EXECUTIVE SUMMARY

The Analysis of Financial Condition (AFC) was performed by using financial information found in the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position. In addition, debt and interest expense are allocated to the individual institutions. In fiscal year 2019, the rating methodology was revised to align elements that are pertinent to Academic institutions independent of the factors used to analyze Not-For-Profit Healthcare institutions. All ratios calculated are commonly used by bond rating agencies, public accounting, and consulting firms.

The analysis includes a scorecard that uses broad factors with sub-categories of quantitative and qualitative characteristics as demonstrated in the grid below. A five-year historical view is provided for each sub-category for all institutions.

Broad Factors for Academic Institutions	Broad Factors for Healthcare Institutions
Market Profile • Operating Revenue • Annual Change in Operating Revenues • Strategic Positioning	**Market Position** • Operating Revenue • 3-year Operating Revenue • Market Landscape
Operating Performance • Operating Cash Flow Margin • Maximum Single Revenue Contribution	**Operating Performance & Liquidity** • 3-year Operating Cash Flow Margin • Gross Revenue from Combined Medicare & Medicaid • Cash on Hand • Financial Management & Reinvestment
Wealth & Liquidity • Total Cash & Investments • Spendable Cash & Investments to Operating Expenses • Cash on Hand	**Leverage** • Unrestricted Cash & Investments to Total Debt • Total Debt to Cash Flow
Leverage • Spendable Cash & Investments to Total Debt • Total Debt to Cash Flow	

In addition to the scorecard factors, a five-year historical analysis is provided for all institutions on the following ratios:

- Operating Revenue
- Annual Operating Margin
- Spendable Cash to Operating Expenses for Academic Institutions
- Spendable Cash & Investments to Total Debt for Academic Institutions
- Unrestricted Cash & Investments to Total Debt for Healthcare Institutions

The results of all calculations, the strategic positioning for academic institutions, and market landscape for health institutions, was collectively reviewed and discussed with executive vice chancellors and chief business officers at each institution to determine an annual financial evaluation.

The table on the following page provides a summary of the overall scorecard rating for all institutions.

Institution	FY 19 Overall Scorecard Rating
Academics	
The University of Texas at Arlington	
The University of Texas at Austin	
The University of Texas at Dallas	
The University of Texas at El Paso	
The University of Texas Permian Basin	
The University of Texas Rio Grande Valley	
The University of Texas San Antonio	Aa3
The University of Texas at Tyler	
Healths	
The University of Texas Southwestern Medical Center	
The University of Texas Medical Branch at Galveston	
The University of Texas Health Science Center at Houston	
The University of Texas Health Science Center at San Antonio	
The University of Texas M. D. Anderson Cancer Center	
The University of Texas Health Science Center Tyler	

Scorecard Outcome	Aggregate Weighted Factor Score
Aaa	1.5
Aa1	1.5 - 2.5
Aa2	2.5 - 3.5
Aa3	3.5 - 4.5
A1	4.5 - 5.5
A2	5.5 - 6.5
A3	6.5 - 7.5
Baa1	7.5 - 8.5
Baa2	8.5 - 9.5
Baa3	9.5 - 10.5
Ba1	10.5 - 11.5
Ba2	11.5 - 12.5
Ba3	12.5 - 13.5
B1	13.5 - 14.5
B2	14.5 - 15.5
B3	15.5 – 16.5
Caa1 and below	> 16.5

Investment Grade

Speculative Grade

EXHIBIT 1

ACADEMIC INSTITUTIONS SCORECARD

Broad Factors	***Factor Weighting***	***Sub-Factors***	***Sub-Factor Weighting***
Market Profile	20%	Operating Revenue	15%
		Annual Change in Op. Revenue	5%
		Strategic Positioning	0%
Operating Performance	30%	Operating Cashflow Margin	20%
		Max Single Revenue Contribution	10%
Wealth & Liquidity	30%	Total Cash & Investments	15%
		Spendable C&I to Op. Expenses	10%
		Cash on Hand (days)	5%
Leverage	20%	Spendable C&I to Total Debt	10%
		Total Debt to Cash Flow	10%

After calculating each sub-factor, the outcomes are mapped to a broad rating typically used by bond rating agencies.

