Analysis of Financial Condition 2023

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 ten-year financial outlook 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 Average Operating Cash Flow Margin • Gross Revenue of Payor Mix • 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 ten-year financial 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 table on the following page provides a summary of the overall scorecard rating for all institutions.

The University of Texas System

Institution	FY 23 Overall Scorecard Rating
Academics	
The University of Texas at Arlington	Aa2
The University of Texas at Austin	Aa1
The University of Texas at Dallas	Aa1
The University of Texas at El Paso	Aa2
The University of Texas Permian Basin	A3
The University of Texas Rio Grande Valley	Aa3
The University of Texas at San Antonio	Aa2
The University of Texas at Tyler	A1
Healths	
The University of Texas Southwestern Medical Center	A3
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	A3
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

Investment Grade

Speculative Grade

The University of Texas System

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%
Operating Performance	30%	Operating Cash Flow 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.

The University of Texas at San Antonio
2023 Summary of Financial Condition

EXECUTIVE SUMMARY

Highlights

General Overview

The University of Texas at San Antonio (U. T. San Antonio) has been steadily building momentum to achieve its three strategic destinations of being a model for student success, a great public research university, and an innovative place to work, learn, and discover. These efforts have already had a transformative impact, resulting in historic enrollment levels, reducing the time it takes for students to earn degrees, accelerating its research to the highest levels, building a thriving athletics program, and robust fundraising success.

As a Carnegie R1 "very high research activity" institution, U. T. San Antonio is committed to access and excellence. In fiscal year 2023, U. T. San Antonio met the State of Texas' eligibility criteria to participate in the National Research University Fund and successfully passed the audit by the State Auditor's Office. The University continues to increase research and restricted research expenditures year-over-year.

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.

U. T. San Antonio represents the future of higher education. As a founding member of the Alliance of Hispanic Serving Research Institutions, U. T. San Antonio is proving to the world that universities can excel while pursuing a dual mission of providing students with access to higher education while also elevating its research productivity on an international stage. U. T. San Antonio's commitment to ensuring that an excellent education remains affordable and accessible to students from all backgrounds is essential to its mission and founding as an institution.

U. T. San Antonio is fortunate to be located in the growing, vibrant and diverse city of San Antonio. U. T. San Antonio exists to serve the community as a partner in advancing educational opportunity, knowledge sharing, economic prosperity, and social mobility. Its enviable location provides U. T. San Antonio with innumerable benefits: a growing population of future students, generous corporate partners, and visionary civic leaders who share its belief in San Antonio's bright future.

This past year U. T. San Antonio initiated two new expansion projects:

- Blanco Hall, a new residence hall that will expand the University's housing options for first-year students and sophomores. The new community will accommodate 594 undergraduate students in a mix of single- and double-bed units, spanning 162,500 square feet. Research shows on-campus housing strengthens student connections and increases engagement in campus activities and learning opportunities for undergraduates. Living on campus is especially valuable for first-year and first-generation students, who benefit from close access to student success resources and peer networking. The new dorm should allow the University to grow its fiscal year 2023 First Year Retention Rate of 85 percent.

- San Pedro II is the new Innovation, Entrepreneurship and Careers building, and will introduce additional interdisciplinary and collaborative programs in business, engineering and sciences to empower students for fulfilling careers through immersive, hands-on learning experiences. The San Pedro II development project will allow U. T. San Antonio to draw on the broad opportunities that exist in San Antonio to address the city's pressing workforce needs, to connect U. T. San Antonio students with experiential learning and career-engagement opportunities, and to provide training to prepare students for careers in interdisciplinary fields such as cybersecurity, computer and data sciences. By directly connecting the business community and university students, U. T. San Antonio expects to spur economic development through internships and career-focused learning that contributes to social and economic mobility for students.

Over the past three years, the University has been awarded more than $176.4 million in Higher Education Emergency Relief Fund (HEERF). As of the end of fiscal year 2023, $174.7 million (99 percent) has been spent in total. Of total HEERF expenditures, U. T. San Antonio spent 59 percent on student payments, 16 percent on lost revenue, 19 percent on technology-related purchases, 4 percent on pandemic management, and 2 percent on other expenses.

