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Committee Meeting: 2/22/2023

Board Meeting: 2/23/2023
Austin, Texas

Janiece Longoria, Chairman
R. Steven Hicks
Jodie Lee Jiles
Stuart W. Stedman
Kelcy L. Warren
Rad Weaver

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A. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE	<i>2:30 p.m.</i> <i>Chairman Longoria</i>		
1. U. T. System: Fiscal Year 2022 Consolidated Annual Financial Report, including the Independent Auditors' Report, and audits of the financial statements of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)	Report/Discussion <i>Mr. Pruitt</i> <i>Mr. Peppers</i> <i>Mr. Blake Rodgers</i> <i>Deloitte & Touche</i>	Not on Agenda	42
B. ADJOURN JOINT MEETING AND CONVENE FINANCE AND PLANNING COMMITTEE IN OPEN SESSION	<i>3:00 p.m.</i>		
2. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	Discussion	Action	65
3. U. T. System: Financial Status Presentation and Monthly Financial Report	Report/Discussion <i>Mr. Pruitt</i>	Not on Agenda	66
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5. U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update	Report/Discussion <i>Mr. Britt Harris</i> <i>Mr. Rich Hall</i>	Not on Agenda	98
C. ADJOURN	<i>3:30 p.m.</i>		

1. **U. T. System: Fiscal Year 2022 Consolidated Annual Financial Report, including the Independent Auditors' Report, and audits of the financial statements of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)**

Mr. Pruitt, Executive Vice Chancellor, will discuss the Fiscal Year 2022 Consolidated Annual Financial Report (AFR) highlights. Mr. Pruitt's PowerPoint presentation is included on the following pages for additional detail. The [AFR](#) is available online.

Mr. Blake Rodgers, Deloitte & Touche LLP, will report on the results of the audit of the U. T. System AFR and audits of the financial statements of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston and for the funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO) for Fiscal Year 2022. Deloitte's PowerPoint presentation with required communications to the Audit, Compliance, and Risk Management Committee is set forth following the AFR highlights presentation.

BACKGROUND INFORMATION

The AFR is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code*, Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on January 18, 2023.

Annual Financial Report & Highlights Fiscal Year 2022

Jonathan Pruitt
Executive Vice Chancellor

U. T. System Board of Regents Meeting
Joint Meeting of the Finance and Planning Committee
and Audit, Compliance, and Risk Management Committee
February 2023



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U. T. System Consolidated Summary

Fiscal Year Summary

Consolidated performance indicated financial strength at the academic and health institutions.



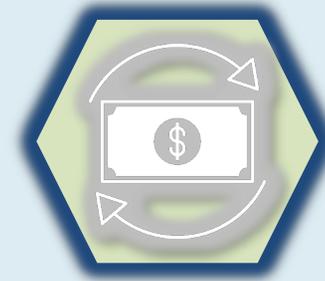
Revenue

\$ 25.1 B



Expense

\$ 23.6 B



Adjusted Income

\$ 1.0 B



FY 22 Assets & Revenue Highlights

Financial Performance



Year-over-Year Performance (millions)

	2022	2021	2020
Assets	106,184	104,969	85,952
Revenue	25,135	39,954	25,099
Net Position	66,671	66,872	48,664

Strong sources of revenue (millions)

	2022	2021	2020
Clinical	11,092	10,054	8,914
Inv. Income	5,619	8,807	3,996
Govt. & Private	5,670	5,528	4,638



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FY 22 Liabilities & Expenses

Financial Performance



Year-over-Year Trends (millions)

	2022	2021	2020
Liabilities	40,639	39,911	37,769
Expenses	24,928	23,003	21,676

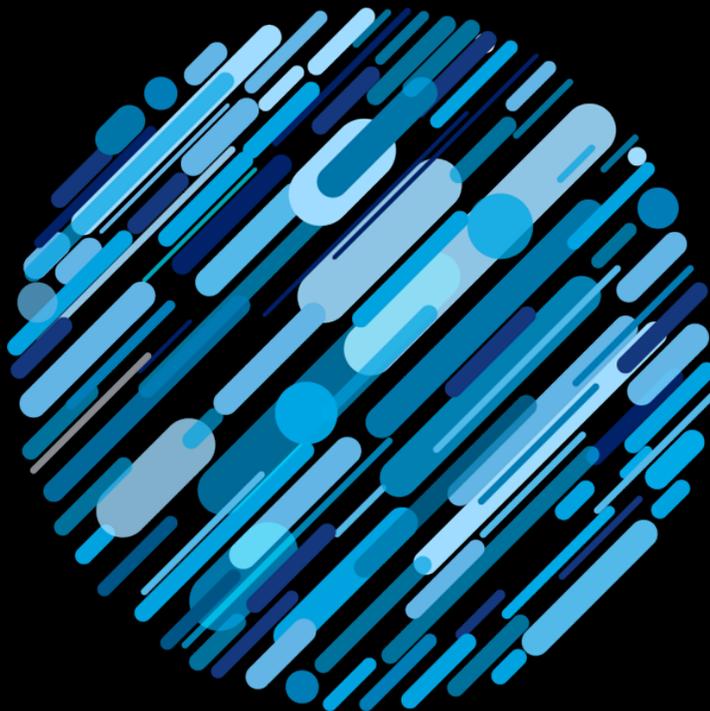
Largest Expenses (millions)

	2022	2021	2020
Debt Related	12,629	12,503	11,444
Comp & Ben	13,462	12,549	11,913



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Deloitte.



**Report to The University of Texas System Board of Regents
Joint Meeting of Audit, Compliance, and Risk Management Committee
and the Finance and Planning Committee**

February 2023

Agenda

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Slide 5: Summary of Uncorrected Misstatements

Slide 6: Summary of Uncorrected Disclosures

Slide 7: Summary of Corrected Misstatements-FY 2022

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Slide 9: Control-Related Matters

Slide 10: Spotlight on Certain Upcoming GASB Standards

Appendix A: Accounting Estimates

Deloitte Team

Meeting with You Today



Blake Rodgers
Lead Client Service Partner



Wyn Smith
Advisory Partner



Elaine Reyes
Managing Director
U. T. Southwestern, U. T. Medical
Branch at Galveston, U. T. M. D.
Anderson Physicians Network, U. T.
M. D. Anderson Services Corporation



Robert Cowley
Partner - UTIMCO



Randall Brown
Managing Director
Information Technology Controls
Specialist

Audit Scope

Financial Statement Audits:

U. T. System – Consolidated

UTIMCO Funds

U. T. M. D. Anderson Cancer Center

U. T. M. D. Anderson Physicians Network

U. T. M. D. Anderson Services Corporation

U. T. Southwestern Medical Center

U. T. Medical Branch - Galveston

U. T. Austin

Student Financial Aid Compliance Audits (in progress):

U. T. Rio Grande Valley

Agreed Upon Procedures (in progress):

U. T. Southwestern Medical Center

Summary of Uncorrected Misstatements

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended August 31, 2022. A summary of uncorrected misstatements that we presented to management during the current audit engagement are as follows:

U. T. Austin: An adjustment to remove \$78 million of Construction In Progress from the Statement of Net Position for projects that should be expensed as incurred. The amount that was not corrected in 2021 was \$50 million. The additional amount that was not corrected in 2022 was \$28 million.

(in millions)

	As Reported at 8/31/2022	Uncorrected Adjustments	If Adjusted at 8/31/2022
Consolidated Statement of Net Position			
Total Assets	\$ 106,184	\$ (78) (1), (2)	\$ 106,106
Deferred Outflows of Resources	5,546	-	5,546
Total Assets and Deferred Outflows of Resources	<u>\$ 111,730</u>	<u>\$ (78)</u>	<u>\$ 111,652</u>
Total Liabilities	40,639	-	40,639
Deferred Inflows of Resources	4,420	-	4,420
Net Position	66,671	(78)	66,593
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 111,730</u>	<u>\$ (78)</u>	<u>\$ 111,652</u>
Consolidated Statement of Revenues, Expenses, and Changes in Net Position			
Revenues (a)	\$ 24,624	-	\$ 24,624
Expenses (b)	24,942	28 (1)	24,970
Other Changes	117	-	117
Change in Net Position	(201)	(28)	(229)
Beginning Net Position (as restated)	66,872	(50) (2)	66,822
Ending Net Position	<u>\$ 66,671</u>	<u>\$ (78)</u>	<u>\$ 66,593</u>

(a) Includes operating and nonoperating revenues
(b) Includes operating and nonoperating expenses

Uncorrected Adjustments (in millions)			
	Debit	Credit	
(1)	To expense CIP projects in which the ownership of the final project reverts back to the grantor - current year expenses		
	\$ 28		
		\$ 28	
(2)	To expense CIP projects in which the ownership of the final project reverts back to the grantor - prior year expenses		
	\$ 50		
		\$ 50	

Summary of Uncorrected Disclosures

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. A summary of uncorrected disclosures that we presented to management during the current audit engagement are presented below.

U. T. M. D. Anderson Services Corporation Cash Flows Disclosure: In the current fiscal year, U. T. System identified an error in classification of certain cash flows within the 2021 condensed statement of cash flows disclosure related to U. T. M. D. Anderson Services Corporation, a blended component unit of U. T. M. D. Anderson Cancer Center, due to the use of preliminary financial information instead of final financial information. As a result, U. T. System's prior year condensed statement of cash flows disclosure in Note 1 related to U. T. M. D. Anderson Services Corporation's Cash Flow from Operating Activities was overstated by \$196 million, Cash Flow from Noncapital Financing Activities was overstated by \$20 million, and Cash Flow from Investing Activities was understated by \$216 million.

(in millions)	As Reported at 8/31/2021	Adjustments	If Adjusted at 8/31/2021
Condensed Statement of Cash Flows - U. T. M. D. Anderson Services Corporation			
Net Cash provided (used) by:			
Operating Activities	\$ 199	\$ (196)	\$ 3
Noncapital Financing Activities	(30)	(20)	(50)
Capital and Related Financing	-	-	-
Investing Activities	(187)	216	29
Net increase (Decrease) in Cash and Cash Equivalents	(18)	-	(18)
Cash and Cash Equivalents - August 31, 2020	97	-	97
Cash and Cash Equivalents - August 31, 2021	\$ 79	-	\$ 79

Summary of Corrected Misstatements—FY 2022

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. A summary of corrected misstatements that we presented to management during the current audit engagement are presented below.

U. T. System – Consolidated: U. T. System identified errors in the census data which also impacted the actuarial assumptions used to calculate the total other postemployment benefits (OPEB) liability as of September 1, 2020. U. T. System determined that certain demographic information and assumptions related to assumed rates of participation by eligible terminated employees had been excluded from the determination of the OPEB liability. U. T. System has restated the September 1, 2020, OPEB liability and related accounts and footnotes for the year ended August 31, 2021, and corrected the OPEB liability and related accounts and footnotes for the year ended August 31, 2022.

(in millions)

Consolidated Statement of Net Position

	Pre-Corrections at 8/31/2022	Correcting Adjustments	As Reported at 8/31/2022
Total Assets	\$ 106,184	\$ -	\$ 106,184
Deferred Outflows of Resources	5,667	(121) (1)	5,546
Total Assets and Deferred Outflows of Resources	<u>\$ 111,851</u>	<u>\$ (121)</u>	<u>\$ 111,730</u>
Total Liabilities	42,162	(1,523) (1)	40,639
Deferred Inflows of Resources	5,169	(749) (1)	4,420
Net Position	64,520	2,151	66,671
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 111,851</u>	<u>\$ (121)</u>	<u>\$ 111,730</u>

Consolidated Statement of Revenues, Expenses, and Changes in Net Position

Revenues	(a) \$ 24,624	\$ -	\$ 24,624
Expenses	(b) 25,037	(95) (1)	24,942
Other Changes	117	-	117
Change in Net Position	(296)	95	(201)
Beginning Net Position (as restated)	64,816	2,056 (1)	66,872
Ending Net Position	<u>\$ 64,520</u>	<u>\$ 2,151</u>	<u>\$ 66,671</u>

- (a) Includes operating and nonoperating revenues
- (b) Includes operating and nonoperating expenses

Correcting Adjustments (in millions)

	Debit	Credit
(1) To correct total OPEB liability and related balances for errors in demographic data and related assumptions		
Total OPEB Liability	\$ 1,523	
Deferred Inflows of Resources	\$ 749	
Deferred Outflows of Resources		\$ 121
OPEB Expense		\$ 95
Beginning Net Position		\$ 2,056

Summary of Corrected Misstatements—FY 2021

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. A summary of corrected misstatements that we presented to management during the current audit engagement are presented below.

U. T. System – Consolidated: U. T. System identified errors in the census data which also impacted the actuarial assumptions used to calculate the total OPEB liability as of September 1, 2020. U. T. System determined that certain demographic information and assumptions related to assumed rates of participation by eligible terminated employees had been excluded from the determination of the OPEB liability. U. T. System has restated the September 1, 2020, OPEB liability and related accounts and footnotes for the year ended August 31, 2021, and corrected the OPEB liability and related accounts and footnotes for the year ended August 31, 2022.

(in millions)

Consolidated Statement of Net Position

Total Assets	\$	104,969	\$	-	\$	104,969
Deferred Outflows of Resources		4,974		(330) (1)		4,644
Total Assets and Deferred Outflows of Resources	\$	109,943	\$	(330)	\$	109,613
Total Liabilities		42,297		(2,386) (1)		39,911
Deferred Inflows of Resources		2,830		-		2,830
Net Position		64,816		2,056		66,872
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	109,943	\$	(330)	\$	109,613

Consolidated Statement of Revenues, Expenses, and Changes in Net Position

Revenues	(a)	\$	39,598	\$	-	\$	39,598
Expenses	(b)		23,219		(191) (1)		23,028
Other Changes			83		-		83
Change in Net Position			16,462		191		16,653
Beginning Net Position (as restated)			48,354		1,865 (1)		50,219
Ending Net Position		\$	64,816	\$	2,056	\$	66,872

- (a) Includes operating and nonoperating revenues
- (b) Includes operating and nonoperating expenses

Correcting Adjustments (in millions)			
		Debit	Credit
(1)	To correct total OPEB liability and related balances for errors in demographic data and related assumptions		
	Total OPEB Liability	\$ 2,386	
	Deferred Outflows of Resources		\$ 330
	OPEB Expense		\$ 191
	Beginning Net Position		\$ 1,865

Control-Related Matters

We have identified certain matters involving U. T. System's internal control over financial reporting that we consider, in the aggregate, to be a material weakness under generally accepted auditing standards. Identified deficiencies have been communicated to management.

Material Weakness in Internal Controls over Inputs and Valuation of the Total OPEB Liability

A combination of three conditions resulted in a net overstatement of management's estimate of their total OPEB liability and related measures:

- Completeness of Demographic Data
- Accuracy of Demographic Data
- Actuarial Assumption

Proper internal controls were not in place to ensure the completeness and accuracy of demographic information used in the actuarial valuation. The prior exclusion of this data affected U. T. System's review of the actuarial valuation results. U. T. System did not properly identify and evaluate the effects of the demographic errors and the resultant actuarial assumptions on the estimated total OPEB liability and related measures.

Recommendation: Implement additional controls, such as analysis of year-over-year and multi-year trends and changes and perform risk-based testing over demographic data to ensure both completeness and accuracy. Conduct detailed discussions with your actuaries to review the results of actuarial valuations and any significant changes in methodology as well as the basis for such changes.

Definitions

The definitions of a deficiency, material weakness, and significant deficiency are as follows:

Deficiency

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Significant deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Spotlight on Certain Upcoming GASB Standards

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective 2023, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for availability payment arrangements. U. T. System is evaluating the effect that GASB Statement No. 94 will have on its consolidated financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, is effective 2023. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. U. T. System is evaluating the effect that Statement No. 96 will have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, effective 2025, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. U. T. System is evaluating the effect that Statement No. 101 will have on its financial statements.

Appendix A: Accounting Estimates

Accounting Estimates—Patient Accounts Receivable—Valuation

Overview

- During FY 2022 and FY 2021, management at U. T. health institutions applied a consistent approach to estimating the allowance for doubtful accounts and contractual allowances.
- Management develops an estimate of historical and expected net collections, business and economic conditions, and other collection indicators.
- Management performs reviews of historical collections and write-offs. Adverse changes in business office operations, payor mix, and economic conditions could affect the collection of accounts receivable, cash flows, and results of operations.

