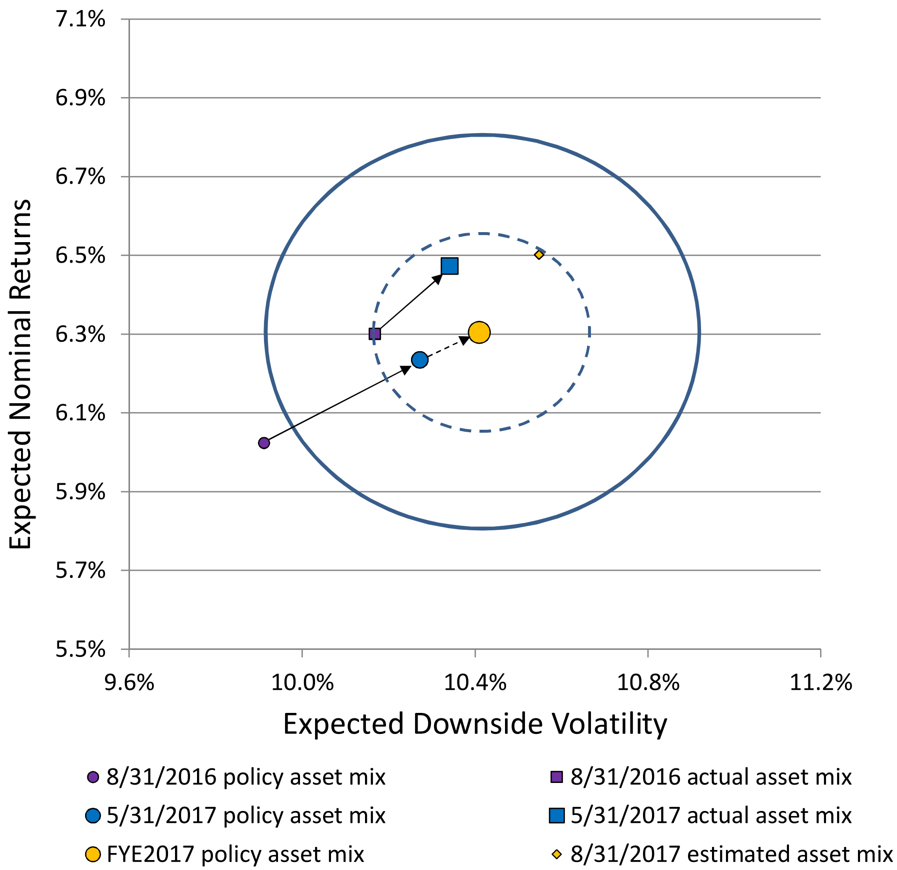


Data from 8/1996 till 5/2017. US equity had 96 down months and 154 up months; ACWI had 103 down months and 147 up months

