

FISCAL YEAR 2024 ANALYSIS OF FINANCIAL CONDITION



**THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF BUDGET AND PLANNING**



**The University of
Texas System**

THE UNIVERSITY OF TEXAS SYSTEM

OFFICE OF BUDGET AND PLANNING

For Fiscal Year 2024

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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	
Market Profile	<ul style="list-style-type: none"> Operating Revenue Annual Change in Operating Revenues Strategic Positioning
Operating Performance	<ul style="list-style-type: none"> Operating Cash Flow Margin Maximum Single Revenue Contribution
Wealth and Liquidity	<ul style="list-style-type: none"> Total Cash and Investments Spendable Cash and Investments to Operating Expenses Cash on Hand
Leverage	<ul style="list-style-type: none"> Spendable Cash and 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 and Investments to Total Debt for Academic Institutions
- Unrestricted Cash and Investments to Total Debt for Health Institutions

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



Institution	FY 2024 Scorecard Rating
Academics	
The University of Texas at San Antonio	Aa2

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

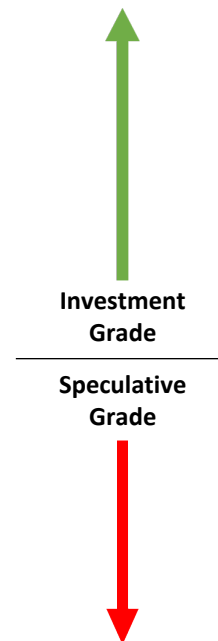


EXHIBIT 1

ACADEMIC INSTITUTIONS SCORECARD

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 and Liquidity	30%	Total Cash and Investments	15%
		Spendable Cash and Inv. to Op. Expenses	10%
		Cash on Hand (days)	5%
Leverage	20%	Spendable Cash and Inv. 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.



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THE UNIVERSITY OF TEXAS AT SAN ANTONIO FISCAL YEAR 2024 SUMMARY OF FINANCIAL CONDITION

EXECUTIVE SUMMARY

Highlights

General Overview

The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio are on a path to merge into one premier global university, combining its collective academic, research, and clinical strengths to deliver immense value to its community. The merger positions U. T. San Antonio on the path to becoming a premier institution with the characteristics of the best members of the Association of American Universities by leveraging U. T. San Antonio's strengths in engineering and computer science and UTHSC-San Antonio's strengths in biomedical education, research, and clinical care. The merged university will be the third-largest research institution in Texas, with a depth and breadth that rivals the nation's top institutions.

The integration adds to U. T. San Antonio's current momentum of being the 93rd best University in the nation by *Washington Monthly* and in the top 25 percentile of public universities in America and best value in the country. The University continues to make strides in achieving its three strategic destinations: being a model of student success, being a great public research university, and being an innovative place to work, learn, and discover. This past year, these efforts allowed U. T. San Antonio to increase by 40 spots in *U.S. News & World Report* rankings.

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 and elevating our 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 and a big reason U. T. San Antonio is number 44 in the nation for advancing social mobility by *U.S. News & World Report*.

In January 2024, U. T. San Antonio announced the creation of a new college dedicated to artificial intelligence, cybersecurity, computing, data science, and related disciplines. This new School of Data Science further supports U. T. San Antonio's efforts to contribute to the growth and vibrancy of San Antonio as the university works to create an advanced center for on-demand training and education, research, and community partnerships.

In recent years, U. T. San Antonio has made significant progress toward its vision of developing its downtown locations. Seamlessly integrated into U. T. San Antonio's Downtown Campus expansion, San Pedro II will work in tandem with academic programs and research collaborations in cybersecurity and data science offered across San Pedro Creek in San Pedro I by the U. T. San Antonio School of Data Science and the National Security Collaboration Center. U. T. San Antonio's downtown expansion strategy advances with plans to purchase One Riverwalk Place, adjacent to its Southwest Campus. The expansion of the Downtown Campus, anchored in San Antonio's tech corridor, provides a unique environment to drive economic development, increase social mobility, and support workforce talent.