(in millions)	August 31, 2022	August 31, 2021
Patient Receivables, net	\$1,139	\$1,171

Qualitative Assessment

- Tested the adequacy of certain U. T. institutions’ methodologies and procedures used to establish the valuation reserves for patient accounts receivable and evaluation key assumptions used by management.
- For institutions with significant receivable balances, we computed an independent estimate of the allowance for contractals and bad debt for each significant financial class of patient receivable after independently testing the collection percentages.
- Performed testing of the adequacy of doubtful accounts allowances through the review of collections and aging statistics and a lookback analysis.
- Tested for compliance with GASB guidance on the presentation in the financial statements of allowance for doubtful accounts.
- Based on the procedures performed, the allowance for doubtful accounts and contractual allowances for patient accounts receivable appear reasonable in the context of the financial statements as a whole.

Accounting Estimates—Fair Value of PUF Lands

Overview

- Management has a consistent methodology from FY 2021 to FY 2022 as it relates to the reserve analysis. Management engages a third-party specialist to develop the reserves for the three categories of reserves (1) proved; (2) possible; and (3) probable. Management and the specialists determine reasonable assumptions related to discount rates/factors, reserve adjustment factors, and overall valuation methodology.
- Management with University Lands compiles data from producers related to production and royalty percentages for submission to the third-party specialist.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the fair value of the PUF lands.

Qualitative Assessment

- Read the reserve study with the assistance of Deloitte fair value and oil and gas specialists, and tested various assumptions as it relates to discount rates, reserve adjustment factors, and valuation techniques.
- Performed testing on the accuracy and completeness of the data submitted to the third-party specialists.
- Performed a lookback analysis on current year production estimates used in the reserve methodology.
- Based on the procedures performed, the PUF Lands valuation appears reasonable in the context of the financial statements as a whole.

(in millions)	August 31, 2022	August 31, 2021
PUF Lands	\$11,114	\$8,795

Accounting Estimates—Investments without Readily Determinable Market Values

Overview

- Significant accounting estimates reflected in the U. T. System financial statements include valuation of certain investments which are specifically the investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient (net asset value) or certain valuations obtained from third-party investment managers.
- Management's estimates are based on financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources.

(in millions)	August 31, 2022	August 31, 2021
Investments Valued Using Net Asset Value	\$45,718	\$45,101

Qualitative Assessment

- Confirmed investment balances directly with the underlying managers and obtained the most recent audited financial statements for the underlying fund.
- Recomputed U. T. System's investment as of the most recent audit report date (for most, 12/31/2021) using the audited financial statements.
- Subjected the contribution/subscription, withdrawal, redemption, and distribution activity to the underlying funds to sampling.
- Determined an appropriate benchmark and prepared an analytical review of the year-end fair values for selections (e.g., the fair value of the fund investment). Compared the expectation of the performance of the fund to the final fair value and documented our understanding of the performance.
- Based on the procedures performed, the valuation for investments without readily determinable market values appears reasonable in the context of the financial statements as a whole.

Accounting Estimates—Teacher Retirement System of Texas Pension Plan

Overview

- The Teacher Retirement System of Texas (“TRS”) pension plan is a statewide, multi-employer cost sharing plan. Using external actuaries, TRS calculates the total pension liability for the plan. Participating employers record their proportionate share of the net pension liability, pension expense, and related deferred inflows and outflows of resources.
- The State Auditor’s Office (“SAO”) audits the TRS plan and the proportionate share, and related net pension liability, of each employer. The SAO also audits retiree and active census data.
- U. T. System is responsible for tracking and accurately reporting census data on active participants to TRS and for contributing the appropriate amounts to TRS.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

Qualitative Assessment

- Read the TRS actuarial study with the assistance of Deloitte actuaries.
- Deloitte actuaries evaluated the methodology and significant assumptions used within the TRS actuarial study.
- Collaborate with the SAO on the census data testing they perform on participants from U. T. System.
- Recalculated the proportionate share of U. T. System’s and the stand-alone entities as it relates to net pension liability, deferred inflows, outflows, annual amortization and pension expense.
- Read the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the net pension liability, pension expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.

(in millions)	August 31, 2022	August 31, 2021
Net Pension Liability	\$2,300	\$4,805

Accounting Estimates—U. T. M. D. Anderson Supplemental Retirement Plan

Overview

- U. T. M. D. Anderson Physicians Referral Service Supplemental Retirement Plan/Retirement Benefit Plan (“SRP/RBP Plans”) are nonqualified plans described by Section 457(f) of the Internal Revenue Code of 1986, as amended. Using external actuaries, U. T. M. D. Anderson calculates the total pension liability for the SRP/RBP Plans.
- U. T. M. D. Anderson is responsible for tracking and accurately reporting census data on participants to the actuary.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

(in millions)	August 31, 2022	August 31, 2021
Total Pension Liability	\$1,046	\$1,026

Qualitative Assessment

- Read the actuarial study with the assistance of Deloitte actuaries.
- Deloitte actuaries evaluated the methodology and significant assumptions used within the actuarial study.
- Perform testing of census data used by U. T. M. D. Anderson to estimate the total pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense.
- Read the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the total pension liability, pension expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.

Accounting Estimates—OPEB Plan

Overview

- U. T. System’s OPEB plan is a single-employer plan. Management engages an external actuary to determine the liability related to the OPEB plan.
- Management within the Office of Employee Benefits (“OEB”) is responsible for tracking and accurately reporting census data of participants to the actuary. This data is submitted by the individual U. T. institutions to the OEB.
- Management ensures the proper disclosures and required supplementary information for the plan are in the Annual Financial Report.

(in millions)	August 31, 2022	August 31, 2021
Total OPEB Liability	\$14,696	\$11,931

Qualitative Assessment

- Obtained the actuarial study and, with the assistance of Deloitte actuaries, evaluated methodology and tested various assumptions such as discount rates and demographic and mortality assumptions. Errors were identified during these procedures in the current year and were corrected by management. With assistance of Deloitte actuaries, we evaluated these corrections.
- Perform year-over-year exploratory data analysis and testing of census data used by U. T. System to estimate the total OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense.
- Evaluated the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Based on the procedures performed, the total OPEB liability, OPEB expense, and related deferred outflows of resources and deferred inflows of resources appear reasonable in the context of the financial statements as a whole.



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36 USC 220506

2. **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 4 - 8](#).

3. **U. T. System: Financial Status Presentation and Monthly Financial Report**

REPORT

Mr. Jonathan Pruitt, Executive Vice Chancellor for Business Affairs, will discuss the Financial Status Presentation, the highlights of which are set forth in the PowerPoint on the following pages and the November Monthly Financial Report, which follows the PowerPoint. The monthly financial report represents the consolidated and individual operating detail of the U. T. institutions.

U. T. System

Fiscal Year-to-Date Actuals and Projected Fiscal Year-End

Jonathan Pruitt

Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents Meeting

Finance and Planning Committee

February 2023



THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

U. T. System Consolidated Summary

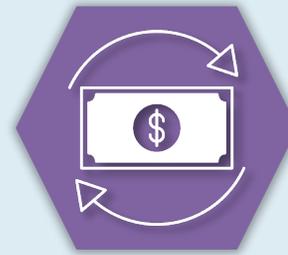
Fiscal Year Summary
Period Ending November 30, 2022



Revenue
\$6,703.3 M



Expense
\$6,471.4 M



Adjusted Income
\$231.9 M



FYE Projection
\$832.5 M



THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

Excludes OPEB & Pension Expenses

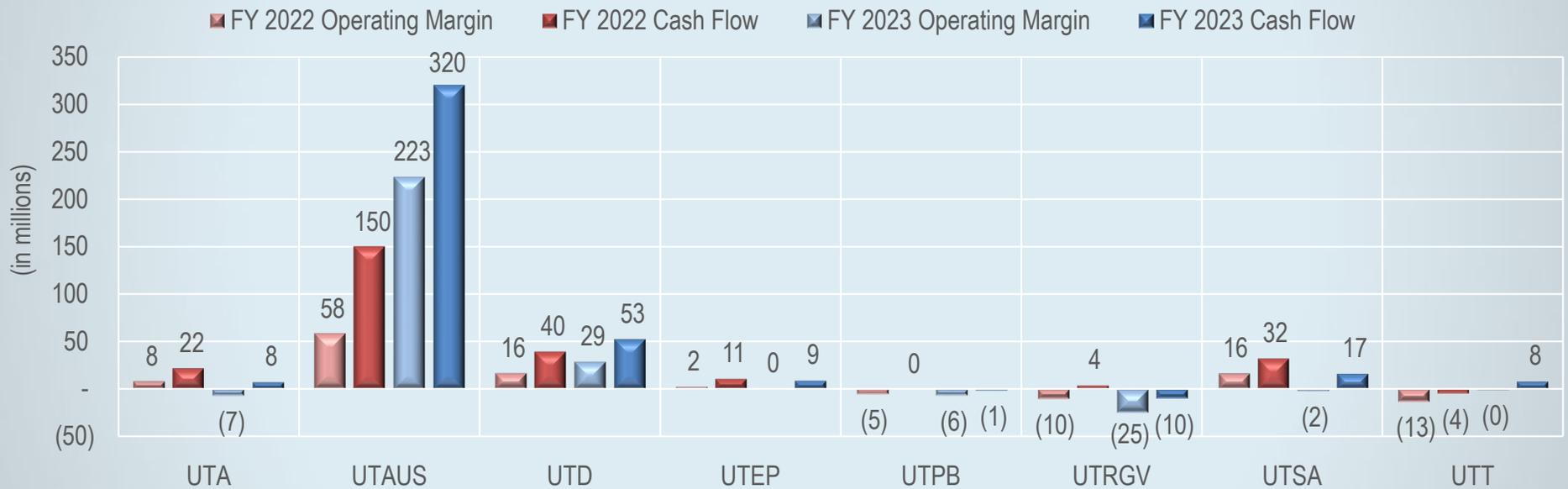
U. T. System Consolidated Revenue & Expenses

Year-Over-Year Comparison (November)



Adjusted Income – Academic Institutions

Year-Over-Year Comparison (November)

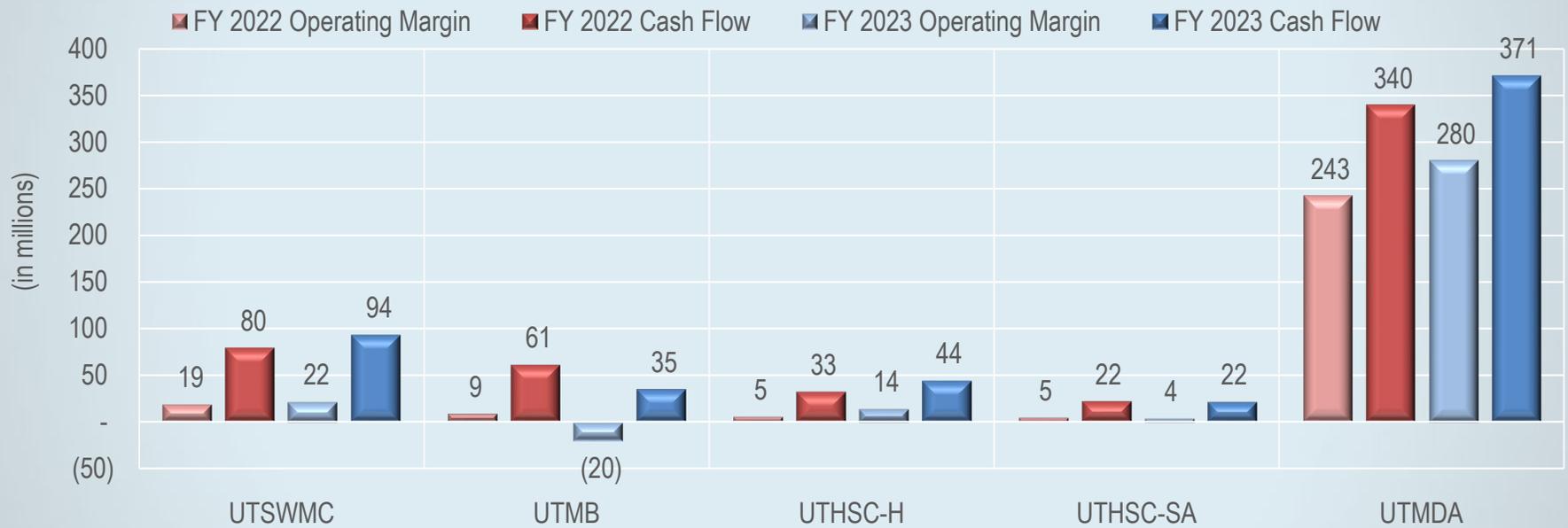


THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

Operating Margin – with depreciation
Cash Flow – without depreciation

Adjusted Income – Health Institutions

Year-Over-Year Comparison (November)



THE UNIVERSITY of TEXAS SYSTEM
THIRTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

Operating Margin – with depreciation
Cash Flow – without depreciation

Budget to Actuals – Academic Institutions

FY 2023
November

	Budget (\$ Millions)				Actuals (\$ Millions)				
	Revenue	Expenses	Operating Margin	Margin Ratio	Revenue	Expense	Operating Margin	Margin Ratio	
U. T. Arlington	\$782.7	\$796.4	(\$13.7)	-1.7%	\$186.7	\$193.3	(\$6.6)	-3.5%	▼
U. T. Austin	\$2,972.8	\$3,066.3	(\$93.5)	-3.1%	\$1,155.9	\$932.4	\$223.5	19.3%	▲
U. T. Dallas	\$792.4	\$797.2	(\$4.8)	-0.6%	\$218.6	\$189.5	\$29.1	13.3%	▲
U. T. El Paso	\$531.0	\$542.4	(\$11.5)	-2.2%	\$127.2	\$126.8	\$0.3	0.3%	▲
U. T. Permian Basin	\$94.1	\$110.5	(\$16.4)	-17.5%	\$24.5	\$30.9	(\$6.4)	-26.2%	▼
U. T. Rio Grande Valley	\$632.5	\$681.0	(\$48.5)	-7.7%	\$165.9	\$190.5	(\$24.6)	-14.8%	▼
U. T. San Antonio	\$684.9	\$720.8	(\$35.9)	-5.2%	\$177.2	\$179.0	(\$1.8)	-1.0%	▼
U. T. Tyler	\$535.9	\$550.6	(\$14.8)	-2.8%	\$140.3	\$140.7	(\$0.4)	-0.3%	▼
Total	\$7,026.1	\$7,265.2	(\$239.1)	-3.4%	\$2,196.2	\$1,983.1	\$213.2	9.7%	▲



Budget to Actuals – Health Institutions

FY 2023
November

	Budget (\$ Millions)				Actuals (\$ Millions)				
	Revenue	Expenses	Operating Margin	Margin Ratio	Revenue	Expense	Operating Margin	Margin Ratio	
U. T. Southwestern Medical Center	\$4,580.3	\$4,510.5	\$69.7	1.5%	\$1,171.0	\$1,149.1	\$21.9	1.9%	▲
U. T. Medical Branch - Galveston	\$2,734.9	\$2,753.0	(\$18.1)	-0.7%	\$693.1	\$713.2	(\$20.0)	-2.9%	▼
U. T. Health Science Center - Houston	\$2,258.1	\$2,254.8	\$3.3	0.1%	\$569.8	\$555.5	\$14.4	2.5%	▲
U. T. Health Science Center - San Antonio	\$1,205.4	\$1,223.4	(\$18.0)	-1.5%	\$303.7	\$299.6	\$4.1	1.4%	▲
U. T. M. D. Anderson Cancer Center	\$7,101.4	\$6,300.0	\$801.4	11.3%	\$1,811.9	\$1,531.9	\$280.0	15.5%	▲
Total	\$17,880.1	\$17,041.8	\$838.3	4.7%	\$4,549.5	\$4,249.2	\$300.3	6.6%	▲



Financial Summary

Systemwide Operations

November 2022

	Budget	Actuals	% of Budget
U. T. System Administration (AUF)	\$60,948,033	\$15,939,806	26%
Direct Campus Support (AUF)	\$61,700,000	\$20,446,648	33%
Other Operations Funded with AUF Reserves	\$50,000	(\$7,637)	-15%
Service Departments & Other Non-AUF	\$62,805,782	\$15,554,430	25%
Total	\$185,503,815	\$51,933,247	28%



