

## 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. 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
<b>Market Profile</b> <ul style="list-style-type: none"> <li>Operating Revenue</li> <li>Annual Change in Operating Revenues</li> <li>Strategic Positioning</li> </ul>	<b>Market Position</b> <ul style="list-style-type: none"> <li>Operating Revenue</li> <li>3-year Operating Revenue</li> <li>Market Landscape</li> </ul>
<b>Operating Performance</b> <ul style="list-style-type: none"> <li>Operating Cash Flow Margin</li> <li>Maximum Single Revenue Contribution</li> </ul>	<b>Operating Performance &amp; Liquidity</b> <ul style="list-style-type: none"> <li>3-year Average Operating Cash Flow Margin</li> <li>Gross Revenue of Payor Mix</li> <li>Cash on Hand</li> <li>Financial Management &amp; Reinvestment</li> </ul>
<b>Wealth &amp; Liquidity</b> <ul style="list-style-type: none"> <li>Total Cash &amp; Investments</li> <li>Spendable Cash &amp; Investments to Operating Expenses</li> <li>Cash on Hand</li> </ul>	<b>Leverage</b> <ul style="list-style-type: none"> <li>Unrestricted Cash &amp; Investments to Total Debt</li> <li>Total Debt to Cash Flow</li> </ul>
<b>Leverage</b> <ul style="list-style-type: none"> <li>Spendable Cash &amp; Investments to Total Debt</li> <li>Total Debt to Cash Flow</li> </ul>	

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

- Debt Service to Operations
- Operating Performance (Annual Operating Margin including and excluding depreciation/amortization expense)
- Spendable Cash & Investments to Total Debt for Academic Institutions
- Unrestricted Cash & Investments to Total Debt for Healthcare Institutions

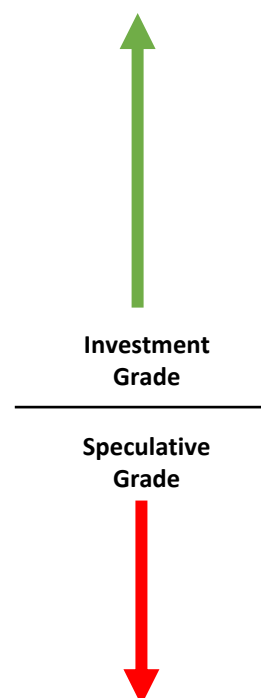
The results of all calculations, the strategic positioning for academic institutions, and market landscape for health institutions, was collectively reviewed and discussed with executive vice chancellors and chief business officers at each institution to determine an annual financial evaluation.

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



Institution	FY 22 Overall Scorecard Rating
<b>Academics</b>	
The University of Texas at Arlington	Aa1
The University of Texas at Austin	Aa1
The University of Texas at Dallas	Aa1
The University of Texas at El Paso	Aa3
The University of Texas Permian Basin	A1
The University of Texas Rio Grande Valley	Aa3
The University of Texas at San Antonio	Aa2
The University of Texas at Tyler	Aa3
<b>Healths</b>	
The University of Texas Southwestern Medical Center	A2
The University of Texas Medical Branch at Galveston	A2
The University of Texas Health Science Center at Houston	Aa2
The University of Texas Health Science Center at San Antonio	A1
The University of Texas M. D. Anderson Cancer Center	Aa1

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



## EXHIBIT 1

### ACADEMIC INSTITUTIONS SCORECARD

<i>Broad Factors</i>	<i>Factor Weighting</i>	<i>Sub-Factors</i>	<i>Sub-Factor Weighting</i>
<b>Market Profile</b>	20%	Operating Revenue	15%
		Annual Change in Op. Revenue	5%
<b>Operating Performance</b>	30%	Operating Cash Flow Margin	20%
		Max Single Revenue Contribution	10%
<b>Wealth &amp; Liquidity</b>	30%	Total Cash & Investments	15%
		Spendable C&I to Op. Expenses	10%
		Cash on Hand (days)	5%
<b>Leverage</b>	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

<i>Broad Factors</i>	<i>Factor Weighting</i>	<i>Sub-Factors</i>	<i>Sub-Factor Weighting</i>
<b>Market Profile</b>	35%	Operating Revenue	25%
		3-year Operating Revenue (CAGR)	10%
<b>Operating Performance &amp; Liquidity</b>	35%	3-year Avg Operating Cash Flow Margin	15%
		Gross Rev of Payor Mix (%)	10%
		Cash on Hand (days)	10%
<b>Leverage</b>	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 2022 Summary of Financial Condition

*Financial Condition: Satisfactory*

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### EXECUTIVE SUMMARY

#### Highlights

##### General Overview

As a Carnegie R-1 “Very High Research” institution, The University of Texas at San Antonio (U. T. San Antonio) is committed to access and excellence. In fiscal year 2022, U. T. San Antonio became the most recent institution in the state to achieve designation as a Texas Tier One university, a significant milestone of excellence in academics and research.