Observations

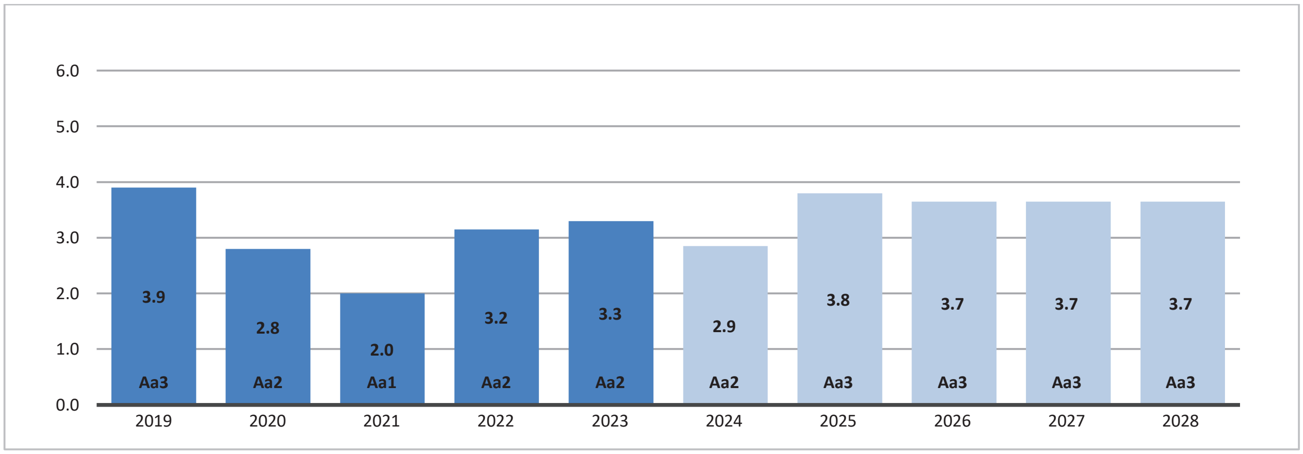
U. T. San Antonio continues to improve efficiencies and maintains a healthy ranking for the overall scorecard. U. T. San Antonio ended the fiscal year 2023 well-positioned to continue improving its financial condition. The University is in a strong position and has seen increased revenue and operations from increased on-campus activities as noted in the following:

- U. T. San Antonio's operating margin for fiscal year 2023 was $6.2 million (0.8 percent). The margin is primarily due to the university receiving National Research University Funding, and auxiliary revenues increasing beyond budgeted expectations.
- Operating revenues increased 6 percent over the prior year, primarily due to increases in sponsored programs, net sales and services of educational activities, and auxiliary functions returning to pre-pandemic levels.
- Gift contributions – decreased (60 percent) over the prior year, primarily due to a $20 million gift from Margie and Bill Klesse.
- Nonexchange sponsored programs– decreased (27 percent) due to lower reimbursement related to Pell grants and HEERF.
- The 3 percent increase in operating expenses over the prior year was primarily due to an institutional compensation strategy implemented that provided $22 million of additional compensation funding through different initiatives implemented in fiscal years 2022 and 2023, including increased minimum thresholds and a merit program, as well as inflationary cost increases.
- The University's endowment value increased from $264 million to $287 million due to a $1 million increase in fair value of investments and $22.1 million of contributions into the endowment, of which $8.6 million were from the acquisition of Southwest School of Art.
- U. T. San Antonio's administrative cost measure decreased from 7.44 percent to 7.25 percent due to the continued emphasis on operational efficiency.

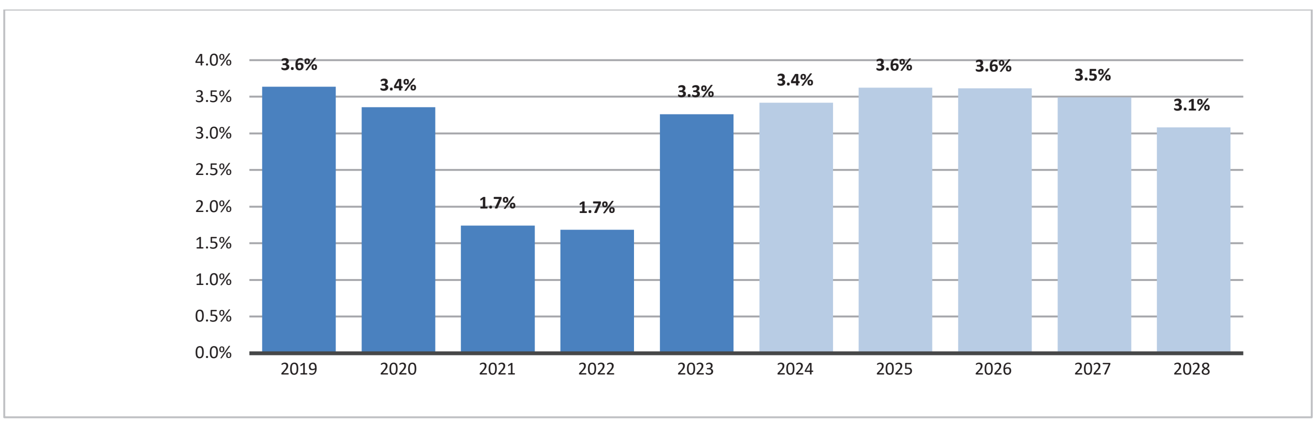
The University of Texas at San Antonio (continued)