THE UNIVERSITY OF TEXAS SYSTEM OFFICE OF THE CONTROLLER

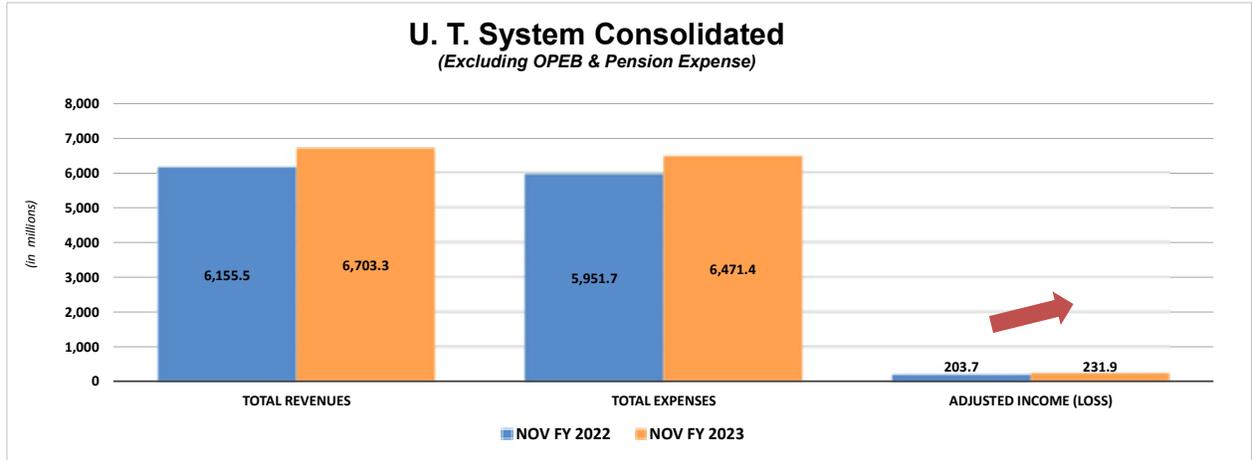
MONTHLY FINANCIAL REPORT *(unaudited)*

November 2022
FY 2023



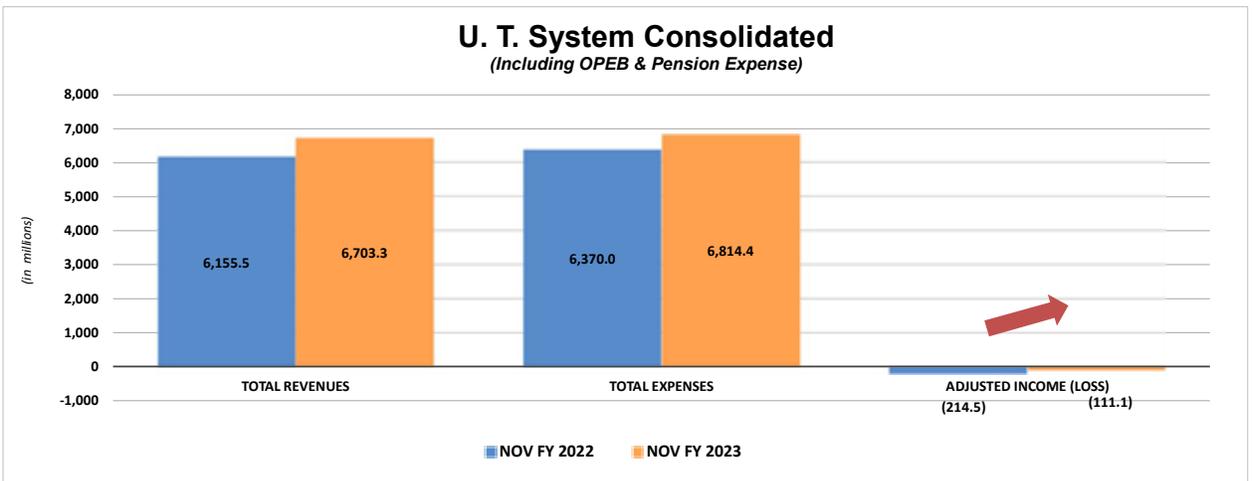
210 West Seventh Street
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending November 30, 2022

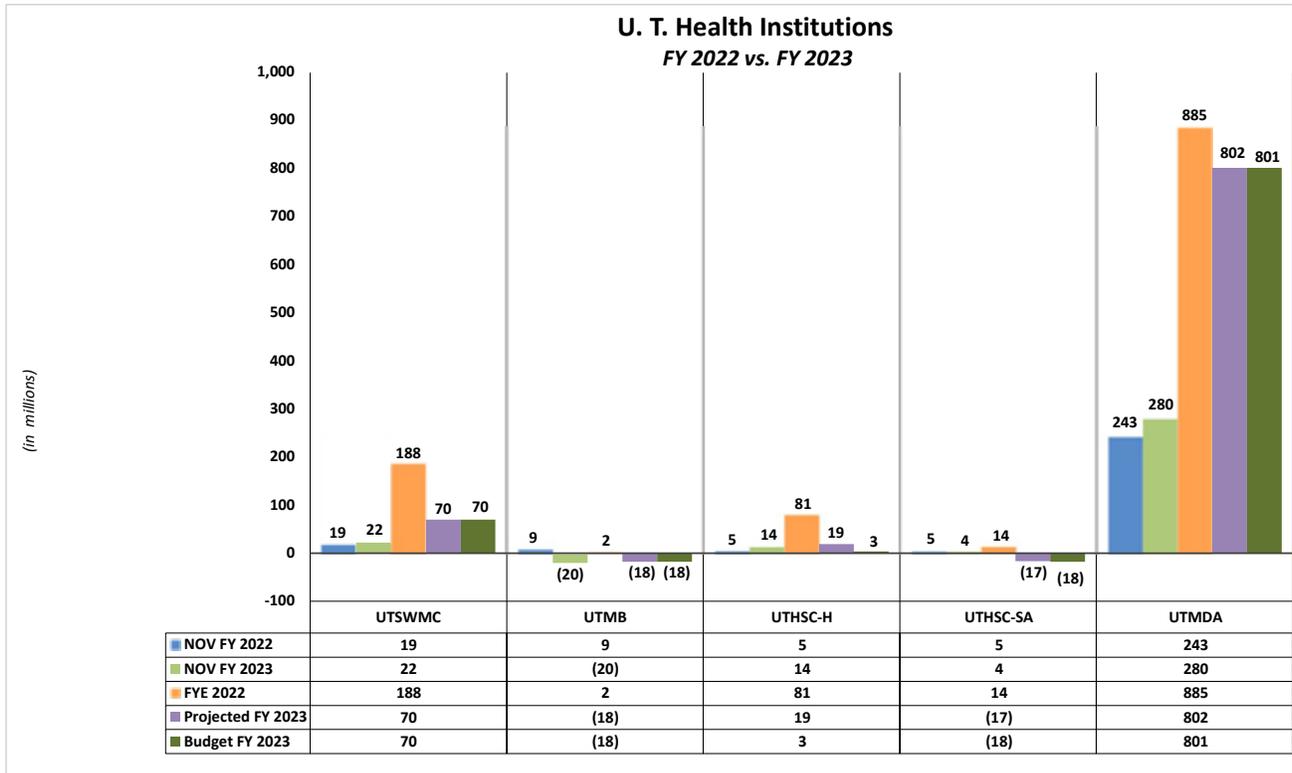
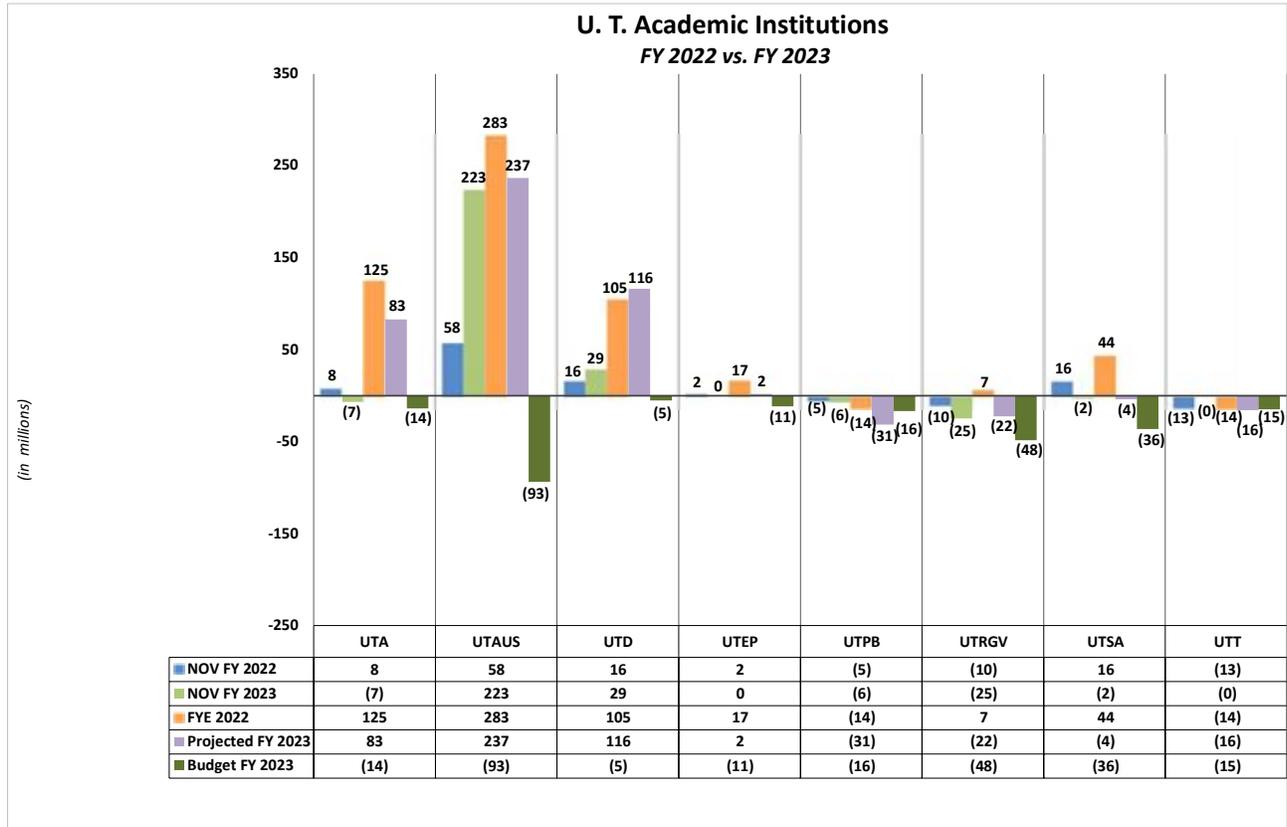


Excluding other postemployment benefits (OPEB) and pension expense, *U. T. System Consolidated* shows year-to-date adjusted income of \$231.9 million, an increase in adjusted income of \$28.1 million (14%) from the prior year. The increase was primarily due to an increase in clinical revenues.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023
Clinical Revenues	\$ 2,711.5	2,963.6	252.1	11,938.2
Sponsored Programs/Nonexchange Sponsored Programs	1,257.4	1,271.0	13.6	5,549.0
State Appropriations	583.8	595.7	11.9	2,375.1
Net Tuition and Fees	521.2	551.8	30.6	2,219.1
Auxiliary Revenues/Sales & Services of Educational Activities	361.4	383.0	21.6	1,270.0
Net Investment Income	501.8	583.7	82.0	1,749.6
Other Operating Revenues/Gift Contributions for Operations	218.4	354.6	136.1	1,230.1
Total Revenues	6,155.5	6,703.3	547.8	26,331.1
Salaries and Wages/Payroll Related Costs	3,470.0	3,803.1	333.0	14,839.6
Materials and Supplies/Cost of Goods Sold	840.8	912.8	72.0	3,563.5
Depreciation and Amortization	442.2	462.6	20.4	1,839.6
Other Contracted Services/Professional Fees & Services	422.5	472.9	50.4	1,820.5
All Other Operating Expenses	776.2	820.0	43.8	3,435.5
Total Expenses (Excluding OPEB & Pension Exp)	\$ 5,951.7	6,471.4	519.7	25,498.7
Adjusted Income (Loss) Excluding OPEB & Pension Exp	203.7	231.9	28.1	832.5
OPEB Expense	249.0	311.5	62.5	1,245.9
Pension Expense	169.3	31.5	(137.8)	126.0
Adjusted Income (Loss)	(214.5)	(111.1)	103.4	(539.4)
Adjusted Income (Loss) Excluding Depr & Amort Exp	227.7	351.5	123.8	1,300.2



**Monthly Financial Report
Comparison of Adjusted Income (Loss)
For the Period Ending November 30, 2022**



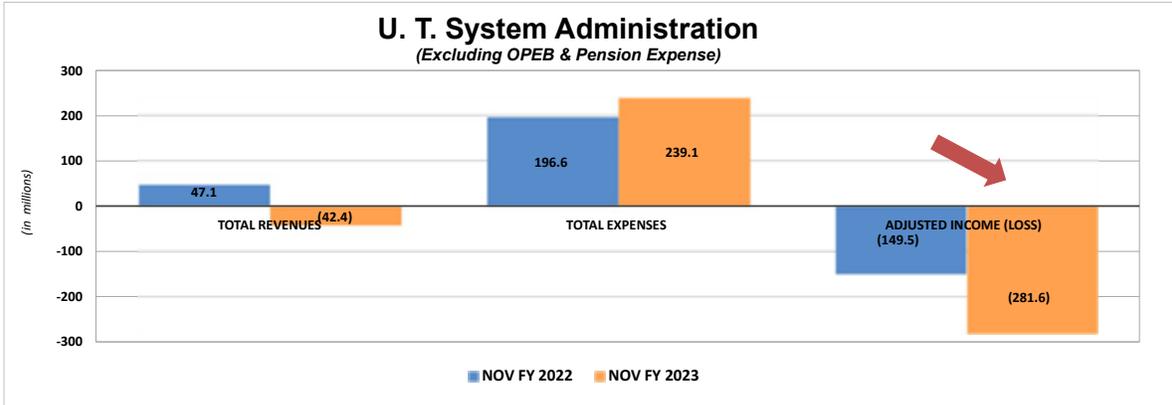
Monthly Financial Report
Comparison of Adjusted Income (Loss)
For the Period Ending November 30, 2022

Executive Summary of Adjusted Income (Loss)*

	November FYTD 2022 (millions)	November FYTD 2023 (millions)	Variance %	Comments
U. T. System Administration (excluding OPEB & Pension Expense) \$	(149.5)	(281.6)	-88%	Decrease in Net Investment Income Increase in Other Operating Expenses (Claims & Losses) Projected loss of (\$270.2) million for the FY
U. T. Arlington	8.2	(6.6)	-181%	Increase in Salaries & Wages/Payroll Related Costs Decrease in Other Operating Revenues Projected income of \$83.1 million for the FY
U. T. Austin	57.7	223.5	287%	Increases Net Investment Income, Gift Contributions for Operations Projected income of \$236.9 million for the FY
U. T. Dallas	16.5	29.1	77%	Increase in Net Tuition and Fees Projected income of \$116.5 million for the FY
U. T. El Paso	2.4	0.3	-86%	Increase in Salaries & Wages/Payroll Related Costs Projected income of \$2.1 million for the FY
U. T. Permian Basin	(5.0)	(6.4)	-28%	Decrease in Net Tuition and Fees Projected loss of (\$31.2) million for the FY
U. T. Rio Grande Valley	(10.1)	(24.6)	-142%	Increases in Salaries & Wages/Payroll Related Costs, Materials & Supplies Projected loss of (\$22.4) million for the FY
U. T. San Antonio	16.2	(1.8)	-111%	Decrease in Gift Contributions for Operations Increases in Salaries & Wages/Payroll Related Costs, Depreciation & Amortization Projected loss of (\$3.7) million for the FY
U. T. Tyler	(13.0)	(0.4)	97%	Increase in Clinical Revenues Projected loss of (\$15.7) million for the FY
Southwestern	18.7	21.9	17%	Increase in Clinical Revenues Projected income of \$69.7 million for the FY
UTMB	8.9	(20.0)	-325%	Increase in Salaries & Wages/Payroll Related Costs Projected loss of (\$18.1) million for the FY
UTHSC-Houston	5.5	14.4	162%	Increase in Clinical Revenues Projected income of \$18.6 million for the FY
UTHSC-San Antonio	4.6	4.1	-11%	Increase in Salaries & Wages/Payroll Related Costs Projected loss of (\$17.1) million for the FY
M. D. Anderson	242.7	280.0	15%	Increase in Clinical Revenues Projected income of \$801.7 million for the FY
Total Adjusted Income (Loss) \$	203.7	231.9	14%	

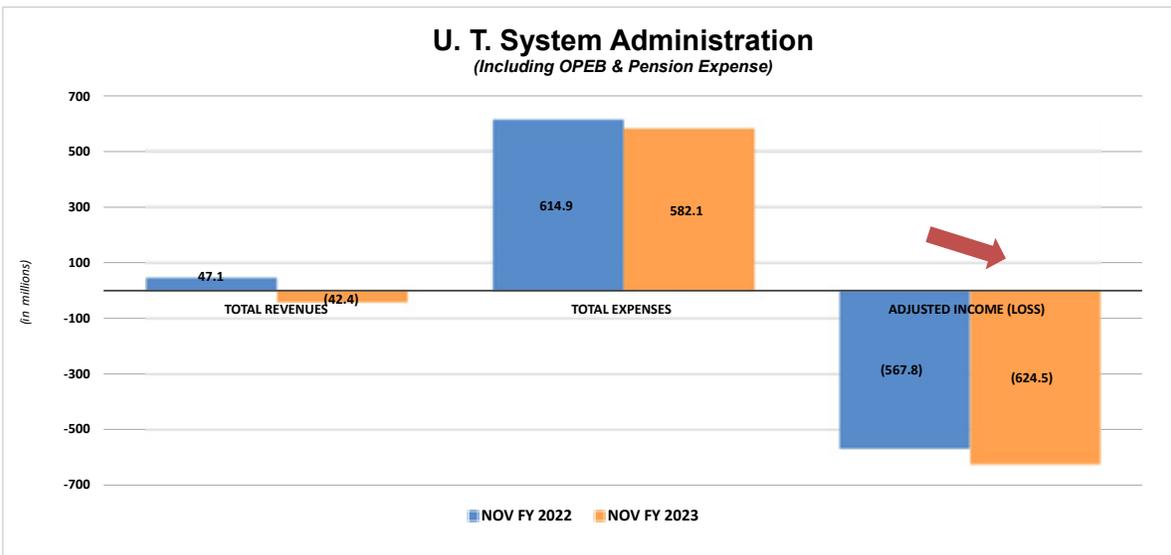
* For additional details on the variances, please see pages 4 through 18.