EXHIBIT 2

HEALTHCARE INSTITUTIONS SCORECARD

Broad Factors	*Factor Weighting*	*Sub-Factors*	*Sub-Factor Weighting*
Market Profile	35%	Operating Revenue	25%
		3-year Operating Revenue (CAGR)	10%
		Market Landscape	0%
Operating Performance & Liquidity	35%	3-year Avg Operating Cash Flow Margin	15%
		Gross Rev of Comb Medicare & Medicaid	10%
		Cash on Hand (days)	10%
		Financial Mgmt & Reinvestment	0%
Leverage	30%	Unrestricted Cash & Inv to Total Debt	15%
		Total Debt to Cash Flow	15%

After calculating each sub-factor, the outcomes are mapped to a broad rating typically used by bond rating agencies.

The University of Texas at San Antonio
2019 Summary of Financial Condition

Financial Condition: **Satisfactory**

EXECUTIVE SUMMARY

Highlights

General Overview

Under the structure and oversight of the new Incentivized Resource Management (IRM) budget model, The University of Texas at San Antonio (U. T. San Antonio) prioritized fiscal year 2019 investment spending towards its strategic initiatives. Those initiatives serve to move U. T. San Antonio towards three destinations:

a. U. T. San Antonio will be a model for student success.
b. U. T. San Antonio will be a great public research university.
c. U. T. San Antonio will be an exemplar for strategic growth and innovative excellence.

- The strategic initiatives include research excellence, student success and strategic faculty hiring, among others.
- In terms of enrollment, U. T. San Antonio's headcount exceeded 32,000 for the first time in fall 2018, and U. T. San Antonio realized a 3% increase in student credit hours compared to the prior year.
- Research expenditures grew 18% or $10.5 million.
- Administrative costs for fiscal year 2019 included $2.1 million of one-time spending, supporting initiatives like the IRM budget model creation and infrastructure changes to support the National Security Collaboration Center. Without these one-time costs, U. T. San Antonio's administrative cost measure would have matched its historical low of 8.3%. U. T. San Antonio will continue to seek operational efficiencies and other ways to decrease its administrative cost measure.
- Capital activity included the opening of a Structural Testing Facility, continued progress on the Science and Engineering Building and the planning for a new residence hall, Guadalupe Hall.

Observations

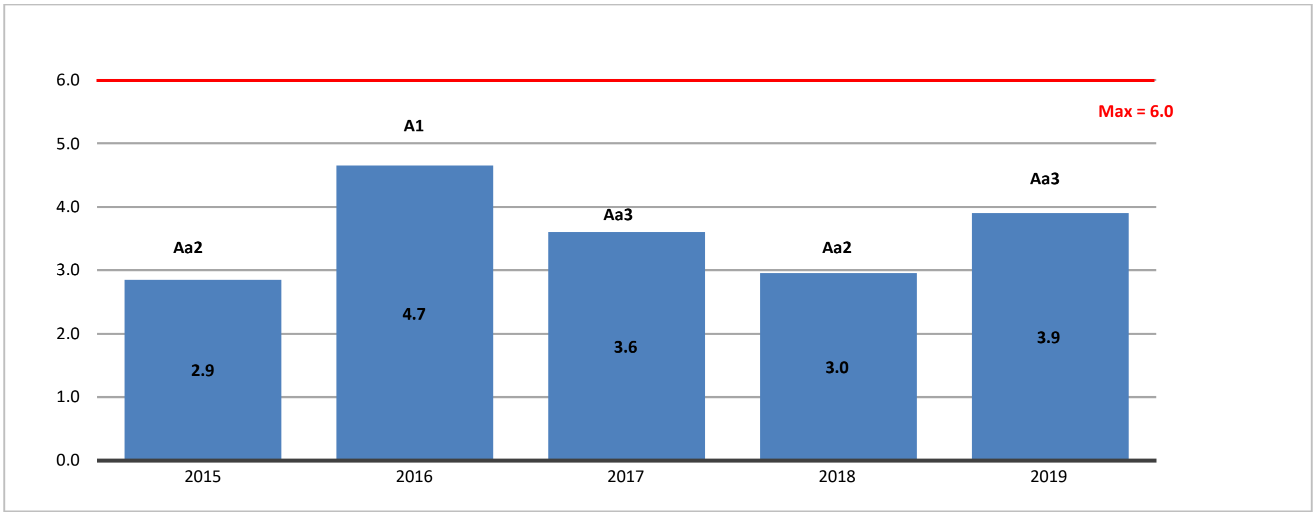
Due to a later start date in fall 2019, U. T. San Antonio had four fewer class days within fiscal year 2019, which resulted in $6.7 million less revenue that contributed to the annual operating deficit.