U. T. San Antonio's Incentivized Resource Management model continues to guide resource allocation. This model aligns resources with institutional priorities while providing greater decision-making authority within the academic colleges and other revenue units. All priorities connect to the University's three strategic destinations of being a model a student success, a great public research university and an exemplar for strategic growth and innovative excellence. Fiscal year 2022 included the successful completion of projects related to one of U. T. San Antonio's institutional investment priorities for downtown corridor expansion. U. T. San Antonio's growth is instrumental to San Antonio's evolution as the seventh-largest city in the United States. The U. T. San Antonio Downtown Campus, which anchors the city's technology corridor, is undergoing an expansion that shows promise for economic prosperity, urban revitalization, and transdisciplinary discovery. This past year U. T. San Antonio completed two major downtown expansion projects:

- U. T. San Antonio Southwest Campus was acquired from the Southwest School of Art on June 30th, 2022. The campus offers 114,000 square feet of academic, administrative, rental, and event space that offers a natural expansion of academic fine art programs while offering expanded opportunities to the U. T. San Antonio community. In addition to the property, U. T. San Antonio acquired fixed assets, cash, accounts receivables, and the reassignments of the Southwest School of Art endowments.
- San Pedro One provides 167,000 gross square feet of academic and research space, promoting the academic success and workforce development that is crucial to the continued economic vitality of San Antonio. The building is home to the School of Data Science, the National Security Collaboration Center, and 16 U. T. San Antonio research centers, institutes, and college-level labs.

Over the past three years, the university has been awarded more than \$176.4 million in HEERF. \$155.7 million has been spent in total, of which \$60.8 million was spent during the fiscal year 2022. Of total HEERF expenditures, U. T. San Antonio spent 63% on student payments, 18% on the lost revenue reimbursement in fiscal year 2021, 13% on technology-related purchases for the online instruction/remote work environment, 3% on pandemic management, and 3% on other expenses.



## Observations

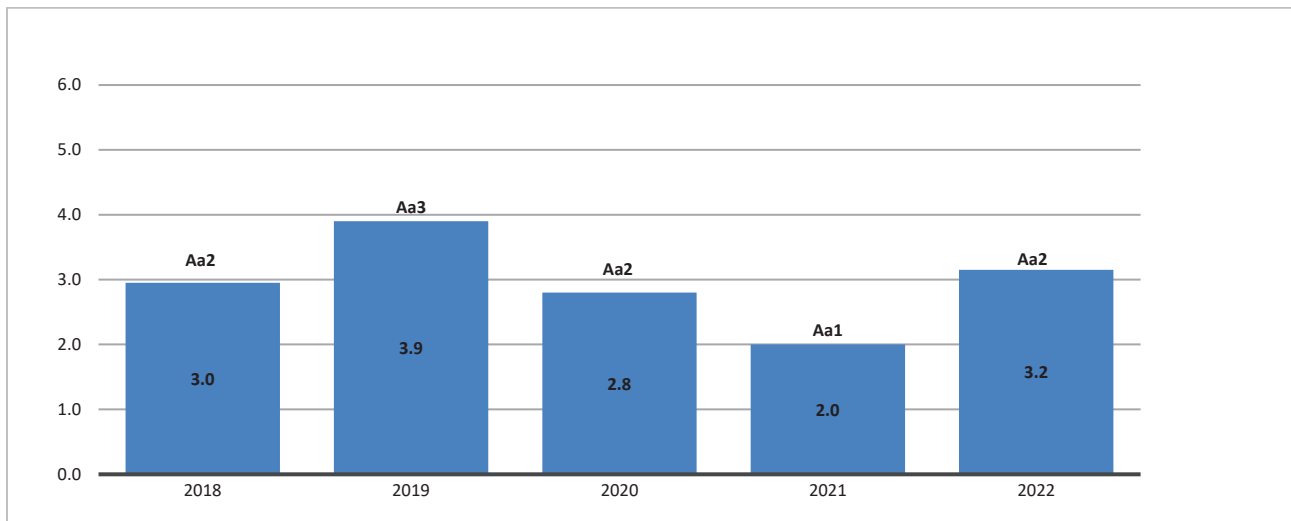
U. T. San Antonio continues to improve efficiencies and maintains a healthy ranking for the overall scorecard. U. T. San Antonio ended the fiscal year 2022 well-positioned to continue improving its financial condition. The university is emerging for the pandemic environment in a strong position and has seen increased revenue and operations from increased on-campus activities as noted in the following:

- Due to the receipt of large earmarked or restricted funds, U. T. San Antonio's operating margin for fiscal year 2022 was \$44.3 million (5.8%). The margin is primarily due to the university receiving a significant gift (\$20 million) and auxiliary revenues increasing beyond budgeted expectations as the campus returned to full operations.
- Operating revenues increased 12% over the prior year, primarily due to increases in sponsored programs, net sales and services, and auxiliary functions returning to pre-pandemic levels.
- Notable changes in revenues include:
  - Sponsored programs revenue - increased 20% over the prior year.
  - Net sales and services of educational activities – increased 33% over the prior year due to increased program activities post-pandemic.
  - State appropriations net of Tuition Revenue Bonds – increased 21% from the prior year due to an increase in the formula funding as well as the reduction taken in the prior year due to the pandemic.
  - Gift contributions – decreased (61%) over the prior year, primarily due to historic giving levels that benefitted U. T. San Antonio in the fiscal year 2021, which included a \$40 million gift from Mackenzie Scott’s foundation.
  - Auxiliary revenues- increased 105% over the prior year due to the return to pre-pandemic levels of campus activity.
  - Nonexchange sponsored programs– decreased (12%) due to lower reimbursement related to Pell grants and HEERF.
- The 15% increase in operating expenses over the prior year was primarily due to an institutional compensation strategy implemented that provided \$17 million of additional compensation funding through different initiatives, including increased minimum thresholds and a merit program, as well cost increases from the return to pre-pandemic campus operations and inflationary cost increases.
- The university's net tuition and fees include \$24 million of state exemptions, the largest of which is the Hazelwood program. Of that exemption amount, the state reimbursed U. T. San Antonio for \$1.7 million.
- The university’s endowment value decreased from \$277 million to \$264 million due to a decrease in fair value (\$27.9) of investments despite \$13.1 million of contributions into the endowment.
- U. T. San Antonio’s administrative cost measure decreased from 7.61% to 7.44% due to the continued emphasis on operational efficiency.