**Monthly Financial Report
Comparison of Operating Results, Margin and Projected Year-End
For the Period Ending November 30, 2022**



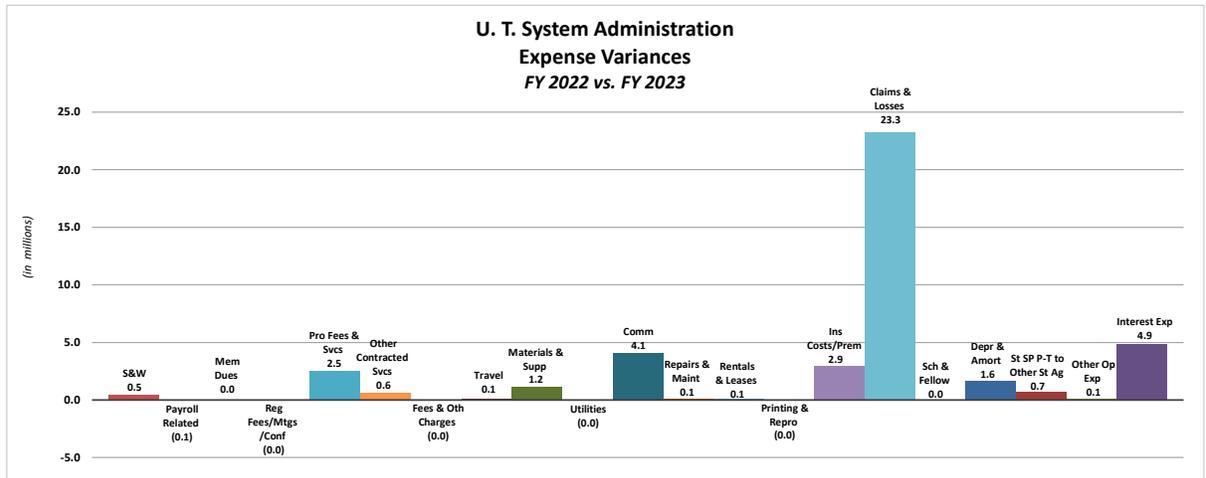
Excluding OPEB and pension expense, U. T. System Administration incurred a year-to-date adjusted loss of \$281.6 million, an increase in adjusted loss of \$132.0 million (88%) from the prior year. The increase was primarily attributable to the following: a decrease in net investment income due to decreases in mineral lease bonuses and oil and gas royalties; and an increase in claims and losses as a result of the medical/dental self-insurance plan. The most current projection, excluding OPEB and pension expense, reflects a loss of \$270.2 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023
Sponsored Programs/Nonexchange Sponsored Programs	\$ 16.6	5.7	(10.8)	42.1
State Appropriations	2.0	1.7	(0.3)	6.7
Auxiliary Revenues/Sales & Services of Educational Activities	5.8	8.0	2.2	31.8
Net Investment Income/Available University Fund (AUF)	18.6	(63.4)	(82.0)	25.0
Other Operating Revenues/Gift Contributions for Operations	4.1	5.6	1.5	22.1
Total Revenues	47.1	(42.4)	(89.5)	127.6
Salaries and Wages/Payroll Related Costs	14.7	15.1	0.4	(383.5)
Materials and Supplies/Cost of Goods Sold	15.7	16.9	1.2	7.2
Depreciation and Amortization	4.2	5.9	1.6	23.4
Other Contracted Services/Professional Fees & Services	22.9	26.1	3.1	65.3
All Other Operating Expenses	139.1	175.2	36.2	685.3
Total Expenses (Excluding OPEB & Pension Exp)	\$ 196.6	239.1	42.5	397.8
Adjusted Income (Loss) Excluding OPEB & Pension Exp	(149.5)	(281.6)	(132.0)	(270.2)
OPEB Expense	249.0	311.5	62.5	1,245.9
Pension Expense	169.3	31.5	(137.8)	126.0
Adjusted Income (Loss)	(567.8)	(624.5)	(56.7)	(1,642.1)
Adjusted Income (Loss) Excluding Depr & Amort Exp	(563.6)	(618.7)	(55.1)	(1,618.6)



Monthly Financial Report Detailed Expense Break-out for U. T. System Administration For the Period Ending November 30, 2022

<i>(in millions)</i>	November YTD FY 2022	November YTD FY 2023	Actual Year-End FY 2022	Annual Projected FY 2023
Salaries and Wages	\$ 11.7	12.2	46.3	48.7
Payroll Related Costs	3.0	2.9	(431.7)	(432.2) *
Membership Dues	0.1	0.2	0.3	0.7
Registration Fees, Meetings, Conferences	0.0	0.0	0.2	0.2
Professional Fees and Services	0.6	3.1	6.5	12.3
Other Contracted Services	22.4	23.0	49.6	52.9
Fees and Other Charges	0.5	0.5	0.7	2.0
Travel	0.1	0.2	0.5	0.7
Materials and Supplies	15.7	16.9	12.7	7.2
Utilities	0.1	0.1	0.3	0.3
Communications	0.1	4.2	3.7	4.9
Repairs and Maintenance	4.0	4.1	7.9	16.3
Rentals and Leases	0.1	0.1	0.3	0.5
Printing and Reproduction	0.0	0.0	0.1	0.1
Insurance Costs/Premiums	33.8	36.7	18.4	147.0
Claims and Losses	93.2	116.5	273.1	466.1
Scholarships and Fellowships	0.0	0.0	0.7	0.1
Depreciation and Amortization	4.2	5.9	16.8	23.4
State Sponsored Program Pass-Through to Other State Agencies	2.0	2.7	5.0	7.0
Other Operating Expenses	0.3	0.4	1.4	1.4
Interest Expense	4.6	9.5	45.0	38.0
Total Expenses (Excluding OPEB & Pension Expense)	196.6	239.1	57.8	397.8
OPEB Expense	249.0	311.5	1,245.9	1,245.9
Pension Expense	169.3	31.5	126.0	126.0
Total Expenses (Including OPEB & Pension Expense)	\$ 614.9	582.1	1,429.7	1,769.6

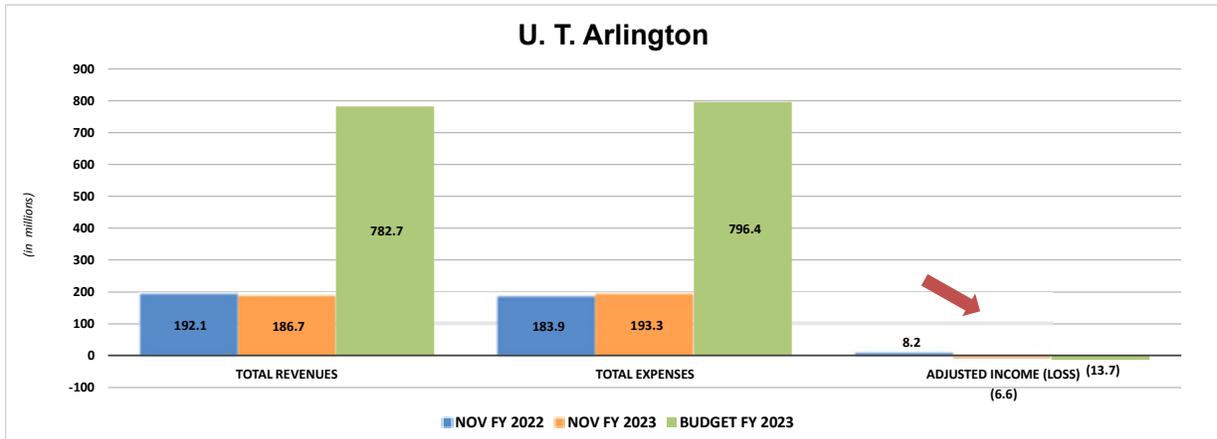


Brief explanations for U. T. System Administration's largest expense variances are provided below:

***Payroll Related Costs** - the negative payroll related costs at year-end relate to the pension entry to defer pension contributions made after the measurement date for the entire System.

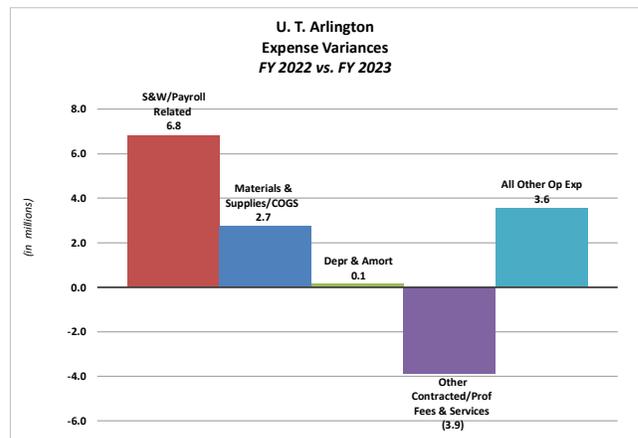
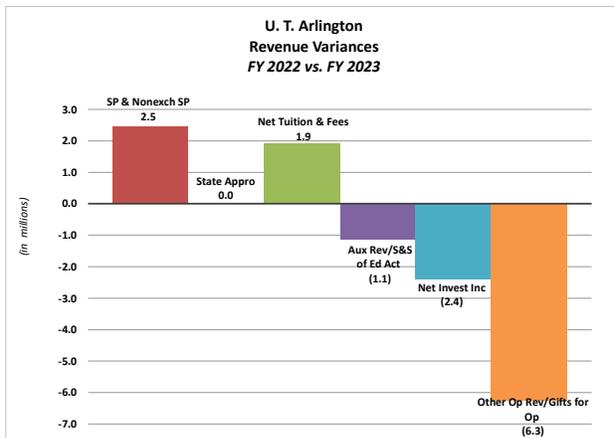
Claims and Losses - increase of \$23.3 million primarily due to the medical self-insurance plan.

Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

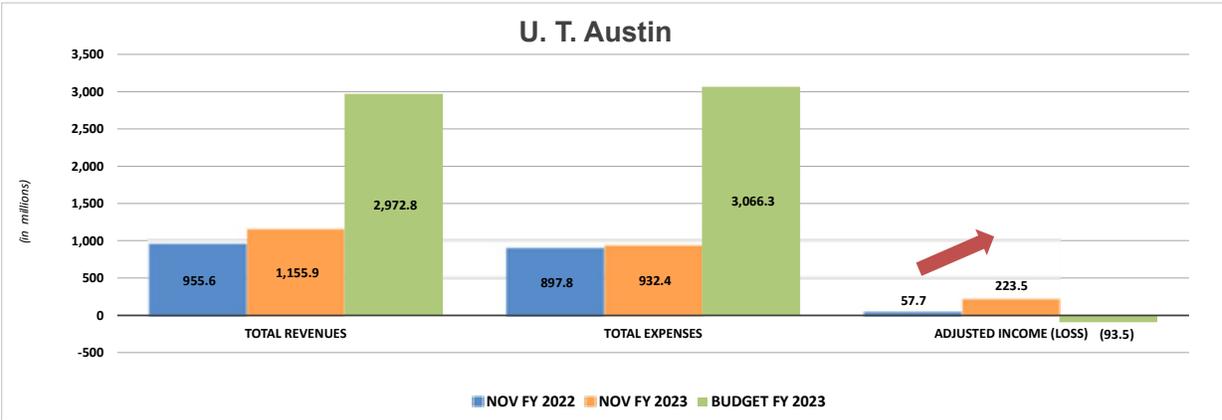


U. T. Arlington incurred a year-to-date adjusted loss of \$6.6 million, a decrease of \$14.8 million (181%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to merit increases; and a decrease in other operating revenues attributable to a Direct Loans misclassification in the prior year. The most current projection received from U. T. Arlington reflects income of \$83.1 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Sponsored Programs/Nonexchange Sponsored Programs	\$ 39.5	42.0	2.5	204.1	
State Appropriations	34.0	34.0	0.0	161.1	
Net Tuition and Fees	83.0	84.9	1.9	376.3	
Auxiliary Revenues/Sales & Services of Educational Activities	17.5	16.3	(1.1)	79.4	
Net Investment Income	8.4	6.0	(2.4)	34.9	
Other Operating Revenues/Gift Contributions for Operations	9.7	3.5	(6.3)	20.9	
Total Revenues	192.1	186.7	(5.4)	876.7	782.7
Salaries and Wages/Payroll Related Costs	106.1	112.8	6.8	463.2	
Materials and Supplies/Cost of Goods Sold	12.4	15.1	2.7	48.4	
Depreciation and Amortization	14.0	14.2	0.1	56.7	
Other Contracted Services/Professional Fees & Services	22.5	18.6	(3.9)	73.6	
All Other Operating Expenses	28.9	32.4	3.6	151.8	
Total Expenses	\$ 183.9	193.3	9.4	793.6	796.4
Adjusted Income (Loss)	8.2	(6.6)	(14.8)	83.1	(13.7)
Adjusted Income (Loss) Excluding Depr & Amort Exp	22.2	7.6	(14.6)	139.7	43.0

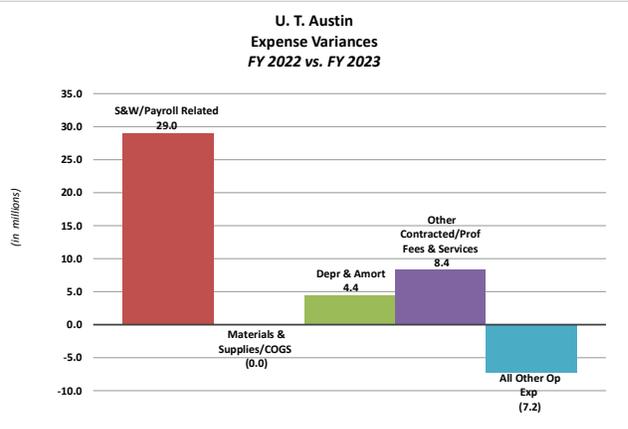
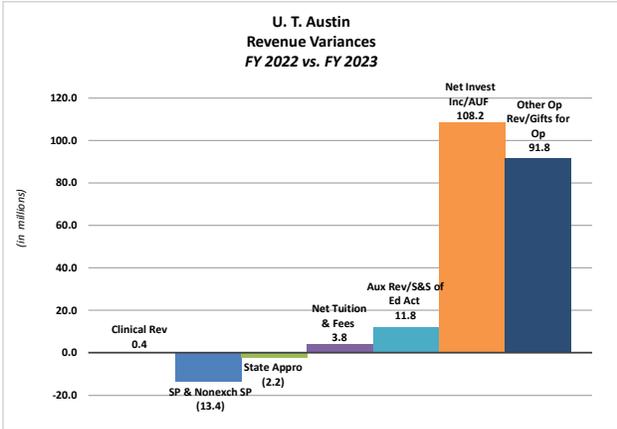