ANALYSIS OVERVIEW

1. **Overall Scorecard Rating**



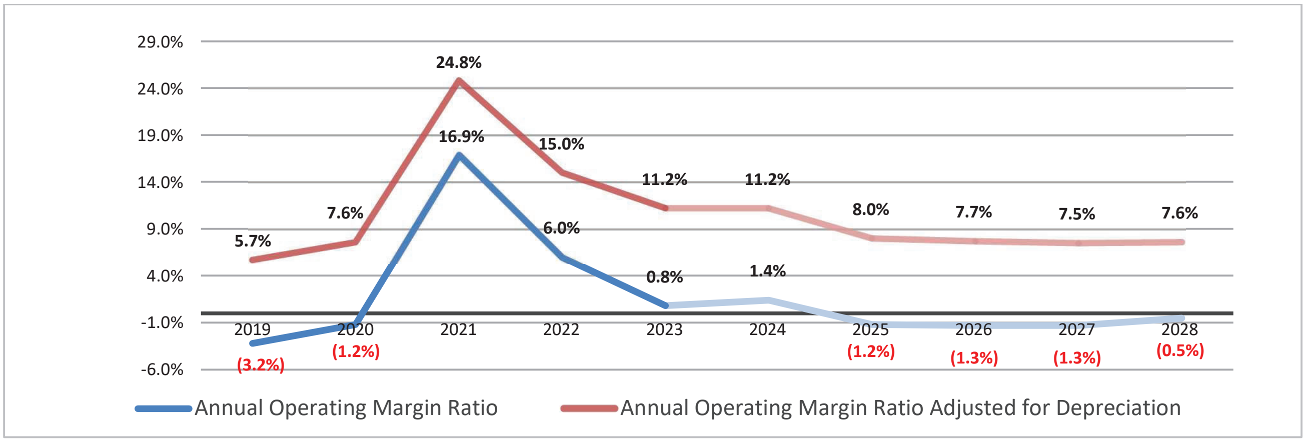
2. **Debt Service to Operations**



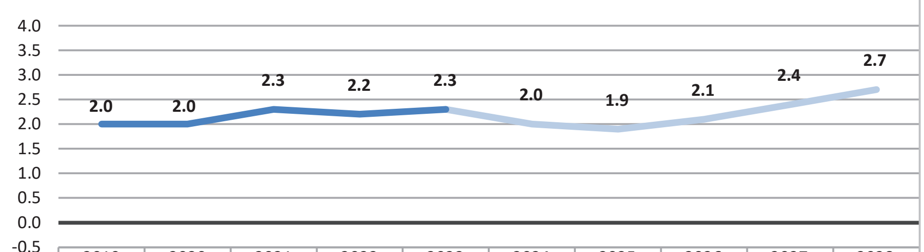
The University of Texas System

The University of Texas at San Antonio (continued)

3. Operating Performance



4. Spendable Cash & Investments to Total Debt



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Spendable Cash & Inv. To Total Debt (x)	2.0	2.0	2.3	2.2	2.3	2.0	1.9	2.1	2.4	2.7
Spendable C&I	440.6	457.5	645.4	679.5	720.9	747.1	733.3	776.3	852.2	931.1
Total Debt	218.0	226.8	279.2	306.6	310.7	365.1	386.5	375.0	358.7	342.6

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.

$$\frac{\begin{array}{c}\text{(Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+LTF/RAHC/AUF/InsurProceeds/NSERB Appr/SB30 Appr+}\\ \text{Hazelwood/NRUF/TCMHCC/Laredo Trans/Promise Plus) – (Op Exp \& Int Exp)}\end{array}}{\begin{array}{c}\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+LTF/RAHC/AUF/InsProceeds/NSERB Appr/SB30 Appr+}\\ \text{Hazelwood/NRUF/TCMHCC/Laredo Trans/Promise Plus}\end{array}}$$

   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.

$$\frac{\begin{array}{c}\text{(Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+LTF/RAHC/AUF/InsurProceeds/NSERB Appr/SB30 Appr+}\\ \text{Hazelwood/NRUF/TCMHCC/Laredo Trans/Promise Plus) – (Op Exp \& Int Exp, excluding Depr\&Amort Exp)}\end{array}}{\begin{array}{c}\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+LTF/RAHC/AUF/InsProceeds/NSERB Appr/SB30 Appr+}\\ \text{Hazelwood/NRUF/TCMHCC/Laredo Trans/Promise Plus}\end{array}}$$

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, 2023

U. T. San Antonio	Weight	Value	Rating	Weighted Scale
Market Profile:				
Operating Revenue ($ in millions)	15%	745.28	Aa	0.45
Annual Change in Operating Revenues (%)	5%	-1.75%	B	0.75
Total Weighted Market Profile				1.20
Operating Performance:				
Operating Cash Flow Margin (%)	20%	12.85%	Aa	0.60
Max. Single Revenue Contribution (%)	10%	42.04%	Aa	0.30
Total Weighted Operating Performance				0.90
Wealth & Liquidity:				
Total Cash & Investments ($ in millions)	15%	866.39	Aa	0.45
Spendable Cash & Inv. to Operating Exp. (x)	10%	0.98	Aa	0.30
Cash on Hand (days)	5%	345.01	Aaa	0.05
Total Weighted Wealth & Liquidity				0.80
Leverage:				
Spendable Cash & Inv. to Total Debt (x)	10%	2.32	Aa	0.30
Total Debt to Cash Flow (x)	10%	3.25	Aaa	0.10
Total Weighted Leverage				0.40
U. T. San Antonio - Overall Rating & Numeric Score			**Aa2**	**3.3**