Initiatives geared towards making U. T. San Antonio an innovative place to work, learn, and discover included the creation of the Campus Experience Task Force. As a result, the Task Force has created an Employee Success Center. U. T. San Antonio is also nearing completing a staff compensation study to ensure that its compensation packages reflect the value its talented staff bring to the institution. U. T. San Antonio's approach to consistently innovating has resulted in the University ranking as the 53rd most innovative university in the nation by *U.S. News & World Report*.



The University of Texas at San Antonio (continued)

Observations

U. T. San Antonio continues improving efficiencies and maintaining a healthy overall scorecard ranking via tools such as the Incentivized Resource Management model, which continues to guide resource allocation. U. T. San Antonio ended fiscal year (FY) 2024 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:

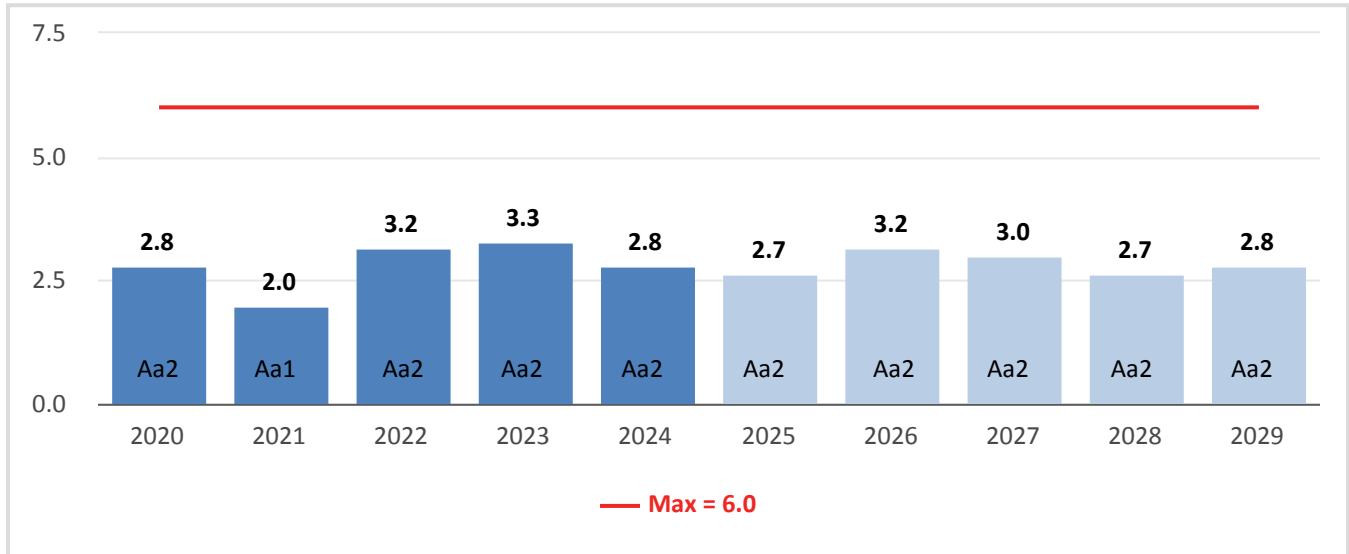
- U. T. San Antonio's operating margin for FY 2024 was \$6.2 million (0.8%). The margin is primarily due to the University receiving increased appropriations, increased sponsored programs, and auxiliary revenues exceeding budgeted expectations.
- The 3.7% increase in operating expenses over the prior year was primarily due to an institutional faculty and staff merit program, inflationary cost increases, and additional research spending.
- The University's endowment value increased from \$287 million to \$315 million due to the fair value increase of \$11 million of investments and \$17 million of contributions to the endowment.
- State appropriations increased by \$21 million due to the creation of the National Research Support Fund, additional funds associated with a new program, Hazelwood Exemptions, and increased benefit appropriations.
- Auxiliary revenues increased by \$5.9 million due to the return of normal campus operations and increased enrollment.
- As a Carnegie R-1 "Very High Research" institution and currently ranked as the 178th research institution in the country by Forbes, U. T. San Antonio is committed to access and excellence. In FY 2024, U. T. San Antonio's research expenditures reached \$164 Million, an increase of \$14 million from the previous year.
- U. T. San Antonio Athletics is constructing a 53,000-square-foot, state-of-the-art basketball and volleyball training facility. The facility is part of a partnership with Bexar County and the City of San Antonio, each investing \$5 million in the project.
- U. T. San Antonio Athletics purchased the facility from the Roadrunner Foundation this year. The Roadrunner Athletics Center of Excellence offers 95,000 square feet of academic and athletic space, promoting the educational success, health, wellness, and performance of the University's student-athletes.
- U. T. San Antonio Athletics is constructing Blanco Hall, the newest addition to UTSA Housing and Residence Life, which will open in Fall 2025. The facility will house just under 600 students across four floors. With spaces designed to facilitate group interaction and collaborative learning, residents can access study lounges, multipurpose rooms, laundry facilities, and a learning kitchen.