DOWNSIDE VOLATILITY UTILIZATION OF GEF



EXPECTED RISK AND RETURN

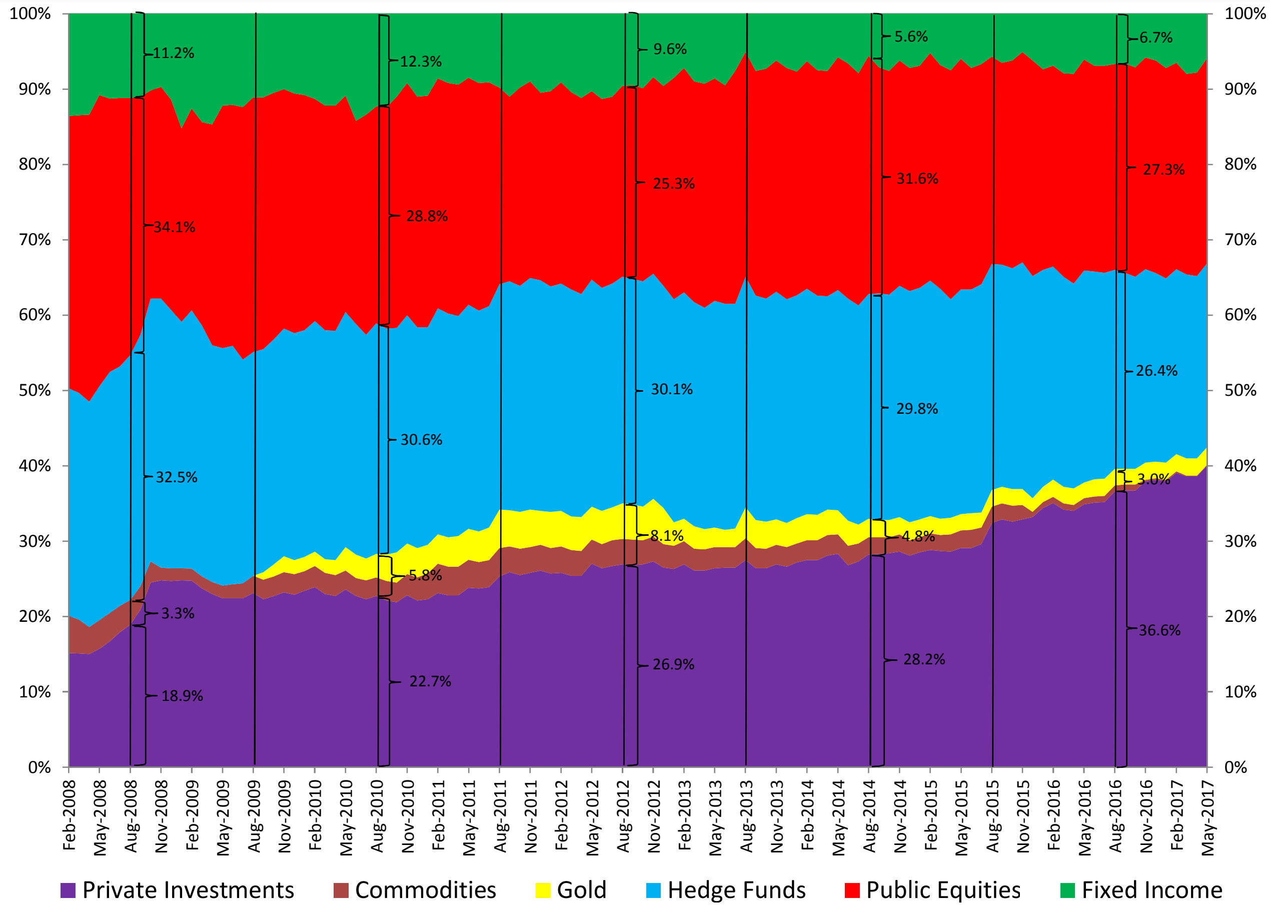


ENDOWMENT EXPOSURE

As of May 31, 2017

Asset Group	Asset Class	More Correlated and Constrained (Long Only)		Less Correlated and Constrained (Hedge Funds)		Private Investments		Total	
Fixed Income	Investment Grade	$2,047	7.1%	$840	2.9%	$0	0.0%	$2,887	10.0%
	Credit-Related	32	0.1%	980	3.4%	935	3.3%	1,947	6.8%
Fixed Income Total		**2,079**	**7.2%**	**1,820**	**6.3%**	**935**	**3.3%**	**4,834**	**16.8%**
Real Assets	Real Estate	22	0.1%	-	0.0%	2,040	7.1%	2,062	7.2%
	Natural Resources	1,319	4.6%	-	0.0%	3,492	12.2%	4,811	16.8%
Real Assets Total		**1,341**	**4.7%**	**-**	**0.0%**	**5,532**	**19.3%**	**6,873**	**24.0%**
Equity	Developed Country	4,199	14.6%	4,553	15.9%	3,461	12.1%	12,213	42.6%
	Emerging Markets	2,825	9.8%	535	1.9%	1,414	4.9%	4,774	16.6%
Equity Total		**7,024**	**24.4%**	**5,088**	**17.8%**	**4,875**	**17.0%**	**16,987**	**59.2%**
Total		**$10,444**	**36.3%**	**$6,908**	**24.1%**	**$11,342**	**39.6%**	**$28,694**	**100.0%**

EVOLUTION OF ASSET MIX



Agenda Book - 163

August 23-24, 2017 Meeting of the U. T. System Board of Regents - Finance and Planning Committee

ENDOWMENT RISK DASHBOARD

MAY 31, 2017 (PARTIAL UPDATE)

Underperformance

FY2017TD	3-years	5-years	10-years
8.9%	5.4%	8.1%	4.8%

Market

Beta		
U.S. Equity	Rates	Currency
0.713	(0.293)	(0.148)

Scenarios

	China Hard Landing	US Liquidity Squeeze	Japan Implosion	50% Oil Drop
Expected Returns:	-23.2%	-21.0%	-16.5%	0.8%

Downside Volatility

	1 stdev	2 stdev
Expected returns	-4.8%	-19.3%
VIX:	10.4%	

Active Management

	1-year	3-years	10-years
Value-Add			
bps	412	152	183
$	$1049M	$1,0237M	$4,693M

Transparency

Full	Full but Lagged	Partial	None
29%	42%	26%	3%

Concentration

	Manager		Securities (Top 10)	
US	Top 10	Top 20	Bonds	Stocks
55%	25%	41%	5.4%	5.1%

Illiquidity

	90 day liquidity	1 year liquidity	Unfunded Commit-ments
Endowments	32.7%	53.4%	19.9%
ITF	58.8%	89.5%	