U. T. San Antonio's negative annual operating margin for FY2019 is primarily the result of strategic one-time spending on long-term investments, such as strategic enrollment, the Incentivized Resource Management budget model and real estate development.

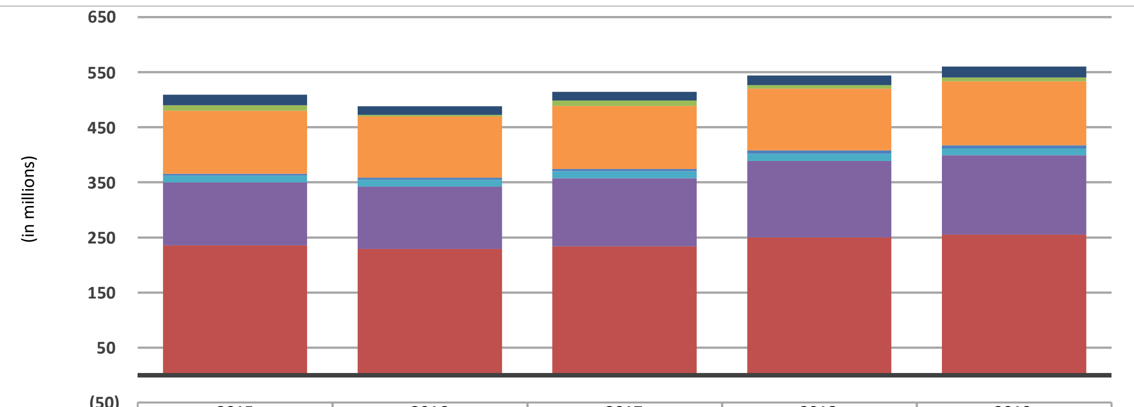
State exemptions cost U. T. San Antonio $20.4 million of tuition revenue for fiscal year 2019. The exemptions included $18 million for Hazlewood, for which the state provided a partial reimbursement of $1.8 million.

ANALYSIS OVERVIEW

1. **Overall Scorecard Rating**



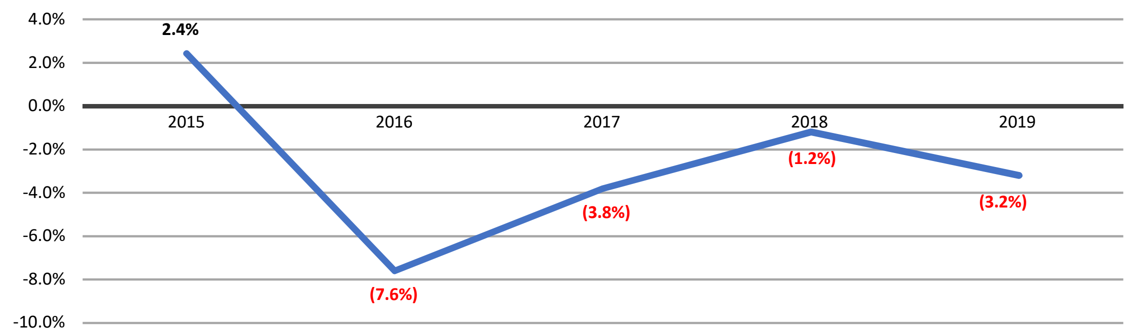
2. **Operating Revenues**



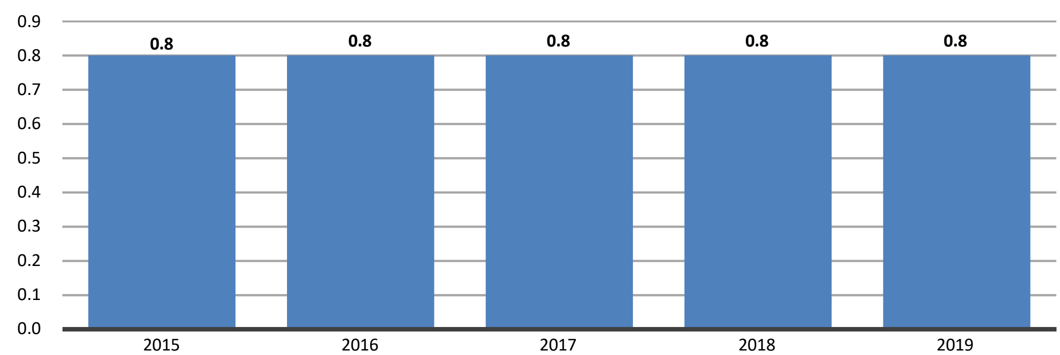
	2015	2016	2017	2018	2019
Inv. Inc (Excl Realized G/L)	18.7	15.2	15.7	17.4	19.3
Gifts	10.4	3.3	10.0	6.7	7.0
State Appr	114.2	110.6	114.3	112.2	116.1
Other	3.8	4.3	4.3	5.5	5.9
Net S&S of Ed Act	12.2	12.1	12.7	13.3	12.1
Spon Prog/Nonexch Spon Prog	114.2	113.2	123.7	138.8	144.5
Tuition & Fees & Aux Ent.	235.2	229.0	233.3	249.8	254.7