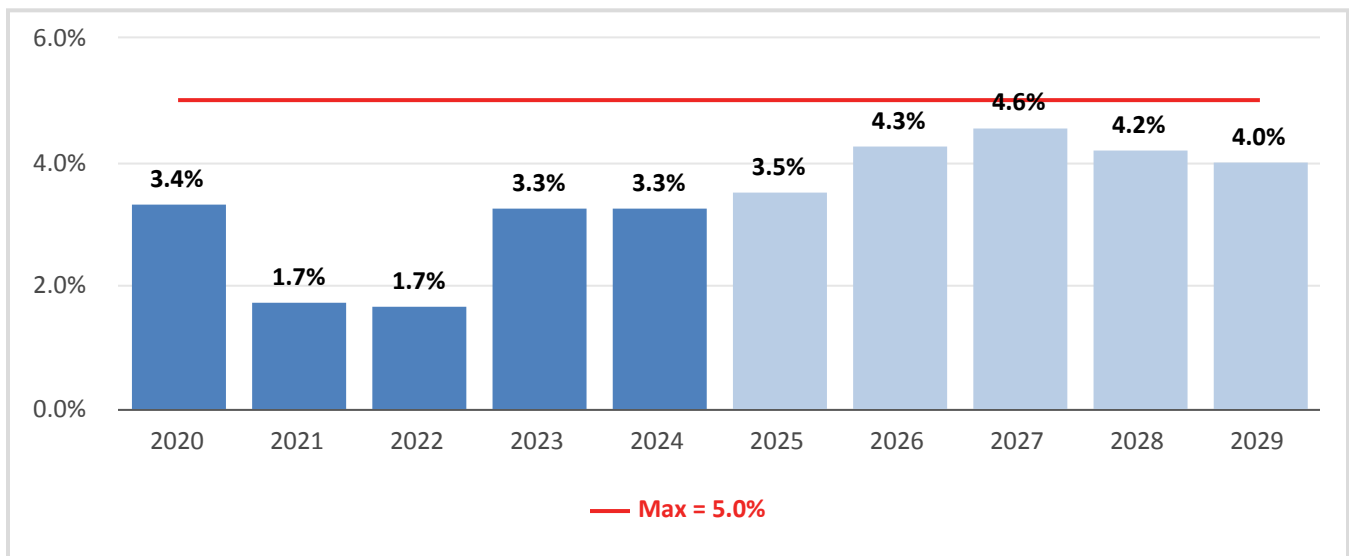
The University of Texas at San Antonio (continued)