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

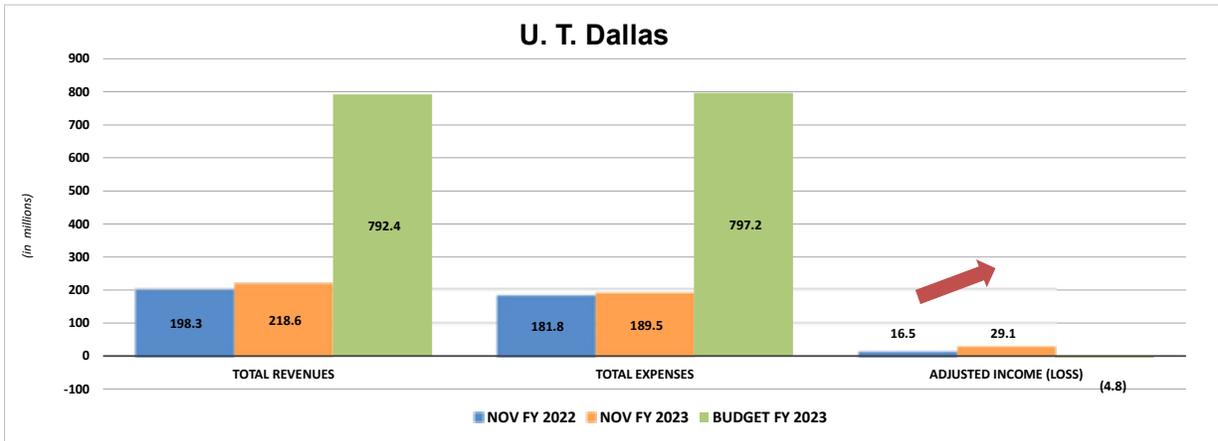


U. T. Austin reported year-to-date adjusted income of \$223.5 million, an increase in adjusted income of \$165.7 million (287%) from the prior year. The increase was primarily due to the following: an increase in net investment income primarily attributable to a COVID-19 vaccine technology royalty payment received from the National Institute of Health; and an increase in gift contributions for operations as a result of an accounting change to pledge revenue recognition, which resulted in more operating gift revenue recognized as compared to the prior year. The most current projection received from U. T. Austin reflects income of \$236.9 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 3.3	3.6	0.4	13.7	
Sponsored Programs/Nonexchange Sponsored Programs	251.7	238.4	(13.4)	1,070.3	
State Appropriations	92.1	89.9	(2.2)	359.6	
Net Tuition and Fees	135.3	139.0	3.8	556.0	
Auxiliary Revenues/Sales & Services of Educational Activities	217.8	229.6	11.8	687.3	
Net Investment Income/Available University Fund (AUF)	223.0	331.2	108.2	903.7	
Other Operating Revenues/Gift Contributions for Operations	32.4	124.1	91.8	299.1	
Total Revenues	955.6	1,155.9	200.3	3,889.7	2,972.8
Salaries and Wages/Payroll Related Costs	503.5	532.4	29.0	2,090.1	
Materials and Supplies/Cost of Goods Sold	57.2	57.2	(0.0)	161.6	
Depreciation and Amortization	92.1	96.5	4.4	386.0	
Other Contracted Services/Professional Fees & Services	62.5	70.9	8.4	293.2	
All Other Operating Expenses	182.5	175.3	(7.2)	721.9	
Total Expenses	\$ 897.8	932.4	34.5	3,652.8	3,066.3
Adjusted Income (Loss)	57.7	223.5	165.7	236.9	(93.5)
Adjusted Income (Loss) Excluding Depr & Amort Exp	149.9	320.0	170.1	622.9	286.5

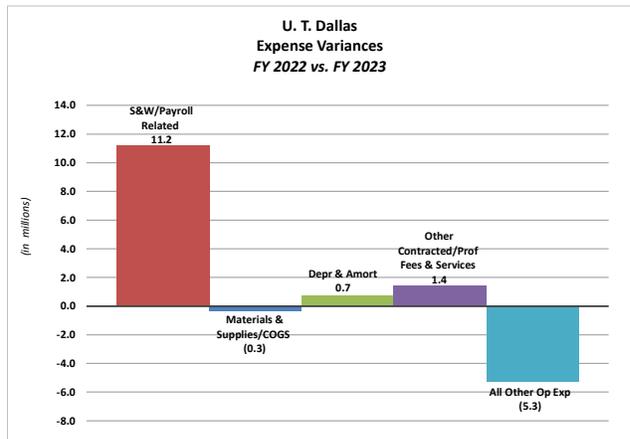
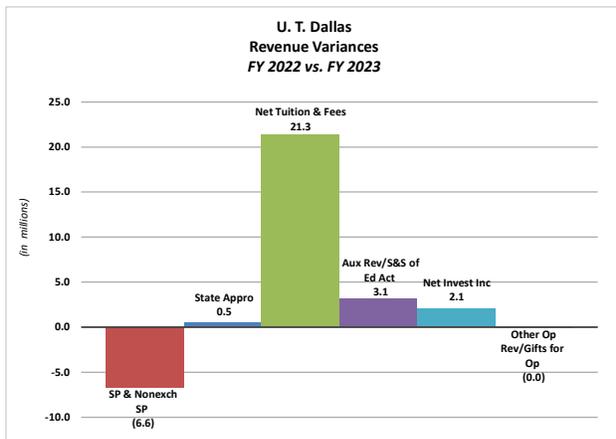


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

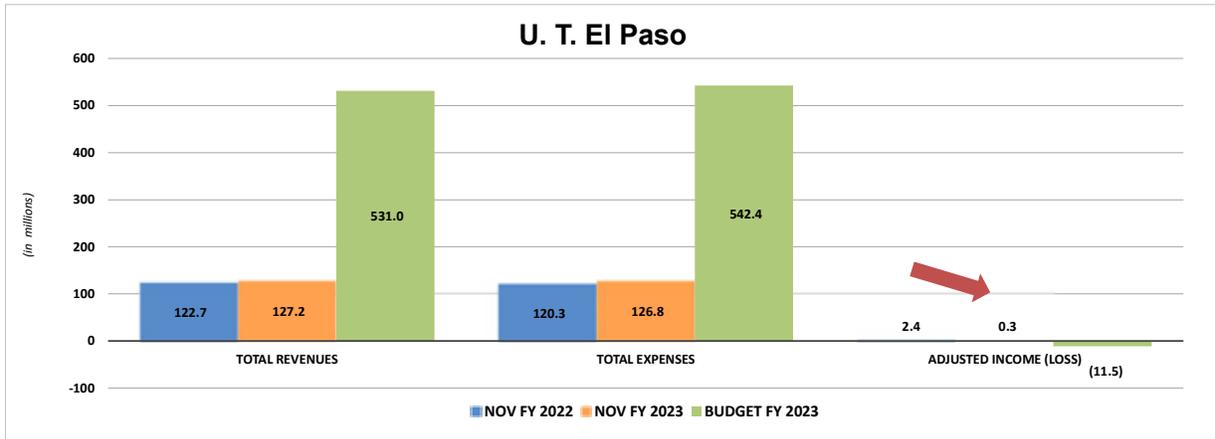


U. T. Dallas reported year-to-date adjusted income of \$29.1 million, an increase in adjusted income of \$12.6 million (77%) from the prior year. The increase was primarily attributable to an increase in net student tuition and fees due to increased enrollment of undergraduate and graduate students for Fall 2022. The most current projection received from *U. T. Dallas* reflects income of \$116.5 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Sponsored Programs/Nonexchange Sponsored Programs	\$ 42.1	35.5	(6.6)	141.9	
State Appropriations	34.5	35.0	0.5	139.9	
Net Tuition and Fees	86.6	107.9	21.3	431.5	
Auxiliary Revenues/Sales & Services of Educational Activities	19.9	23.0	3.1	92.1	
Net Investment Income	10.2	12.3	2.1	49.2	
Other Operating Revenues/Gift Contributions for Operations	5.0	5.0	(0.0)	19.9	
Total Revenues	198.3	218.6	20.3	874.5	792.4
Salaries and Wages/Payroll Related Costs	101.7	112.9	11.2	451.4	
Materials and Supplies/Cost of Goods Sold	9.2	8.9	(0.3)	35.5	
Depreciation and Amortization	23.1	23.8	0.7	95.3	
Other Contracted Services/Professional Fees & Services	8.6	10.0	1.4	40.0	
All Other Operating Expenses	39.2	34.0	(5.3)	135.8	
Total Expenses	\$ 181.8	189.5	7.7	758.0	797.2
Adjusted Income (Loss)	16.5	29.1	12.6	116.5	(4.8)
Adjusted Income (Loss) Excluding Depr & Amort Exp	39.6	53.0	13.4	211.8	83.4

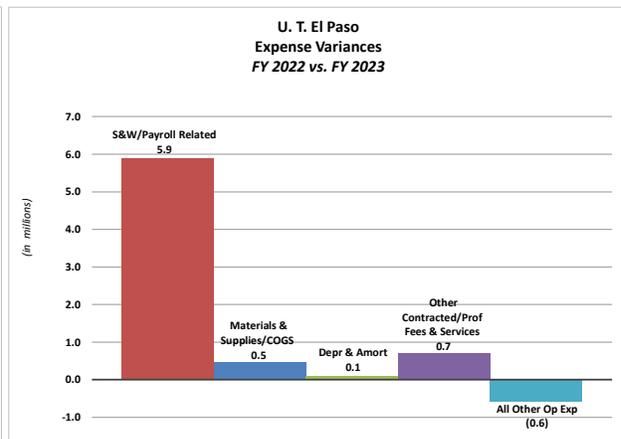
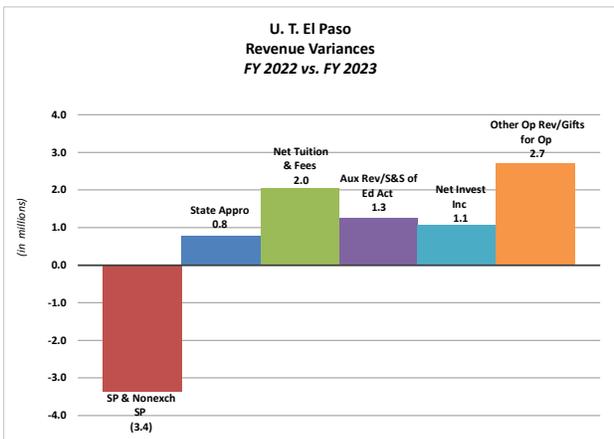


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

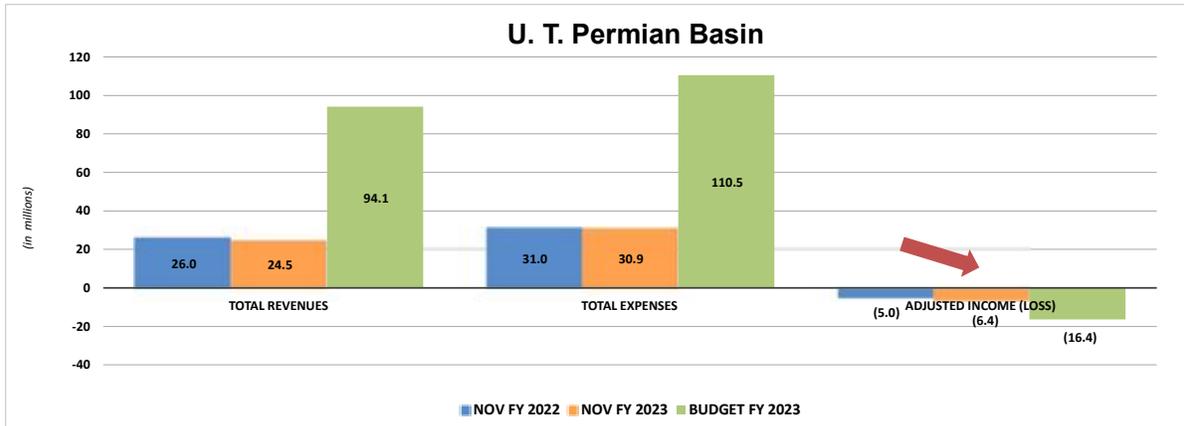


U. T. El Paso reported year-to-date adjusted income of \$0.3 million, a decrease in adjusted income of \$2.1 million (86%) from the prior year. The decrease was primarily due to an increase in salaries and wages and payroll related costs due to merit increases. The most current projection received from U. T. El Paso reflects income of \$2.1 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Sponsored Programs/Nonexchange Sponsored Programs	\$ 37.8	34.4	(3.4)	202.0	
State Appropriations	26.9	27.7	0.8	107.6	
Net Tuition and Fees	36.6	38.7	2.0	148.4	
Auxiliary Revenues/Sales & Services of Educational Activities	13.0	14.2	1.3	52.6	
Net Investment Income	6.2	7.2	1.1	22.7	
Other Operating Revenues/Gift Contributions for Operations	2.2	4.9	2.7	8.9	
Total Revenues	122.7	127.2	4.5	542.4	531.0
Salaries and Wages/Payroll Related Costs	68.7	74.6	5.9	284.1	
Materials and Supplies/Cost of Goods Sold	5.1	5.5	0.5	29.7	
Depreciation and Amortization	8.7	8.8	0.1	35.2	
Other Contracted Services/Professional Fees & Services	11.3	12.0	0.7	32.4	
All Other Operating Expenses	26.5	25.9	(0.6)	158.9	
Total Expenses	120.3	126.8	6.6	540.3	542.4
Adjusted Income (Loss)	2.4	0.3	(2.1)	2.1	(11.5)
Adjusted Income (Loss) Excluding Depr & Amort Exp	11.1	9.1	(2.0)	37.3	23.6

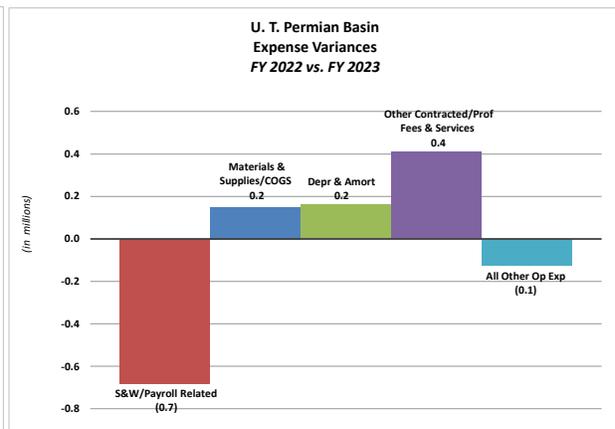
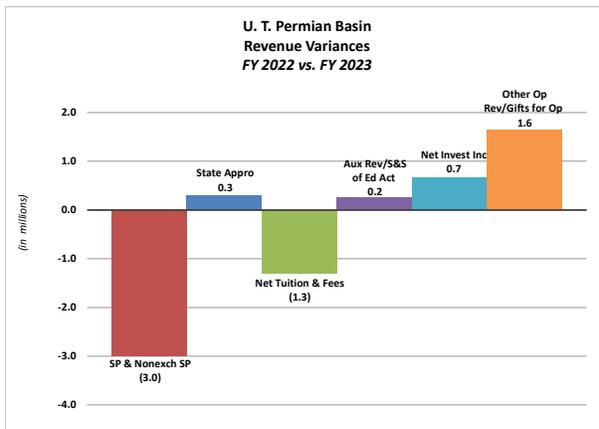


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

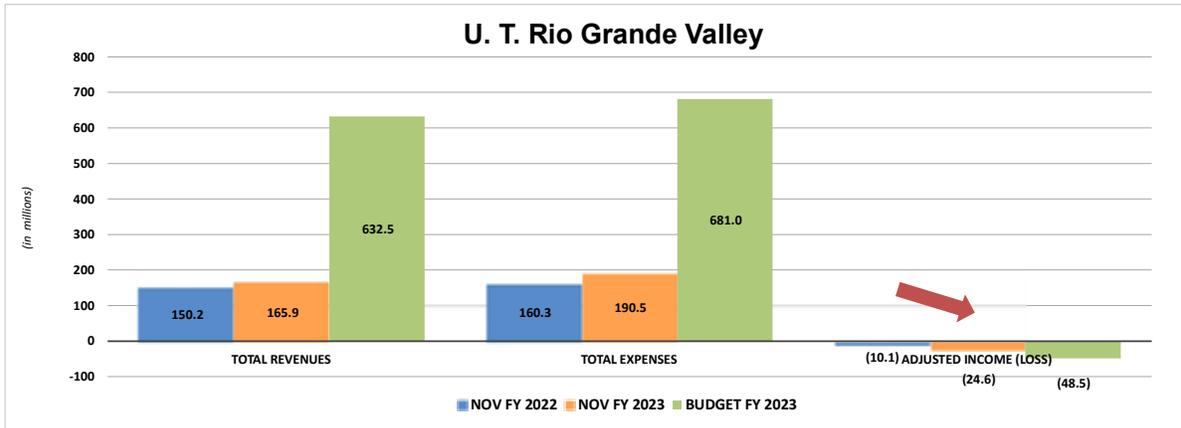


U. T. Permian Basin incurred a year-to-date adjusted loss of \$6.4 million, an increase in adjusted loss of \$1.4 million (28%) from the prior year. The increase was primarily attributable to a decrease in net student tuition and fees as a result of an increase in the tuition discounting rate. The most current projection received from *U. T. Permian Basin* reflects a loss of \$31.2 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Sponsored Programs/Nonexchange Sponsored Programs	\$ 7.7	4.7	(3.0)	16.7	
State Appropriations	6.0	6.3	0.3	25.3	
Net Tuition and Fees	8.8	7.5	(1.3)	30.2	
Auxiliary Revenues/Sales & Services of Educational Activities	1.8	2.0	0.2	7.8	
Net Investment Income	1.1	1.7	0.7	4.6	
Other Operating Revenues/Gift Contributions for Operations	0.6	2.2	1.6	6.0	
Total Revenues	26.0	24.5	(1.5)	90.5	94.1
Salaries and Wages/Payroll Related Costs	15.9	15.2	(0.7)	57.2	
Materials and Supplies/Cost of Goods Sold	1.5	1.7	0.2	6.0	
Depreciation and Amortization	5.2	5.3	0.2	21.3	
Other Contracted Services/Professional Fees & Services	1.4	1.8	0.4	9.7	
All Other Operating Expenses	7.1	6.9	(0.1)	27.5	
Total Expenses	\$ 31.0	30.9	(0.1)	121.7	110.5
Adjusted Income (Loss)	(5.0)	(6.4)	(1.4)	(31.2)	(16.4)
Adjusted Income (Loss) Excluding Depr & Amort Exp	0.1	(1.1)	(1.2)	(9.9)	4.8