Leverage

	LCC	LCC ex-FI	Endowments
Gross	2.26	1.68	1.00
Net	0.24	0.59	1.00

Permanent Loss of Capital

	Invested Capital ($B)	Realized Loss ($M)	Anticipated/ Unrealized Loss ($M)	Total Loss ($M)	Annualized Loss (%)
MCC	$33.7	$622	-	$622	0.30%
LCC	13.2	240	198	438	0.51%
PI	14.5	327	202	529	0.81%
Total	$61.4	$1,189	$400	$1,589	0.44%

ITF PERFORMANCE SUMMARY

	Periods Ending May 31, 2017					
	Fiscal YTD Nine Months Ended	One Year	Three Years	Five Years	Seven Years	Ten Years
ITF						
Actual Returns	5.33%	8.57%	2.28%	4.95%	5.47%	3.63%
Policy Portfolio Returns	3.72%	6.93%	1.36%	3.76%	4.00%	1.70%
Actual vs. Policy	**1.61%**	**1.64%**	**0.92%**	**1.19%**	**1.47%**	**1.93%**
CPI + 3%	3.89%	4.93%	3.98%	4.30%	4.70%	4.69%
Actual vs. CPI + 3%	**1.44%**	**3.64%**	**-1.70%**	**0.65%**	**0.77%**	**-1.06%**
Cash	0.51%	0.60%	0.28%	0.21%	0.21%	0.80%
Actual vs. Cash	**4.82%**	**7.97%**	**2.00%**	**4.74%**	**5.26%**	**2.83%**
Sharpe Ratio		2.38	0.53	0.85	0.80	0.40
Information Ratio		1.82	0.96	1.05	1.03	1.21

I. PERMANENT UNIVERSITY FUND

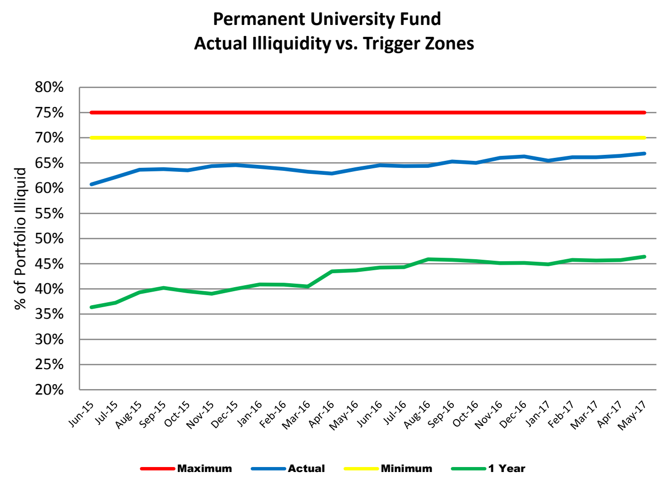
Investment Reports for Periods Ended May 31, 2017

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	7.7%	7.3%	-1.68%	-2.35%	-0.06%	0.04%	-0.02%
Credit-Related	0.1%	0.0%	5.54%	6.91%	0.00%	0.00%	0.00%
Real Estate	0.1%	0.6%	5.14%	-2.74%	0.00%	0.09%	0.09%
Natural Resources	4.6%	3.8%	2.15%	2.99%	-0.07%	0.07%	0.00%
Developed Country	14.5%	17.6%	15.23%	12.88%	-0.20%	0.31%	0.11%
Emerging Markets	9.8%	9.9%	13.13%	13.81%	-0.09%	-0.10%	-0.19%
Total More Correlated and Constrained	**36.8%**	**39.2%**	**8.68%**	**8.46%**	**-0.42%**	**0.41%**	**-0.01%**
Less Correlated and Constrained	**23.9%**	**26.2%**	**6.63%**	**4.41%**	**0.07%**	**0.63%**	**0.70%**
Private Investments	**39.3%**	**34.6%**	**10.30%**	**6.42%**	**0.25%**	**1.17%**	**1.42%**
Total	**100.0%**	**100.0%**	**8.80%**	**6.69%**	**-0.10%**	**2.21%**	**2.11%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended May 31, 2017	Fiscal Year to Date May 31, 2017
Beginning Net Assets	$17,490	$19,227	$17,880
PUF Lands Receipts	512	168	508
Investment Return (Net of Expenses)	651	569	1,576
Distributions to AUF	(773)	(420)	(420)
Ending Net Assets	$17,880	$19,544	$19,544