ANALYSIS OVERVIEW

1. Overall Scorecard Rating



2. Debt Service to Operations



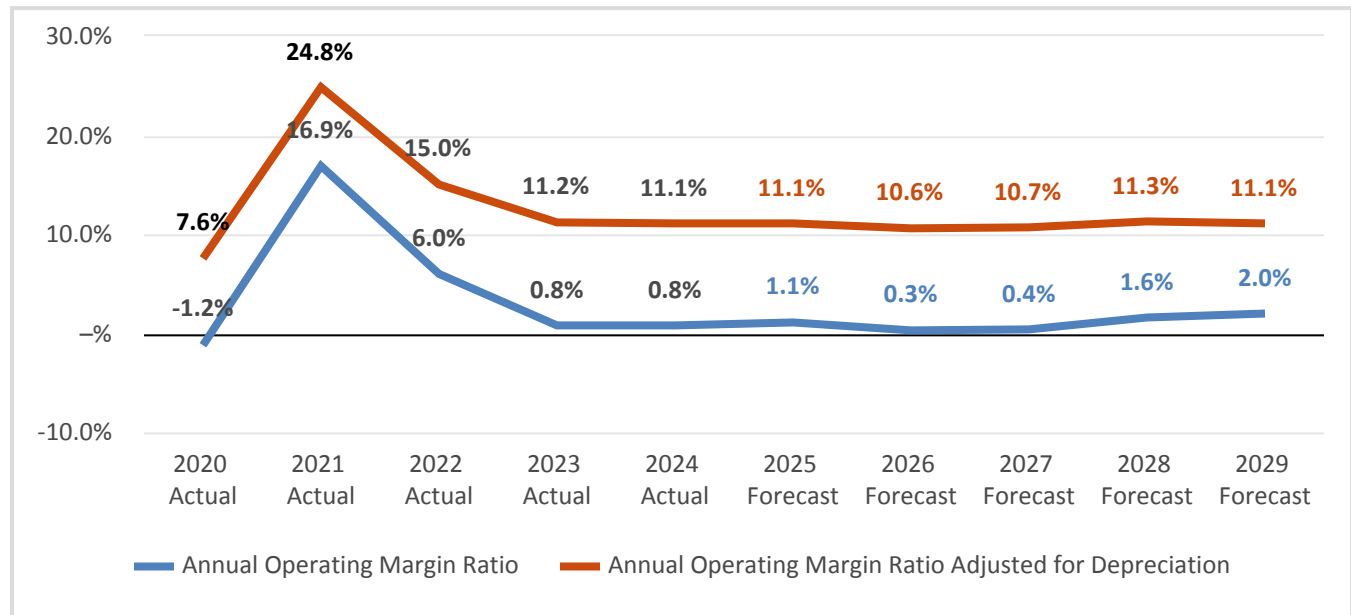
The University of
Texas System

Analysis of Financial Condition

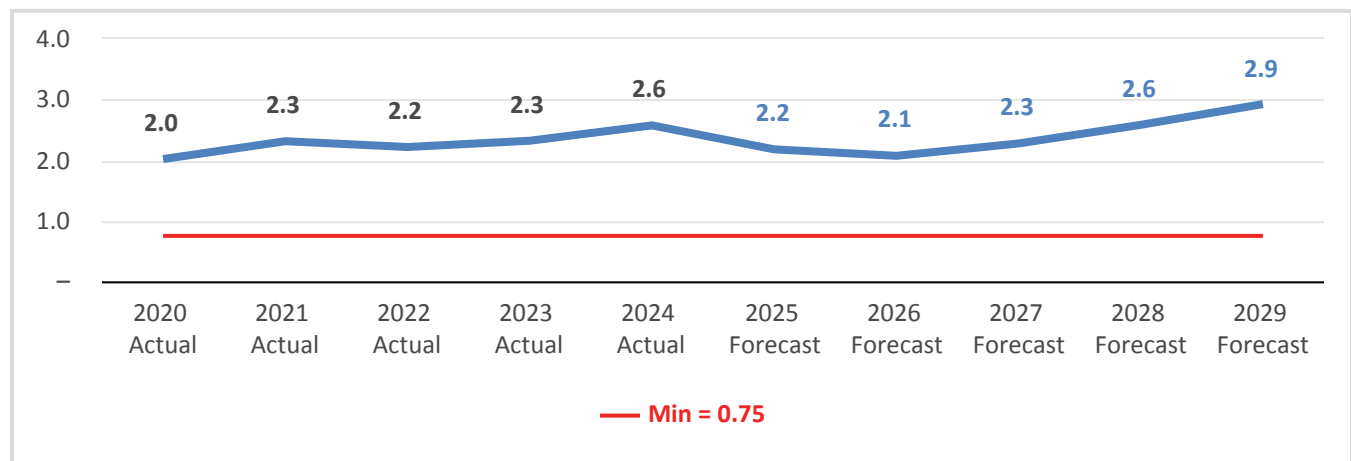
FY 2024

The University of Texas at San Antonio (continued)

3. Operating Performance



4. Spendable Cash and Investments to Total Debt



	Actual					Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Spendable Cash and Investments to Total Debt (x)	2.0	2.3	2.2	2.3	2.6	2.2	2.1	2.3	2.6	2.9
Spendable Cash and Investments	457.5	645.4	679.5	720.9	831.0	875.7	918.3	984.5	1,062.6	1,138.8
Total Debt	226.8	279.2	306.6	310.7	322.9	402.1	443.4	432.8	411.5	389.4



The University of
Texas System

Appendices

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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 health institutions.

- Factors for Academic Institutions
 - Market Profile
 - Operating Performance
 - Wealth and Liquidity, and
 - Leverage
- Factors for Health Institutions
 - Market Position
 - Operating Performance and 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 Capital Construction Assistance Projects (CCAP) revenue bonds and the interest expense excludes the interest expense for CCAP.

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

- 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 CCAP and CCAP general revenue is also excluded.

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

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.

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

- 4. Spendable Cash and 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 CCAP.

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