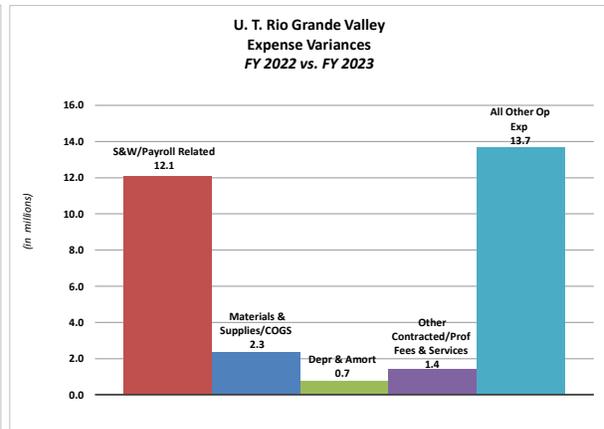
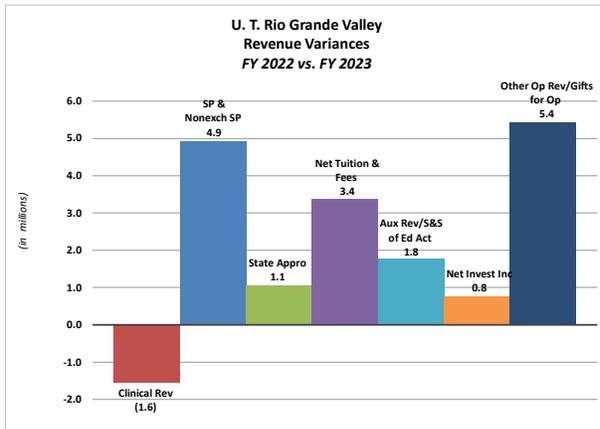


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

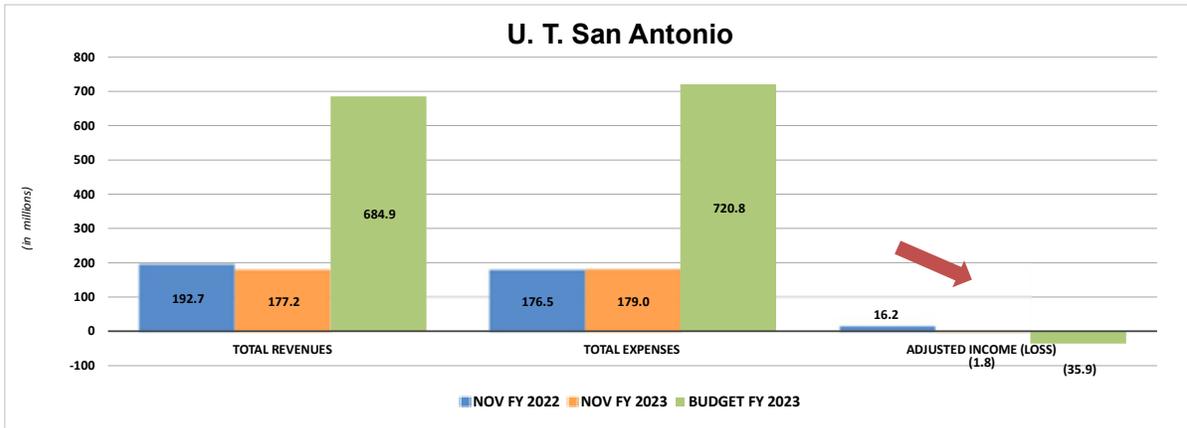


U. T. Rio Grande Valley incurred a year-to-date adjusted loss of \$24.6 million, an increase in adjusted loss of \$14.4 million (142%) from the prior year. The increase was primarily due to the following: an increase in salaries and wages and payroll related costs attributable to an increase in faculty and staff positions combined with an increase in annual merit increases; and an increase in materials and supplies due to an increase in computing system maintenance expenses, as well as an increase in library books and materials. The most current projection received from U. T. Rio Grande Valley reflects a loss of \$22.4 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 5.3	3.7	(1.6)	19.5	
Sponsored Programs/Nonexchange Sponsored Programs	55.4	60.3	4.9	250.4	
State Appropriations	44.1	45.2	1.1	166.1	
Net Tuition and Fees	33.3	36.7	3.4	146.7	
Auxiliary Revenues/Sales & Services of Educational Activities	3.9	5.7	1.8	17.1	
Net Investment Income	4.0	4.7	0.8	20.1	
Other Operating Revenues/Gift Contributions for Operations	4.2	9.6	5.4	19.5	
Total Revenues	150.2	165.9	15.8	638.5	632.5
Salaries and Wages/Payroll Related Costs	101.1	113.2	12.1	419.1	
Materials and Supplies/Cost of Goods Sold	9.5	11.9	2.3	30.5	
Depreciation and Amortization	14.2	15.0	0.7	62.4	
Other Contracted Services/Professional Fees & Services	5.2	6.6	1.4	21.4	
All Other Operating Expenses	30.2	43.9	13.7	127.4	
Total Expenses	\$ 160.3	190.5	30.2	660.8	681.0
Adjusted Income (Loss)	(10.1)	(24.6)	(14.4)	(22.4)	(48.5)
Adjusted Income (Loss) Excluding Depr & Amort Exp	4.1	(9.6)	(13.7)	40.0	13.5

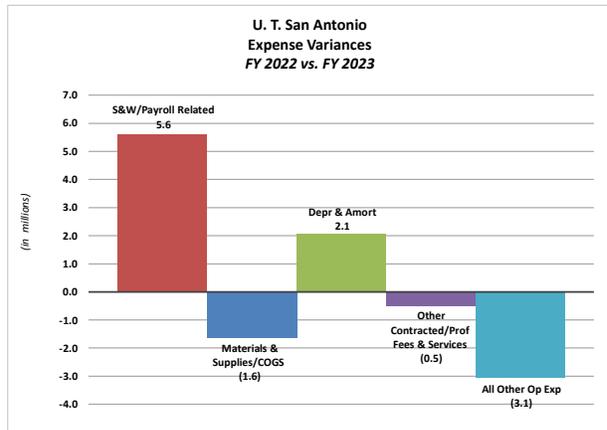
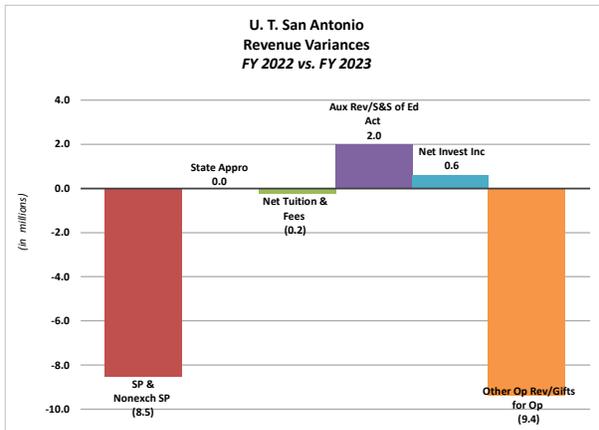


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

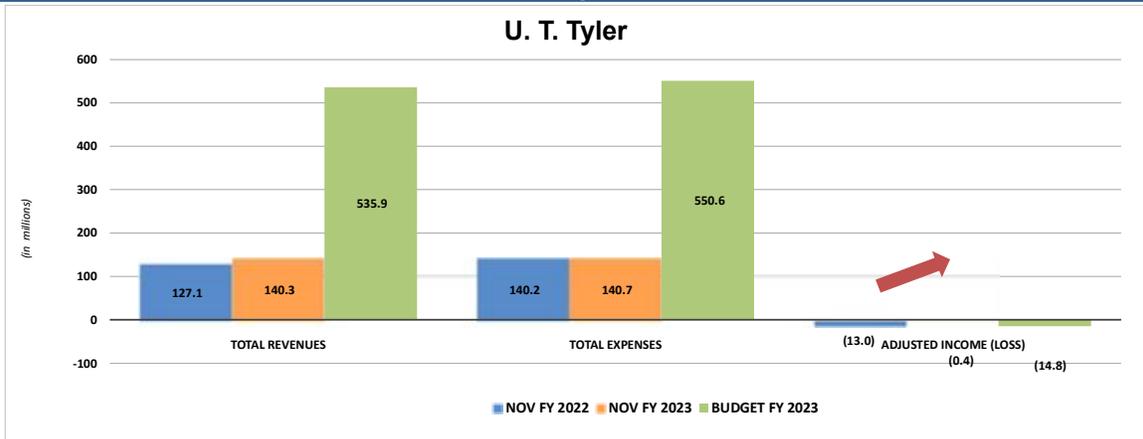


U. T. San Antonio incurred a year-to-date adjusted loss of \$1.8 million, a decrease of \$18.0 million (111%) from the prior year. The decrease was primarily attributable to the following: a decrease in gift contributions for operations due to a \$20 million gift received in 2022 with no such comparable gift received in the current fiscal year; an increase in salaries and wages and payroll related costs as a result of the university implementing its strategic compensation plan last year; and an increase in depreciation and amortization expense attributable to new buildings placed into service. The most current projection received from U. T. San Antonio reflects a loss of \$3.7 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Sponsored Programs/Nonexchange Sponsored Programs	\$ 55.4	46.9	(8.5)	187.7	
State Appropriations	38.1	38.1	0.0	152.5	
Net Tuition and Fees	64.6	64.4	(0.2)	257.6	
Auxiliary Revenues/Sales & Services of Educational Activities	15.2	17.2	2.0	68.7	
Net Investment Income	6.1	6.7	0.6	27.0	
Other Operating Revenues/Gift Contributions for Operations	13.2	3.8	(9.4)	15.3	
Total Revenues	192.7	177.2	(15.5)	708.8	684.9
Salaries and Wages/Payroll Related Costs	94.0	99.6	5.6	398.6	
Materials and Supplies/Cost of Goods Sold	10.2	8.6	(1.6)	34.4	
Depreciation and Amortization	16.3	18.3	2.1	73.4	
Other Contracted Services/Professional Fees & Services	9.3	8.8	(0.5)	35.2	
All Other Operating Expenses	46.6	43.6	(3.1)	170.9	
Total Expenses	\$ 176.5	179.0	2.5	712.5	720.8
Adjusted Income (Loss)	16.2	(1.8)	(18.0)	(3.7)	(35.9)
Adjusted Income (Loss) Excluding Depr & Amort Exp	32.5	16.6	(15.9)	69.7	36.8

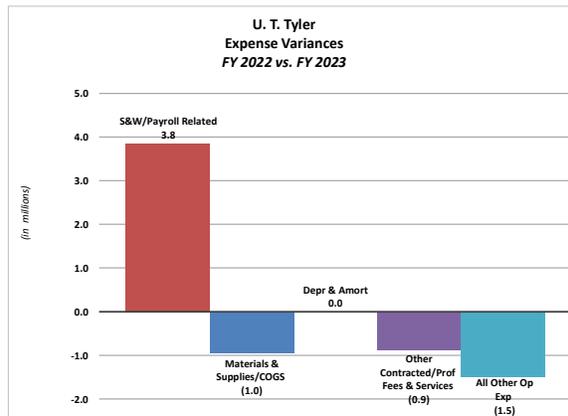
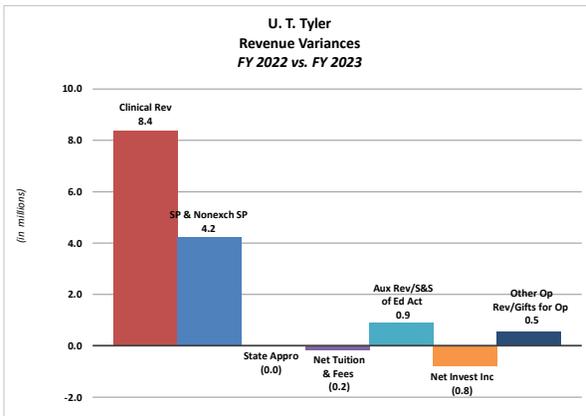


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022



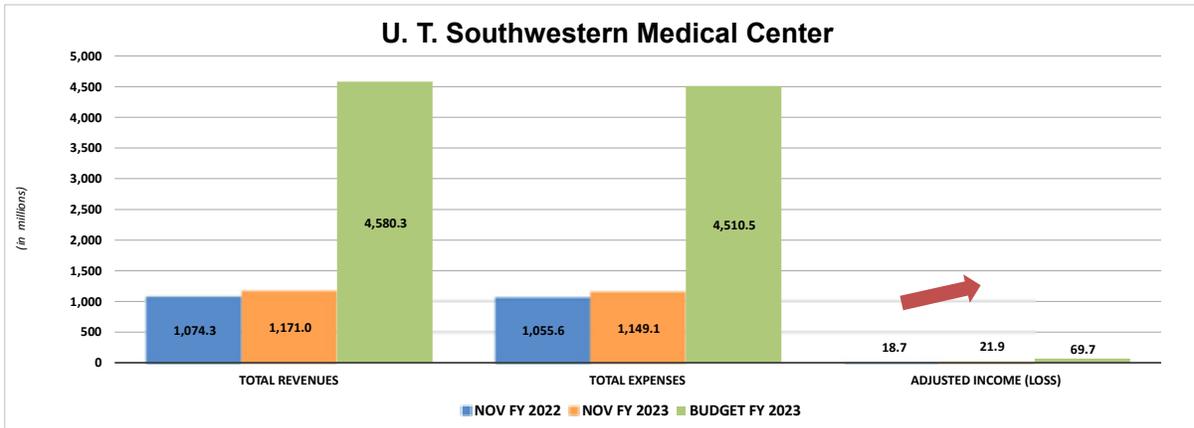
U. T. Tyler incurred a year-to-date adjusted loss of \$0.4 million, a decrease in adjusted loss of \$12.6 million (97%) from the prior year. The decrease was primarily due to an increase in clinical revenues attributable to an increase in outpatient visits, as well as growth in retail pharmacy volumes. The most current projection received from U. T. Tyler reflects a loss of \$15.7 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 42.2	50.6	8.4	190.1	
Sponsored Programs/Nonexchange Sponsored Programs	29.6	33.8	4.2	141.1	
State Appropriations	21.5	21.5	(0.0)	86.1	
Net Tuition and Fees	15.5	15.4	(0.2)	60.9	
Auxiliary Revenues/Sales & Services of Educational Activities	9.1	10.0	0.9	23.6	
Net Investment Income	3.3	2.5	(0.8)	13.5	
Other Operating Revenues/Gift Contributions for Operations	6.0	6.5 *	0.5	18.8 *	
Total Revenues	127.1	140.3	13.1	534.2	535.9
Salaries and Wages/Payroll Related Costs	82.1	86.0	3.8	339.0	
Materials and Supplies/Cost of Goods Sold	19.5	18.6	(1.0)	72.1	
Depreciation and Amortization	8.7	8.7	0.0	36.5	
Other Contracted Services/Professional Fees & Services	13.3	12.4	(0.9)	46.4	
All Other Operating Expenses	16.5	15.0	(1.5)	55.9	
Total Expenses	\$ 140.2	140.7	0.5	549.9	550.6
Adjusted Income (Loss)	(13.0)	(0.4)	12.6	(15.7)	(14.8)
Adjusted Income (Loss) Excluding Depr & Amort Exp	(4.3)	8.3	12.6	20.8	21.7



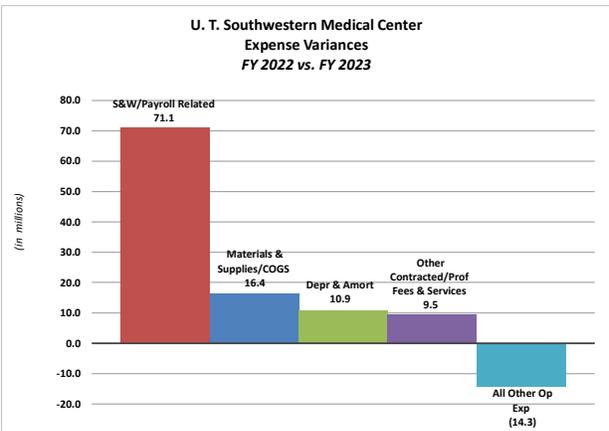
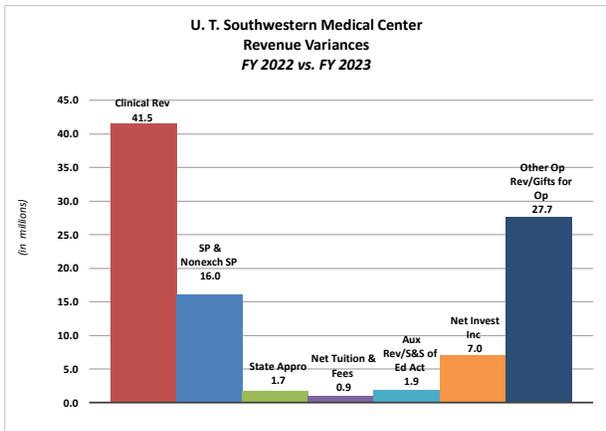
*Other Operating Income includes 30% of UTHET's net adjusted loss which was \$0.02 million through November. The projected loss of \$15.7 million includes \$4.0 million of UTHET's net adjusted income for the year.

Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

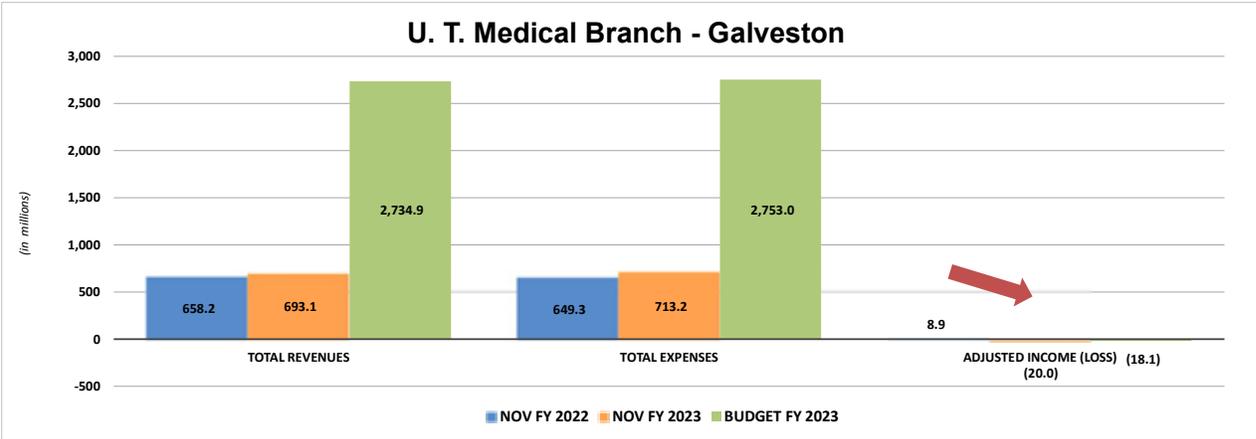


U. T. Southwestern Medical Center reported year-to-date adjusted income of \$21.9 million, an increase in adjusted income of \$3.2 million (17%) from the prior year. The increase was primarily due to an increase in clinical revenues as a result of increased inpatient and outpatient visits, as well as increased surgical volumes and admissions. The most current projection received from U. T. Southwestern Medical Center reflects income of \$69.7 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 721.8	763.3	41.5	3,154.0	
Sponsored Programs/Nonexchange Sponsored Programs	189.3	205.4	16.0	863.3	
State Appropriations	45.8	47.6	1.7	195.2	
Net Tuition and Fees	6.1	7.1	0.9	28.3	
Auxiliary Revenues/Sales & Services of Educational Activities	10.4	12.3	1.9	40.7	
Net Investment Income	51.9	58.9	7.0	180.4	
Other Operating Revenues/Gift Contributions for Operations	48.9	76.6	27.7	282.6	
Total Revenues	1,074.3	1,171.0	96.7	4,744.5	4,580.3
Salaries and Wages/Payroll Related Costs	663.2	734.4	71.1	2,971.9	
Materials and Supplies/Cost of Goods Sold	204.2	220.6	16.4	898.0	
Depreciation and Amortization	61.0	71.9	10.9	277.1	
Other Contracted Services/Professional Fees & Services	53.8	63.3	9.5	245.0	
All Other Operating Expenses	73.4	59.0	(14.3)	282.7	
Total Expenses	\$ 1,055.6	1,149.1	93.5	4,674.7	4,510.5
Adjusted Income (Loss)	18.7	21.9	3.2	69.7	69.7
Adjusted Income (Loss) Excluding Depr & Amort Exp	79.7	93.7	14.0	346.8	337.0

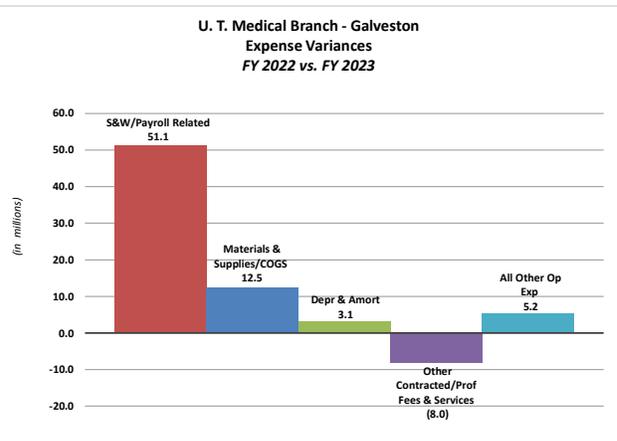
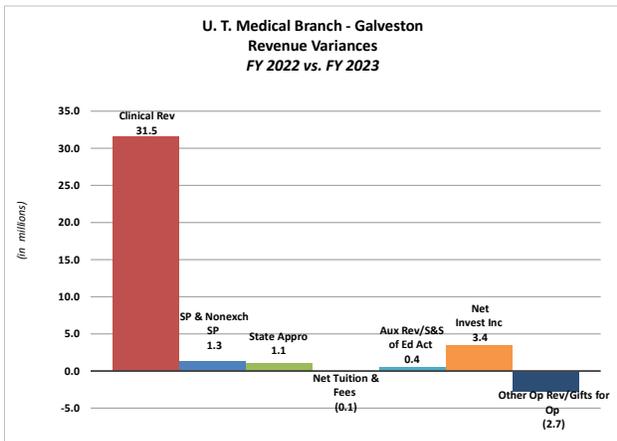


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

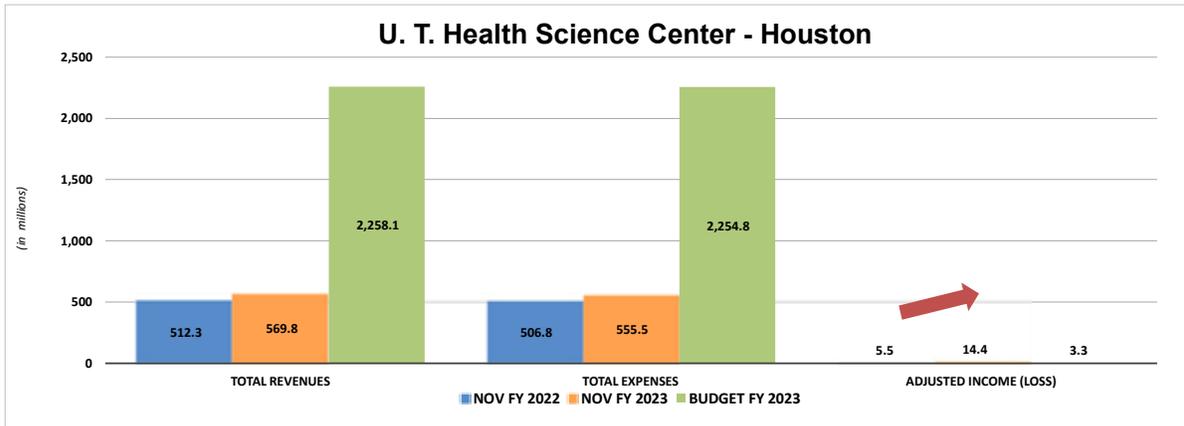


U. T. Medical Branch - Galveston incurred a year-to-date adjusted loss of \$20.0 million, a decrease of \$29.0 million (325%) from the prior year. The decrease was primarily attributable to an increase in salaries and wages and payroll related costs as a result of increases in staff and faculty positions combined with merit and market increases. The most current projection received from U. T. Medical Branch - Galveston reflects a loss of \$18.1 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 444.2	475.7	31.5	1,927.8	
Sponsored Programs/Nonexchange Sponsored Programs	55.6	56.9	1.3	266.2	
State Appropriations	89.9	90.9	1.1	362.2	
Net Tuition and Fees	13.7	13.7	(0.1)	54.1	
Auxiliary Revenues/Sales & Services of Educational Activities	6.6	7.0	0.4	26.4	
Net Investment Income	19.4	22.8	3.4	70.5	
Other Operating Revenues/Gift Contributions for Operations	28.8	26.2	(2.7)	126.4	
Total Revenues	658.2	693.1	34.9	2,833.6	2,734.9
Salaries and Wages/Payroll Related Costs	382.6	433.7	51.1	1,709.5	
Materials and Supplies/Cost of Goods Sold	92.4	104.9	12.5	409.0	
Depreciation and Amortization	52.4	55.5	3.1	216.1	
Other Contracted Services/Professional Fees & Services	63.5	55.5	(8.0)	211.8	
All Other Operating Expenses	58.3	63.5	5.2	305.3	
Total Expenses	\$ 649.3	713.2	63.9	2,851.7	2,753.0
Adjusted Income (Loss)	8.9	(20.0)	(29.0)	(18.1)	(18.1)
Adjusted Income (Loss) Excluding Depr & Amort Exp	61.4	35.5	(25.9)	198.0	207.5

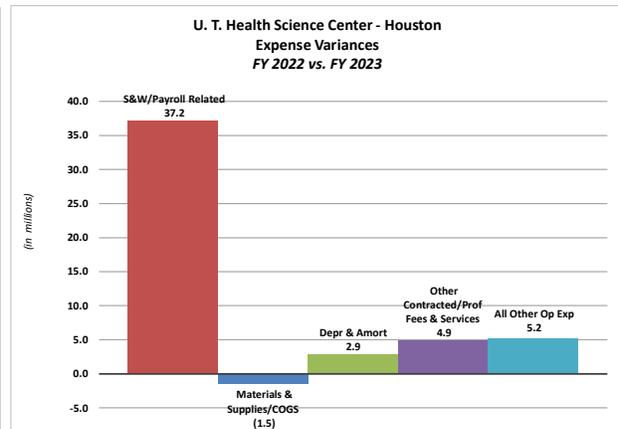
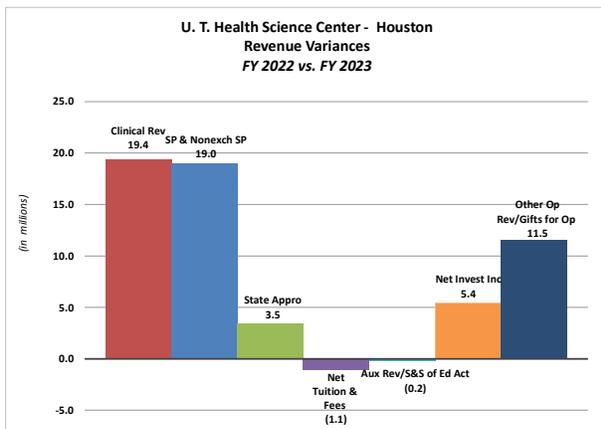


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

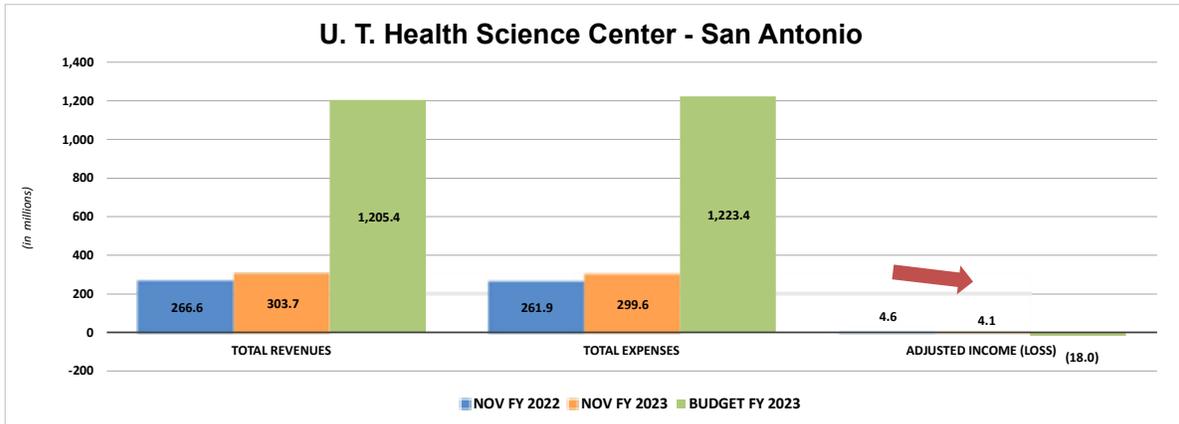


U. T. Health Science Center - Houston reported year-to-date adjusted income of \$14.4 million, an increase in adjusted income of \$8.9 million (162%) from the prior year. The increase was primarily due to an increase in clinical revenues attributable to increased clinical productivity. The most current projection received from U. T. Health Science Center - Houston reflects income of \$18.6 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 134.6	154.0	19.4	610.0	
Sponsored Programs/Nonexchange Sponsored Programs	248.6	267.6	19.0	1,087.4	
State Appropriations	53.6	57.1	3.5	225.9	
Net Tuition and Fees	22.9	21.8	(1.1)	70.3	
Auxiliary Revenues/Sales & Services of Educational Activities	19.5	19.3	(0.2)	76.4	
Net Investment Income	25.8	31.2	5.4	94.1	
Other Operating Revenues/Gift Contributions for Operations	7.3	18.8	11.5	101.7	
Total Revenues	512.3	569.8	57.5	2,265.8	2,258.1
Salaries and Wages/Payroll Related Costs	389.5	426.7	37.2	1,714.6	
Materials and Supplies/Cost of Goods Sold	27.2	25.6	(1.5)	102.6	
Depreciation and Amortization	27.1	29.9	2.9	119.7	
Other Contracted Services/Professional Fees & Services	27.9	32.8	4.9	138.6	
All Other Operating Expenses	35.2	40.5	5.2	171.6	
Total Expenses	\$ 506.8	555.5	48.6	2,247.1	2,254.8
Adjusted Income (Loss)	5.5	14.4	8.9	18.6	3.3
Adjusted Income (Loss) Excluding Depr & Amort Exp	32.5	44.3	11.7	138.4	80.7

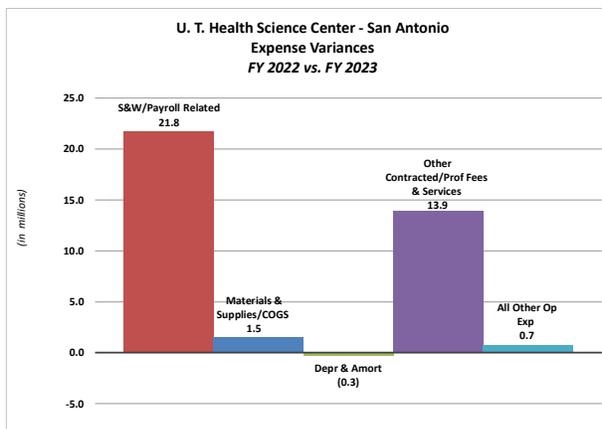
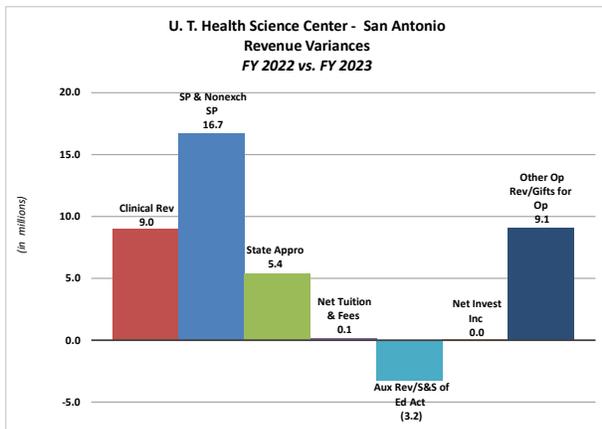