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended May 31, 2017

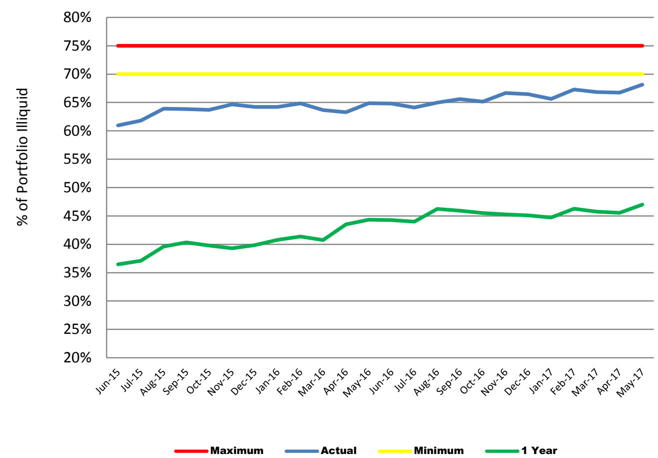
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	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	5.9%	7.3%	-0.61%	-2.35%	-0.03%	0.12%	0.09%
Credit-Related	0.1%	0.0%	5.54%	6.91%	0.00%	0.00%	0.00%
Real Estate	0.1%	0.6%	5.14%	-2.74%	0.01%	0.09%	0.10%
Natural Resources	4.6%	3.8%	2.11%	2.99%	-0.07%	0.07%	0.00%
Developed Country	14.9%	17.6%	15.24%	12.88%	-0.19%	0.30%	0.11%
Emerging Markets	10.0%	9.9%	15.22%	13.81%	-0.08%	0.11%	0.03%
Total More Correlated and Constrained	**35.6%**	**39.2%**	**9.56%**	**8.46%**	**-0.36%**	**0.69%**	**0.33%**
Less Correlated and Constrained	**24.4%**	**26.2%**	**6.63%**	**4.41%**	**0.04%**	**0.64%**	**0.68%**
Private Investments	**40.0%**	**34.6%**	**10.30%**	**6.42%**	**0.26%**	**1.16%**	**1.42%**
Total	**100.0%**	**100.0%**	**9.12%**	**6.69%**	**-0.06%**	**2.49%**	**2.43%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended May 31, 2017	Fiscal Year to Date May 31, 2017
Beginning Net Assets	$8,237	$8,912	$8,500
Contributions	361	94	230
Withdrawals	(21)	(22)	(26)
Distributions	(411)	(109)	(323)
Investment Return (Net of Expenses)	334	275	769
Ending Net Assets	$8,500	$9,150	$9,150

General Endowment Fund
Actual Illiquidity vs. Trigger Zones



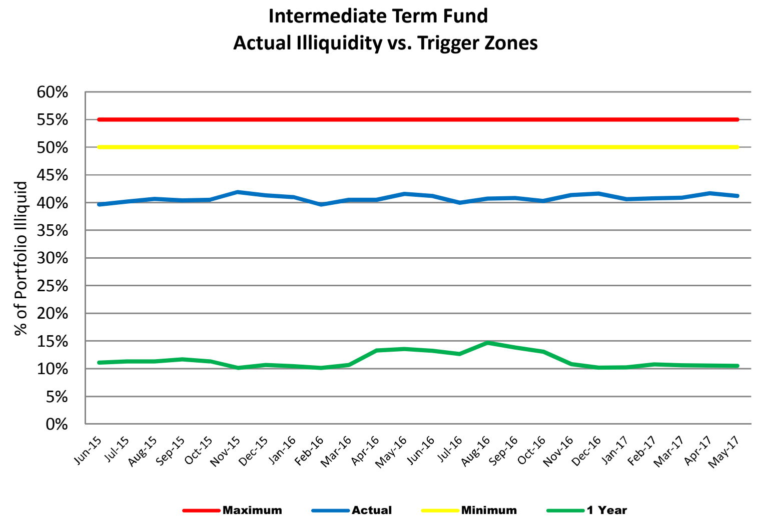
UTIMCO 06/29/2017

III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended May 31, 2017
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	32.8%	30.0%	-0.71%	-2.35%	-0.07%	0.55%	0.48%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	0.1%	0.8%	5.19%	-2.74%	-0.02%	0.09%	0.07%
Natural Resources	4.4%	3.6%	2.30%	2.99%	-0.08%	0.06%	-0.02%
Developed Country	10.8%	13.5%	15.21%	12.88%	-0.15%	0.21%	0.06%
Emerging Markets	6.7%	7.1%	15.22%	13.81%	-0.04%	0.07%	0.03%
Total More Correlated and Constrained	**54.8%**	**55.0%**	**4.25%**	**3.10%**	**-0.36%**	**0.98%**	**0.62%**
Less Correlated and Constrained	**45.2%**	**45.0%**	**6.64%**	**4.41%**	**-0.11%**	**1.10%**	**0.99%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**5.33%**	**3.72%**	**-0.47%**	**2.08%**	**1.61%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2016	Quarter Ended May 31, 2017	Fiscal Year to Date May 31, 2017
Beginning Net Assets	$7,037	$8,119	$7,836
Contributions	1,009	293	748
Withdrawals	(248)	(76)	(329)
Distributions	(220)	(62)	(182)
Investment Return (Net of Expenses)	258	216	417
Ending Net Assets	$7,836	$8,490	$8,490