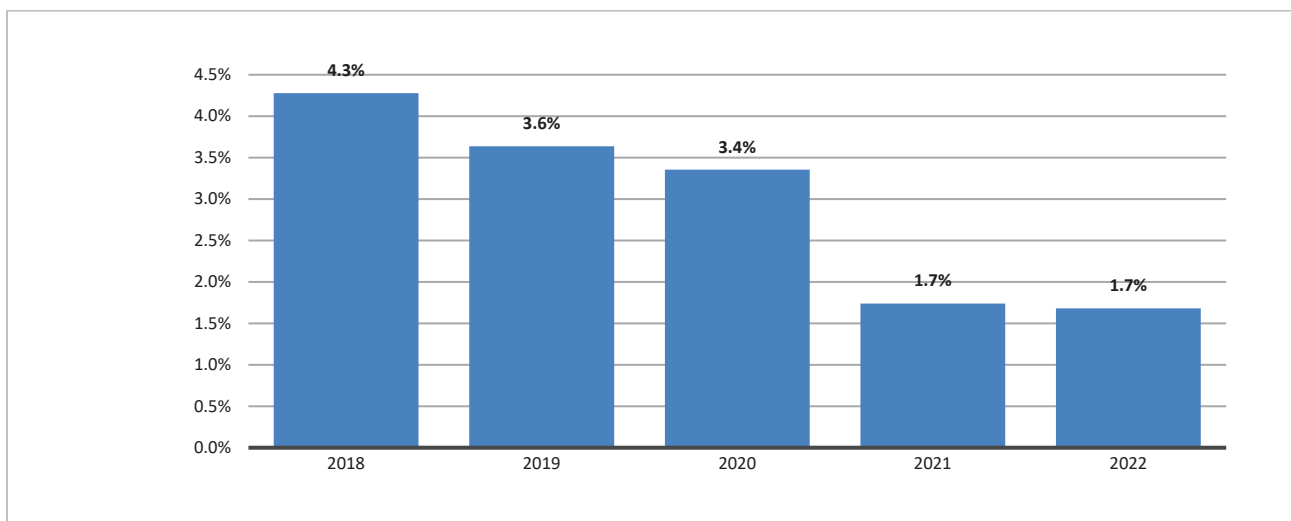


## ANALYSIS OVERVIEW

### 1. Overall Scorecard Rating

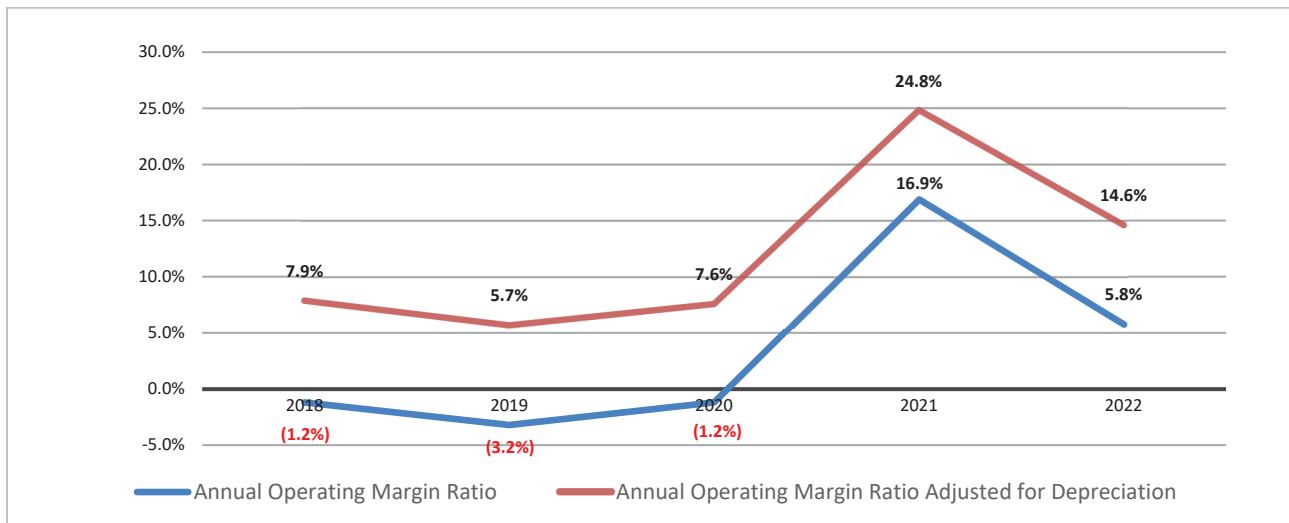


### 2. Debt Service to Operations

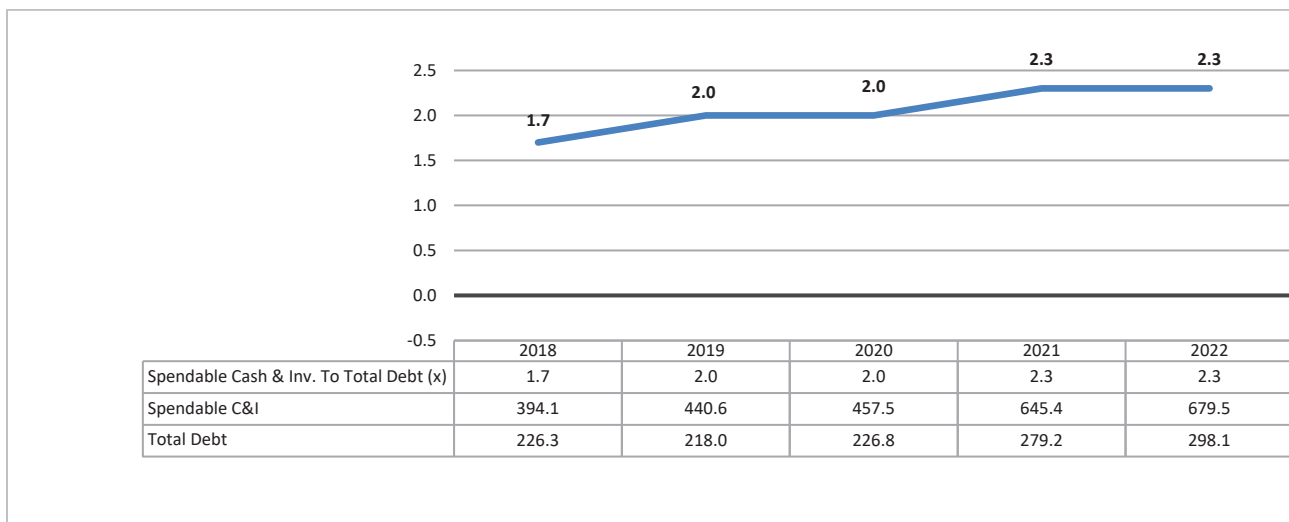


The University of Texas at San Antonio (continued)

### 3. Operating Performance



### 4. Spendable Cash & Investments to Total Debt





## 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.

2. **Debt Service to Operations** - This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. The debt service transfers used in this calculation exclude the debt service for tuition revenue bonds (TRBs) and the interest expense excludes the interest expense for TRBs.

$$\frac{\text{Debt Service Transfers (excluding TRB debt service)}}{\text{Operating Exp. + Interest Exp. (excluding TRB interest exp.)}}$$

3. **Operating Performance** – These ratios indicate whether an institution is operating within its available resources.

**Annual Operating Margin Ratio** – The interest expense used in this calculation excludes interest expense on TRBs and the general revenue supporting interest and principal payments is also excluded.

$$\frac{(\text{Op Rev}+\text{GR}+\text{Op Gifts}+\text{NonexchSP}+\text{Inv Inc}+\text{LTF}/\text{RAHC}/\text{AUF}/\text{InsurProceeds}/\text{ILP}+\text{NSERB Appr}+\text{Hazelwood}/\text{NRUF}/\text{TCMHCC}/\text{Laredo Trans}) - (\text{Op Exp} \& \text{Int Exp})}{\text{Op Rev}+\text{GR}+\text{Op Gifts}+\text{NonexchSP}+\text{Inv Inc}+\text{LTF}/\text{RAHC}/\text{AUF}/\text{InsProceeds}/\text{ILP} +\text{NSERB Appr}+\text{Hazelwood}/\text{NRUF}/\text{TCMHCC}/\text{Laredo Trans}}$$