The University of Texas at San Antonio (continued)

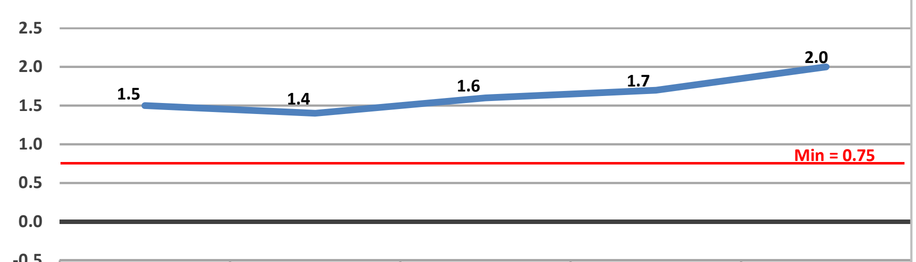
3. Annual Operating Margin



4. Spendable Cash & Investments to Operating Expenses



5. Spendable Cash & Investments to Total Debt



	2015	2016	2017	2018	2019
Spendable Cash & Inv. To Total Debt (x)	1.5	1.4	1.6	1.7	2.0
Spendable C&I	377.6	362.9	372.6	394.1	440.6
Total Debt	257.0	252.7	239.5	226.3	218.0

Appendix A - Definitions of Evaluation Factors

1. **Overall Scorecard Rating** – The Overall Scorecard Rating has four broad factors for academic institutions and three broad factors for healthcare institutions.

   - *Factors for Academic Institutions*
     - Market Profile
     - Operating Performance
     - Wealth and Liquidity, and
     - Leverage
   - *Factors for Healthcare Institutions*
     - Market Position
     - Operating Performance & Liquidity, and
     - Leverage

   There are sub-factor calculations under these broad factors and each sub-factor is assigned a weight and a value. After calculating each sub-factor, the results are mapped to a rating category. The sub-factor ratings are then converted to alpha numeric values, which are multiplied by the assigned weights and summed to produce an aggregate weighted score. That aggregate score is then mapped to the appropriate rating. See Appendix B for each institution's calculation. The maximum scorecard rating is 6.0.

2. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is operating within its available resources. The interest expense used in this calculation excludes interest expense on tuition revenue bonds (TRBs) and the general revenue supporting interest and principal payments is also excluded.

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

3. **Spendable Cash & Investments to Operating Expenses Ratio for Academic Institutions** – This ratio indicates the extent to which an academic institution can rely on wealth that can be accessed over time or for a specific purpose to operate without earning additional revenue. The interest expense used in this calculation excludes interest expense on (TRBs).

$$\frac{\text{Total Cash and Investments less Nonexpendable Net Position}}{\text{Total Operating Exp. (excluding Scholarships Exp.) + Interest Expense}}$$

4. **Spendable Cash & Investments to Total Debt Ratio for Academic Institutions** – This ratio examines the ability of an academic institution to repay bondholders from wealth that can be accessed over time or for a specific purpose. The total debt used in this calculation excludes TRBs. Debt capacity thresholds are provided by the Office of Finance. The minimum spendable cash and investments to total debt ratio is 0.75 times.

$$\frac{\text{Total Cash and Investments less Nonexpendable Net Position}}{\text{Debt not on Institution's Books (excluding TRBs) + Capital Lease Liabilities}}$$

5. **Unrestricted Cash & Investments to Total Debt Ratio for Healthcare Institutions** – This ratio examines the ability of a healthcare institution to repay bondholders from unrestricted cash and investments. The total debt used in this calculation excludes TRBs. Debt capacity thresholds are provided by the Office of Finance. The minimum spendable cash and investments to total debt ratio is 1.5 times.

$$\frac{\text{Total Unrestricted Cash and Investments}}{\text{Debt not on Institution's Books (excluding TRBs) + Capital Lease Liabilities}}$$