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2017

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

($ thousands)

FUND TYPE

	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	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 02/28/17	-	-	2,910	2,910	94,471	94,471	2,746	2,746	1,503	1,503	101,630	101,630	2,966,378	2,966,600	3,068,008	3,068,230
Increase/(Decrease)	-	-	(1,024)	(1,024)	(48,604)	(48,604)	(1,524)	(1,524)	268	268	(50,884)	(50,884)	4,506	4,494	(46,378)	(46,390)
Ending value 05/31/17	-	-	1,886	1,886	45,867	45,867	1,222	1,222	1,771	1,771	50,746	50,746	2,970,884	2,971,094	3,021,630	3,021,840
Debt Securities:																
Beginning value 02/28/17	-	-	7	6	12,507	12,460	8,698	8,277	-	-	21,212	20,743	-	-	21,212	20,743
Increase/(Decrease)	-	-	-	-	109	234	(830)	(694)	-	-	(721)	(460)	-	-	(721)	(460)
Ending value 05/31/17	-	-	7	6	12,616	12,694	7,868	7,583	-	-	20,491	20,283	-	-	20,491	20,283
Equity Securities:																
Beginning value 02/28/17	-	-	321	2,478	40,219	52,225	10,982	11,835	-	-	51,522	66,538	-	-	51,522	66,538
Increase/(Decrease)	-	-	(164)	(165)	423	1,849	(1,266)	(1,121)	-	-	(1,007)	563	-	-	(1,007)	563
Ending value 05/31/17	-	-	157	2,313	40,642	54,074	9,716	10,714	-	-	50,515	67,101	-	-	50,515	67,101
Other:																
Beginning value 02/28/17	-	-	122	122	2	2	4	4	177	177	305	305	-	-	305	305
Increase/(Decrease)	-	-	1,609	1,609	(1)	(1)	1	1	20,347	20,347	21,956	21,956	-	-	21,956	21,956
Ending value 05/31/17	-	-	1,731	1,731	1	1	5	5	20,524	20,524	22,261	22,261	-	-	22,261	22,261
Total Assets:																
Beginning value 02/28/17	-	-	3,360	5,516	147,199	159,158	22,430	22,862	1,680	1,680	174,669	189,216	2,966,378	2,966,600	3,141,047	3,155,816
Increase/(Decrease)	-	-	421	420	(48,073)	(46,522)	(3,619)	(3,338)	20,615	20,615	(30,656)	(28,825)	4,506	4,494	(26,150)	(24,331)
Ending value 05/31/17	-	-	3,781	5,936	99,126	112,636	18,811	19,524	22,295	22,295	144,013	160,391	2,970,884	2,971,094	3,114,897	3,131,485

Details of individual assets by account furnished upon request.

UTIMCO 6/16/2017

8. U. T. System Board of Regents: Approval of annual distribution from the Permanent University Fund

RECOMMENDATION

The Chancellor concurs with the Deputy Chancellor and the Executive Vice Chancellor for Business Affairs in the recommendation that the Fiscal Year 2018 distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased from $839,441,000 to $887,250,000 effective September 1, 2017. This distribution equates to 5.00% of the trailing 12-quarter average of the net asset value of the PUF.

BACKGROUND INFORMATION

The PUF Investment Policy states that the Board of Regents will approve an annual distribution from the PUF to the AUF. Regents' Rule 80303 provides that the default distribution shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case distribution shall be an amount equal to 5.00% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to the PUF Investment Policy Statement.

As shown in the table below, the average annual return of the PUF investments for the trailing 12 quarters ending February 28, 2017, did not exceed the Expected Return by 25 basis points or more (≥.25%). Therefore, as outlined in Regents' Rule 80303, the "default" distribution rate for Fiscal Year 2017-2018 would be 4.75%, or $842,888,000.

	Trailing 12 Quarters Ending February 28, 2017	**Expected or Benchmark**	**Excess/(Deficit)**
Average Annual Rate of Return	**5.34%**	**6.35%**	**(1.01%)**

Due to relatively strong capital market returns and a desire to continue to enhance quality and invest in the institutions even during a period of moderate state funding, it is the recommendation of the Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Business Affairs that the distribution from the PUF to the AUF for Fiscal Year 2018 be $887,250,000 or 5.00% of the trailing 12-quarter average of the net asset value of the PUF.