**Annual Operating Margin Ratio Adjusted for Depreciation** – This ratio is calculated in the same manner as the ratio above with the exception that depreciation and amortization expense is excluded.

$$\frac{(\text{Op Rev}+\text{GR}+\text{Op Gifts}+\text{NonexchSP}+\text{Inv Inc}+\text{LTF}/\text{RAHC}/\text{AUF}/\text{InsurProceeds}/\text{ILP} +\text{NSERB Appr}+\text{Hazelwood}/\text{NRUF}/\text{TCMHCC}/\text{Laredo Trans}) - (\text{Op Exp} \& \text{Int Exp, excluding Depr}\&\text{Amort Exp})}{\text{Op Rev}+\text{GR}+\text{Op Gifts}+\text{NonexchSP}+\text{Inv Inc}+\text{LTF}/\text{RAHC}/\text{AUF}/\text{InsProceeds}/\text{ILP}+\text{NSERB Appr}+\text{Hazelwood}/\text{NRUF}/\text{TCMHCC}/\text{Laredo Trans}}$$

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.

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

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.

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

**Appendix B - Calculation of Overall Scorecard Rating  
Academic Institutions  
As of August 31, 2022**

<b>U. T. San Antonio</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	758.52	Aa	0.45
Annual Change in Operating Revenues (%)	5%	1.49%	Ba	0.60
<i>Total Weighted Market Profile</i>				1.05
<i>Operating Performance:</i>				
Operating Cash Flow Margin (%)	20%	16.06%	Aa	0.60
Max. Single Revenue Contribution (%)	10%	39.70%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	810.06	Aa	0.45
Spendable Cash & Inv. to Operating Exp. (x)	10%	0.95	Aa	0.30
Cash on Hand (days)	5%	335.96	Aaa	0.05
<i>Total Weighted Wealth &amp; Liquidity</i>				0.80
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt (x)	10%	2.28	Aa	0.30
Total Debt to Cash Flow (x)	10%	2.45	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
<b>U. T. San Antonio - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>3.2</b>