- 5. Unrestricted Cash and Investments to Total Debt Ratio for Health Institutions** – This ratio examines the ability of a health institution to repay bondholders from unrestricted cash and investments. The total debt used in this calculation excludes CCAP.

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

Appendix B - Calculation of Overall Scorecard Rating
Academic Institutions
As of August 31, 2024

The University of Texas at San Antonio	Weight	Value	Rating	Weighted Scale
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	772.28	Aa	0.45
Annual Change in Operating Revenues (%)	5%	3.62%	Baa	0.45
<i>Total Weighted Market Profile</i>				0.90
<i>Operating Performance:</i>				
Operating Cash Flow Margin (%)	20%	12.81%	Aa	0.60
Max. Single Revenue Contribution (%)	10%	40.21%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth and Liquidity:</i>				
Total Cash and Investments (\$ in millions)	15%	981.10	Aa	0.45
Spendable Cash and Inv. to Operating Exp. (x)	10%	1.08	Aaa	0.10
Cash on Hand (days)	5%	381.18	Aaa	0.05
<i>Total Weighted Wealth and Liquidity</i>				0.60
<i>Leverage:</i>				
Spendable Cash and Inv. to Total Debt (x)	10%	2.57	Aa	0.30
Total Debt to Cash Flow (x)	10%	3.27	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
UTSA - Overall Rating and Numeric Score			Aa2	2.8

Appendix C - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2024
(In Millions)

Institution	Less: Nonoperating Items					Margin From SRECNP	Other Adjustments							Annual Operating Margin
	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/(Decrease) in FV of Inv.		Minus:	Minus:	Plus:	Plus:	Plus:	Plus:	Plus:	
							Realized Gains/(Losses)	CCAP (TRB) Appro.	AUF & RAHC Transfers SB30 Appro. Adj. & NSERB Appro.	LTF Dist. & Transfers & Other	Insurance Proceeds	Hazelwood & NRUF Transfers	Interest Expense	
UTSA	74.6	1.3	–	-0.4	49.6	23.9	6.0	21.2	–	11.7	1.1	8.5	-11.8	6.2