This calculation is shown below:

Quarter Ended	Net Asset Value
05/31/2014	16,912,325,818
08/31/2014	17,364,902,520
11/30/2014	17,533,457,255
02/28/2015	18,043,442,921
05/31/2015	18,200,267,855
08/31/2015	17,490,041,365
11/30/2015	17,549,833,950
02/29/2016	16,977,772,075
05/31/2016	17,432,202,699
08/31/2016	17,880,150,606
11/30/2016	18,329,255,690
02/28/2017	19,226,506,187
	$ 212,940,158,941
Number of quarters	12
Average Net Asset Value	$ 17,745,013,245
Distribution Percentage	5.00%
FY 2017-18 Distribution (1)	$ 887,250,000

(1) Rounded down to the nearest $1,000.

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 of 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 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 $887,250,000 is substantially greater than PUF bond debt service of $298,880,000 projected for FY 2017-2018.

System	Debt Service
U. T.	$ 180,380,000
TAMU	118,500,000
Total:	$ 298,880,000

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

2. The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2017, was 3.57%, which indicates that the purchasing power test was met.

Average Annual	**Percent**
Rate of Total Return, Net of Investment Manager Fees	5.31%
Mineral Interest Receipts	4.93%
Expense Rate	(0.18)% (1)
Inflation Rate	(1.82)%
Distribution Rate	(4.67)%
Net Real Return	**3.57%**

(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 7.00% 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 12-quarter average value of the PUF is within the 7.00% maximum allowable distribution rate.

Value of PUF Investments (1)	**Proposed Distribution**	**Proposed Distribution as a % of Value of PUF Investments**	**Maximum Allowed Rate**
$17,745,013,245	$ 887,250,000	**5.00%**	7.00%

(1) Source: UTIMCO

9. **U. T. System: Discussion regarding possible creation of a nonprofit corporation for the management of University Lands**

DISCUSSION

Mr. Mark Houser, Chief Executive Officer - University Lands, will begin a discussion about the possible creation of a nonprofit corporation for the management of University Lands, using a PowerPoint set forth on the following pages.

Discussion on Matters Related to the "ULandCo" Concept

Mr. Mark Houser, Chief Executive Officer – University Lands

U. T. System Board of Regents' Meeting

Finance and Planning Committee

August 2017

ULandCo

- **The University Lands Advisory Board (ULAB) and University Lands (UL) management recommend that a new organizational framework be established through the creation of a 501(c)(3) entity similar to that of UTIMCO to be named the "University Lands Management Company" or "ULandCo."**
- **Key benefits of this new nonprofit entity include:**
  - A dedicated governing board with industry expertise (U. T. System Board of Regents retains ultimate fiduciary responsibility and authority)
  - An efficient organization focused on its core businesses: surface and minerals management
  - Reduced burden on U. T. System Administration in headcount, workload and costs
  - Decisions made "at the speed of business"
  - Performance tracked through a transparent management services agreement with the Board of Regents
  - Enhanced ability to attract and retain oil and gas industry professionals
  - Implementation of flexible processes that prioritize the best interest of the Permanent University Fund (PUF), the U. T. System Board of Regents, and Texas A&M University System

Why ULandCo? The Value-Add Proposition

- **Strategic management is required for assets of this size, scale and growth outlook:**
  - >2.1 million surface and mineral acres in one of world's most abundant oil fields
  - An average of $800 million/year in revenue since 2012 and significant future revenue projections
  - >20,000 identified future oil and gas well drilling locations with substantial long-term resource potential
  - Significant renewable energy and groundwater resource potential

- **Value will be added through:**
  - **Focused Governance:** A dedicated board will provide strategic direction and quick decision making.
  - **Increased Efficiency:** Less staff time spent on navigating the complexities of higher education will increase focus on the land management core business.
  - **Focused Management**: A strengthening of current activities in tandem with the creation of new business lines will drive growth.

Benefits to U. T. System

- Removal of ~50 FTEs from U. T. System Administration payroll
- Some potential reduction in workload for U. T. System Administration staff in shared services functions (human resources, accounting, IT, procurement)
- Potential revenue in the form of lease payments for U. T. System-owned Midland office space
- **Increased return on investment to the PUF**

Current University Lands Structure

U. T. System Board of Regents

U. T. System Administration

ULAB

- Serves in advisory role ONLY

- 2 U. T. System Appointees
- 1 Texas A&M University System Appointee
- 2 Outside Appointees
- Executive Vice Chancellor for Business Affairs (Ex officio and nonvoting)

University Lands

Operations (Midland)

Development (Houston)

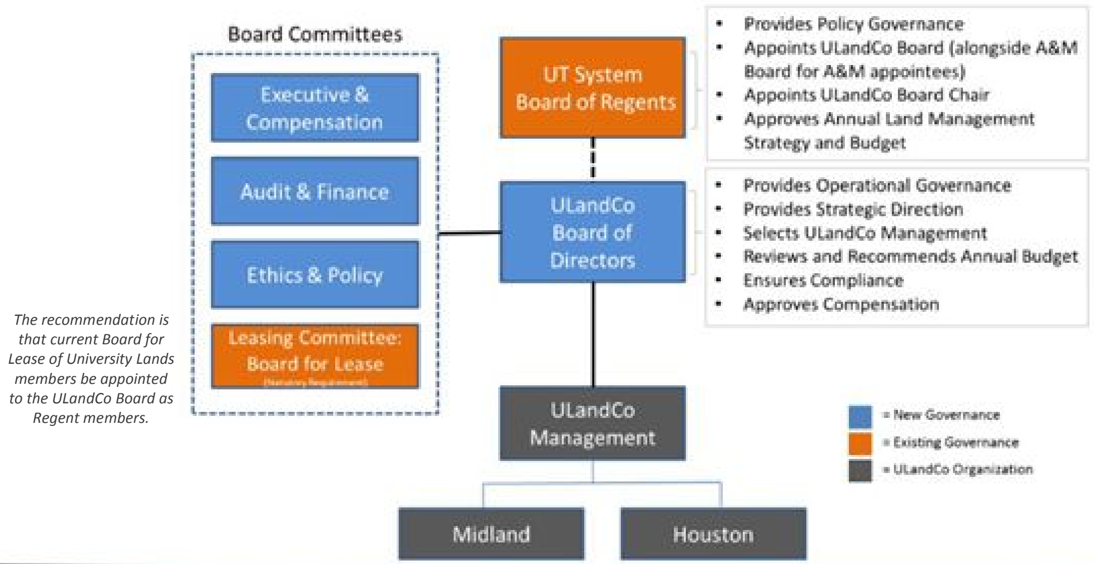
Board for Lease of University Lands (Lease Sales)

- Provides Lease Administration Governance (required by statute)

- Land Commissioner
- 2 U. T. System Regents
- 1 Texas A&M University Regent

Proposed ULandCo Board Structure (5 – 3 – 1)

- **Five (5) members, including the ULandCo Chair, appointed by U. T. System Board of Regents:**
  - Two members must be U. T. System Regents
  - Three must have industry expertise
- **Three (3) members appointed by Texas A&M University Board of Regents:**
  - One member must be a Texas A&M University Regent
  - Two must have industry expertise
- **The (1) Commissioner of the General Land Office**

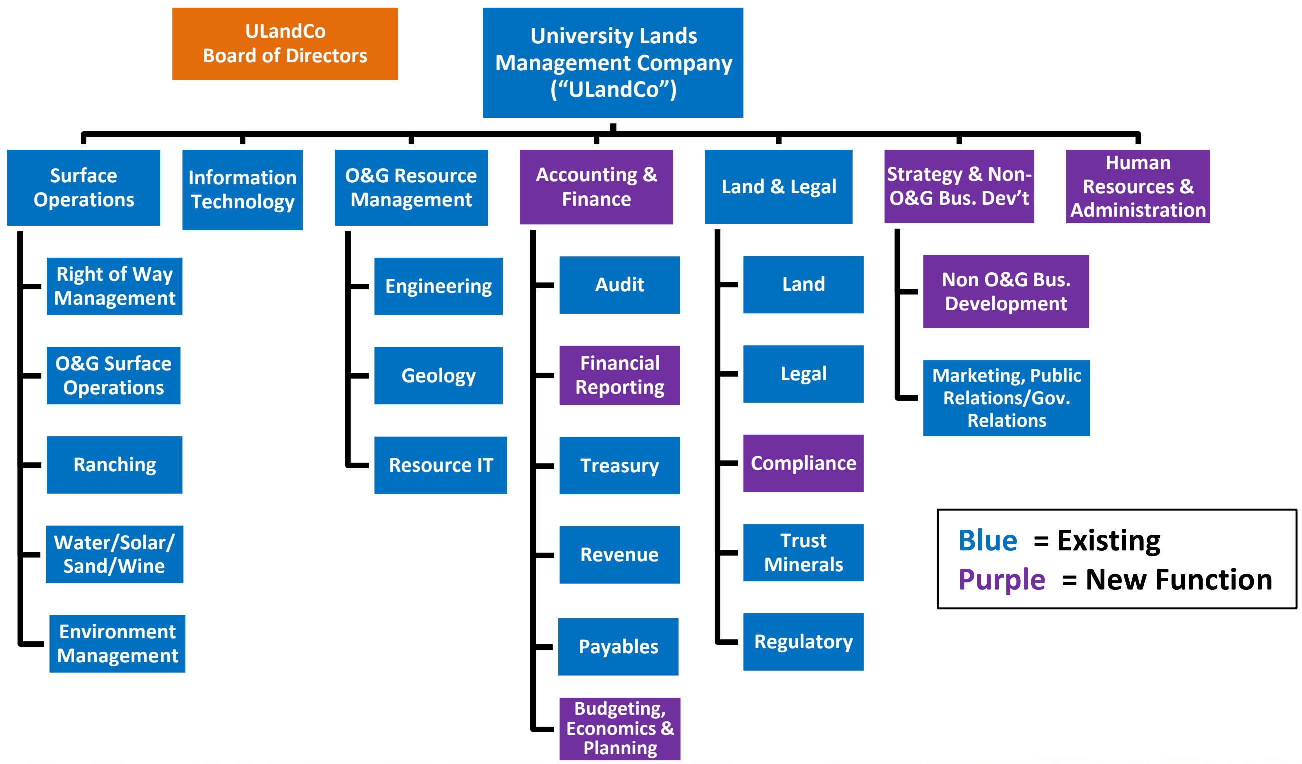


Required Governing Documents and Policies for ULandCo

- **U. T. System Board of Regents approval required for entity-level policies, including:**
  - Incorporation documents, including Articles of Incorporation and Bylaws
  - ULandCo Code of Ethics
  - Management Services Agreement (with U. T. System Board of Regents)
- **ULandCo Board of Director approvals required for corporation's internal policies, including:**
  - Purchasing Policy
  - Travel Policy
  - Business-Related Expense Policy
  - Leave Policy
  - Incentive Compensation Policy
  - Other Operational Policies

The New ULandCo Organization

- Approximately 50 FTEs will transfer from U. T. System Administration into ULandCo. A limited number of new functions will be required to operate as a new separate entity.



The Costs of ULandCo

- **The formation of ULandCo will require one-time expenditures totaling ~$2.2 million to organize the company to conduct business as a stand-alone entity, including:**
  - IT Infrastructure and new business applications
  - Legal fees
  - Employee transition costs (payout of accrued vacation time)

- **On-going annual incremental costs are estimated at ~$1.8 million and include:**
  - New staff in areas of human resources, accounting, financial reporting and compliance
  - Corporate financial audits and compliance administration
  - Some incremental costs in employee benefits

- **Total on-going ULandCo pro forma costs represent <3% of projected 2018 revenue**

ULandCo: 2018 Projected Financials

- **Among its peers, ULandCo's projected FY2018 costs will be:**
  - Well below average costs per barrel of oil equivalent (BOE), a common industry benchmark
  - Well below average costs as a percentage of revenue
  - Well below average costs on a per acre basis

- **ULandCo's projected costs, as a percentage of revenue, are on par with the General Land Office. ULandCo's costs are also on par with UTIMCO as a percentage of asset value.**

	Industry Peers*	ULandCo (FY18)
G&A, $ per BOE	$2.80	$1.21
G&A, % of Revenue	9.3%	2.4%
G&A, per acre	$41	$16

*Based on 2016 financials

($ in thousands, rounded)	FY 2017 Forecasted	FY18 ULandCo FY18 Budget plus Incremental Costs
Net MBOE	18,500	18,800
Revenues		
PUF Revenue	$678,000	$767,000
AUF Revenue	$58,000	$65,000
Total PUF & AUF Revenues	$736,000	$832,000
PUF Expenses		
Expenses (G&A, Opex)	$22,500	$22,800
Incremental ULandCo Expenses		$1,800
Total Expenses	$22,500	*$24,600
Net Income	$713,500	$807,400
G&A	$19,800	$19,900
G&A, $ Per BOE	$1.07	$1.06
G&A, % of Revenue	2.69%	2.39%

*excludes one-time transition costs of $2,200

Recommended Stakeholder Engagement & Approvals Timeline

- **May: Opportune Assessment Completed and Report Finalized**
- **June - July: U. T. System, ULAB, Texas A&M University System**
  - U. T. System: Business Affairs, External Relations, Governmental Relations; one-on-one meetings with some Regents
  - ULAB endorsement
  - Texas A&M University System Leadership
- **August - September: Regents and External Updates**
  - U. T. System Board of Regents Review
  - Offices of: Governor, Lieutenant Governor, Speaker of the House, other legislators
- **September - October: Request U. T. System Board of Regents' Approval**
  - Create ULandCo Board of Directors, if approved
- **January 1, 2018 - ULandCo Organizational Start Date**

10. U. T. System Board of Regents: Discussion and appropriate action regarding proposed Incentive Compensation Plan for key University Lands employees

RECOMMENDATION

The Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Business Affairs recommend approval of an Incentive Compensation Plan (Plan) for key University Lands employees. The University Lands Advisory Board (ULAB) has endorsed and recommends approval of the Plan. The Plan has also been reviewed and approved as to legal form by the Office of General Counsel.