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022

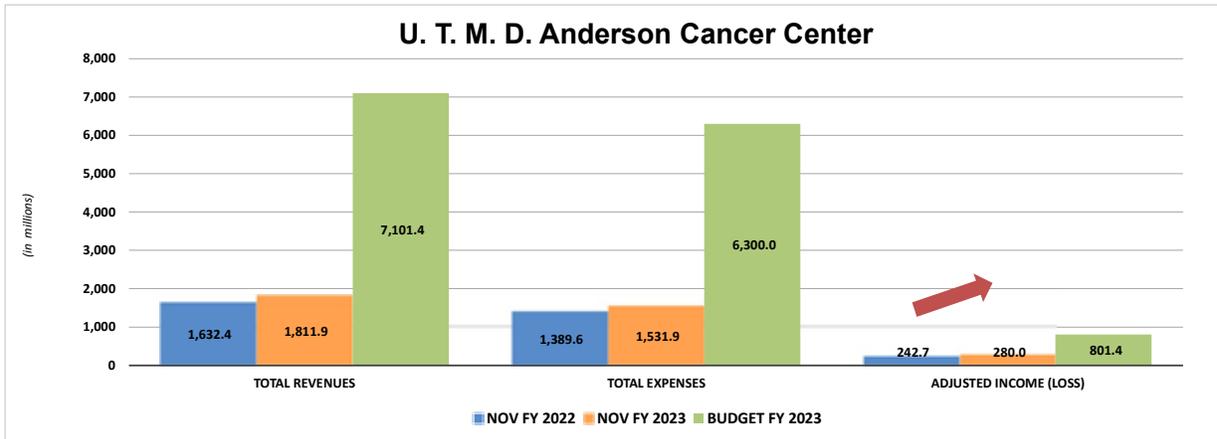


U. T. Health Science Center - San Antonio reported year-to-date adjusted income of \$4.1 million, a decrease of \$0.5 million (11%) from the prior year. The decrease was primarily attributable to an increase in salaries and wages and payroll related costs as a result of an increase in clinical faculty and staff positions associated with increased clinical volume and research growth. The most current projection received from U. T. Health Science Center – San Antonio reflects a loss of \$17.1 million for the year, which is in line with its planned \$18.0 million operating deficit, due to expansion of the clinical enterprise and strengthening of the research mission.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 80.5	89.4	9.0	381.2	
Sponsored Programs/Nonexchange Sponsored Programs	97.3	114.0	16.7	486.2	
State Appropriations	43.2	48.6	5.4	178.0	
Net Tuition and Fees	13.6	13.7	0.1	56.8	
Auxiliary Revenues/Sales & Services of Educational Activities	11.9	8.7	(3.2)	27.6	
Net Investment Income	16.8	16.9	0.0	51.7	
Other Operating Revenues/Gift Contributions for Operations	3.3	12.4	9.1	38.9	
Total Revenues	266.6	303.7	37.1	1,220.5	1,205.4
Salaries and Wages/Payroll Related Costs	177.7	199.5	21.8	838.6	
Materials and Supplies/Cost of Goods Sold	30.9	32.4	1.5	144.7	
Depreciation and Amortization	17.7	17.4	(0.3)	69.2	
Other Contracted Services/Professional Fees & Services	12.5	26.4	13.9	82.6	
All Other Operating Expenses	23.1	23.8	0.7	102.5	
Total Expenses	\$ 261.9	299.6	37.6	1,237.6	1,223.4
Adjusted Income (Loss)	4.6	4.1	(0.5)	(17.1)	(18.0)
Adjusted Income (Loss) Excluding Depr & Amort Exp	22.4	21.6	(0.8)	52.1	51.8

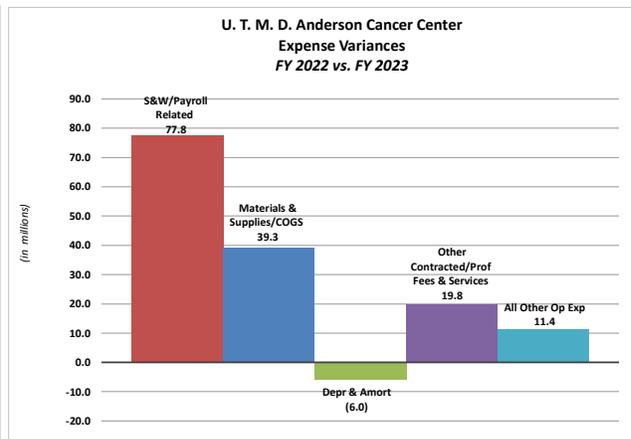
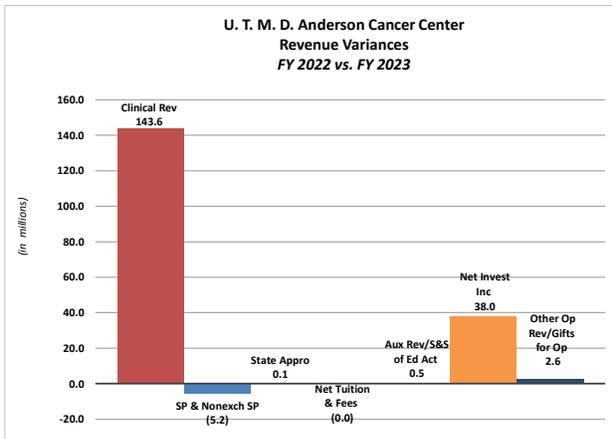


Monthly Financial Report Comparison of Operating Results, Margin, Projected Year-End and Budget For the Period Ending November 30, 2022



U. T. M. D. Anderson Cancer Center reported year-to-date adjusted income of \$280.0 million, an increase in adjusted income of \$37.3 million (15%) from the prior year. The increase was primarily due to an increase in clinical revenues attributable to an increase in inpatient and outpatient activity. The most current projection received from U. T. M. D. Anderson Cancer Center reflects income of \$801.7 million for the year.

(in millions)	November YTD FY 2022	November YTD FY 2023	Variance	Annual Projected FY 2023	FY 2023 Budget
Clinical Revenues	\$ 1,279.7	1,423.3	143.6	5,641.9	
Sponsored Programs/Nonexchange Sponsored Programs	130.6	125.4	(5.2)	589.7	
State Appropriations	51.9	52.0	0.1	209.8	
Net Tuition and Fees	1.2	1.2	(0.0)	2.0	
Auxiliary Revenues/Sales & Services of Educational Activities	9.2	9.7	0.5	38.4	
Net Investment Income	107.0	145.0	38.0	370.0	
Other Operating Revenues/Gift Contributions for Operations	52.7	55.3	2.6	250.0	
Total Revenues	1,632.4	1,811.9	179.5	7,101.8	7,101.4
Salaries and Wages/Payroll Related Costs	769.3	847.1	77.8	3,485.7	
Materials and Supplies/Cost of Goods Sold	345.6	384.9	39.3	1,583.7	
Depreciation and Amortization	97.4	91.4	(6.0)	367.4	
Other Contracted Services/Professional Fees & Services	107.8	127.7	19.8	525.3	
All Other Operating Expenses	69.5	80.9	11.4	338.1	
Total Expenses	\$ 1,389.6	1,531.9	142.2	6,300.1	6,300.0
Adjusted Income (Loss)	242.7	280.0	37.3	801.7	801.4
Adjusted Income (Loss) Excluding Depr & Amort Exp	340.1	371.4	31.2	1,169.0	1,168.8



4. **U. T. System Board of Regents: Adoption of Resolution Amending the Revenue Financing System Commercial Paper Note Program; authorization for officers of U. T. System to complete all transactions related thereto; and resolution regarding parity debt**

RECOMMENDATION

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

- a. adopt the Third Resolution Amending the Amended and Restated First Supplemental Resolution to the Master Resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed \$1.75 billion;
- b. authorize appropriate officers and employees of the U. T. System as set forth in the Third Resolution Amending the Amended and Restated First 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; make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Notes.

The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that as required by Section 5(a) of the Master Resolution, the Board further determine that upon the delivery of Notes authorized by this Resolution, it will have sufficient funds to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf such Notes are issued possess the financial capacity to satisfy their direct obligations after taking such Notes into account.

BACKGROUND INFORMATION

The U. T. System's Revenue Financing System Tax-Exempt Commercial Paper Note Program (Program) was established on April 12, 1990. Since that time, the size of the Program has changed periodically to meet the financing needs of the U. T. System. The Program is currently authorized up to a maximum amount outstanding of \$1.25 billion. On August 20, 2015, the Program capacity was increased from \$1.25 billion to \$1.75 billion to accommodate new Tuition Revenue Bonds (TRB) projects during that time. On August 25, 2016, the Program capacity was decreased from \$1.75 billion back to \$1.25 billion once the TRB projects had been permanently financed.

Adoption of this Resolution would increase Program authorization from \$1.25 billion to \$1.75 billion to facilitate the financing of capital projects reflected in the FY 2023-2028 Capital Improvement Program (CIP) including the new TRB authorization. The increased Program capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing long-term capital markets. Adoption of this

Resolution would also extend the Maximum Maturity Date (as defined in the Resolution) of the Program from April 1, 2035 to August 31, 2072 as authorized under Sec. 55.14 of the *Texas Education Code*.

The use of tax-exempt debt for projects is limited by the *Internal Revenue Code* to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt.

Liquidity for the combined programs will continue to be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company (UTIMCO) consistent with the provisions governing liquidity for the Program.

The proposed Third Resolution Amending the Amended and Restated First Supplemental Resolution, which is set forth on the following pages, has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

THIRD RESOLUTION AMENDING THE AMENDED AND RESTATED FIRST SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION ESTABLISHING THE REVENUE FINANCING SYSTEM COMMERCIAL PAPER PROGRAM

WHEREAS, on April 12, 1990, The University of Texas System Board of Regents (the "Board") adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended 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 and the First Supplement (as defined herein); and

WHEREAS, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which 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 Amended and Restated First Supplemental Resolution to the Master Resolution Establishing The University of Texas System Revenue Financing System was adopted by the Board on August 14, 2008 (the "2008 First Supplement") and subsequently amended by resolutions adopted by the Board on August 20, 2015 and August 25, 2016 (collectively with the 2008 First Supplement, the "First Supplement") to establish an interim financing program pursuant to which the Board has issued its Notes to provide interim financing for capital improvements and to finance equipment purchases; and

WHEREAS, the Board hereby deems it necessary to further amend the First Supplement by the adoption of this resolution (this "Third Amending Resolution") in order to (i) increase the aggregate principal amount of Notes which may be outstanding under such interim financing program from \$1,250,000,000 to \$1,750,000,000 and (ii) to extend the Maximum Maturity Date for such program from April 1, 2035 to August 31, 2072; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. Section 2.01 of the First Supplement is hereby amended by substituting "One Billion Seven Hundred Fifty Million Dollars (\$1,750,000,000)" in place of "One Billion Two Hundred Fifty Million Dollars (\$1,250,000,000)" in such section. Section 4.01 of the First Supplement and the fifth recital of the 2008 First Supplement are hereby amended by substituting the amount "\$1,750,000,000" in place of "\$1,250,000,000" in such section and recital, respectively.

Section 2. The definition of the term "Maximum Maturity Date" in Exhibit A of the First Supplement is hereby amended by substituting "August 31, 2072" in place of "April 1, 2035" in such exhibit.

Section 3. (a) The Chairman of the Board, the Vice Chairman of the Board, the General Counsel to the Board of Regents of The University of Texas System, the U.T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Third Amending Resolution, including the execution of any Dealer Agreement or Issuing and Paying Agent Agreement or amendments thereto and the delivery of an Offering Memorandum. Notwithstanding the foregoing, such individuals may elect not to amend or amend and restate any existing Dealer Agreement, and in such event any such Dealer Agreement will be subject to the terms of the financing program in existence prior to the effective date of this Third Amending Resolution with the maximum outstanding aggregate principal amount of Notes issued pursuant such existing Dealer Agreement not to exceed \$1,250,000,000 and the maturity date of any such Notes not to extend beyond April 1, 2035.

(b) In addition, the Chairman of the Board, the Vice Chairman of the Board, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, the Assistant Vice Chancellor for Finance and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Third Amending Resolution, any technical amendments to this Third Amending Resolution as may be required by Fitch, Moody's, Standard & Poor's as a condition to the granting or maintenance of a rating on the Notes acceptable to a U.T. System Representative, or as may be required by the Attorney General's office in connection with the approval of this Third Amending Resolution or to correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Third Amending Resolution.

Section 4. After the receipt of the approval of the Attorney General of this Third Amending Resolution, if required, the amendment to the First Supplement shall take effect immediately pursuant to (i) Section 5.01(a)(v) of the First Supplement with respect to increasing the amount of Notes the Board currently has the right to issue pursuant to Section 4.01 of the First Supplement and (ii) Section 5.01(a)(iii) of the First Supplement with respect to extending the Maximum Maturity Date, and the Board hereby deems such extension necessary and desirable and, in the judgment of the Board, such extension does not materially adversely affect the interests of the owners of the Outstanding Commercial Paper Notes.

Section 5. Nothing in this Third Amending Resolution shall be construed so as to prevent the Board from adopting any future amendment to the First Supplement contemplated by the provisions of the First Supplement, including particularly Sections 4.01 and 5.01(a) thereof.

Section 6. In addition, the statements, findings, representations, and determinations set forth in the recitals to this Third Amending Resolution are hereby incorporated into and made a part of this Third Amending Resolution for all purposes.

Section 7. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Third Amending Resolution was adopted, and that this Third Amending Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

5. **U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update**

INTRODUCTION

Mr. Britt Harris, President and CEO, and Mr. Rich Hall, Chief Investment Officer, will provide an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint set forth on the following pages.



UTIMCO Update

Mr. Britt Harris, CEO and President
Mr. Rich Hall, CIO

U. T. System Board of Regents Meeting
Finance and Planning Committee

February 2023



Market Overview

First time in 150 years with both Equities and Long Bonds declining more than 10%



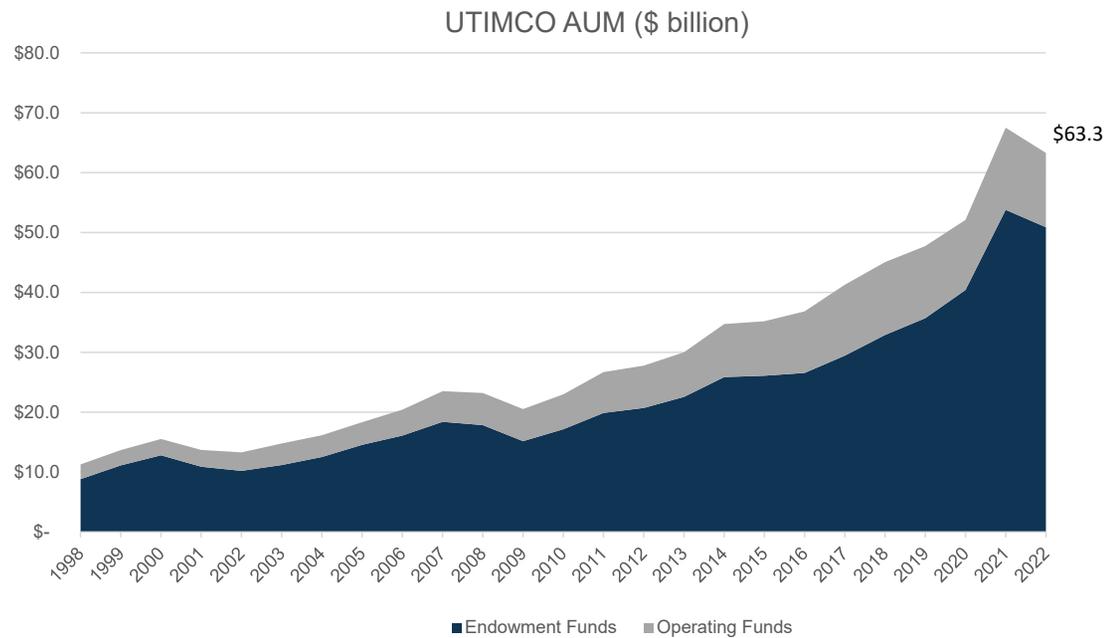
Source: Bloomberg, NBER, Jordà-Schularick-Taylor Macrohistory Database, Morgan Stanley Research;
Note: Data back to 1871. Bond return is return on long-maturity UST*. As of November 9, 2022.

* U.S. Treasuries



Growth in Assets Under Management (AUM)

Total Assets through September 30, 2022



12-Month Change in AUM

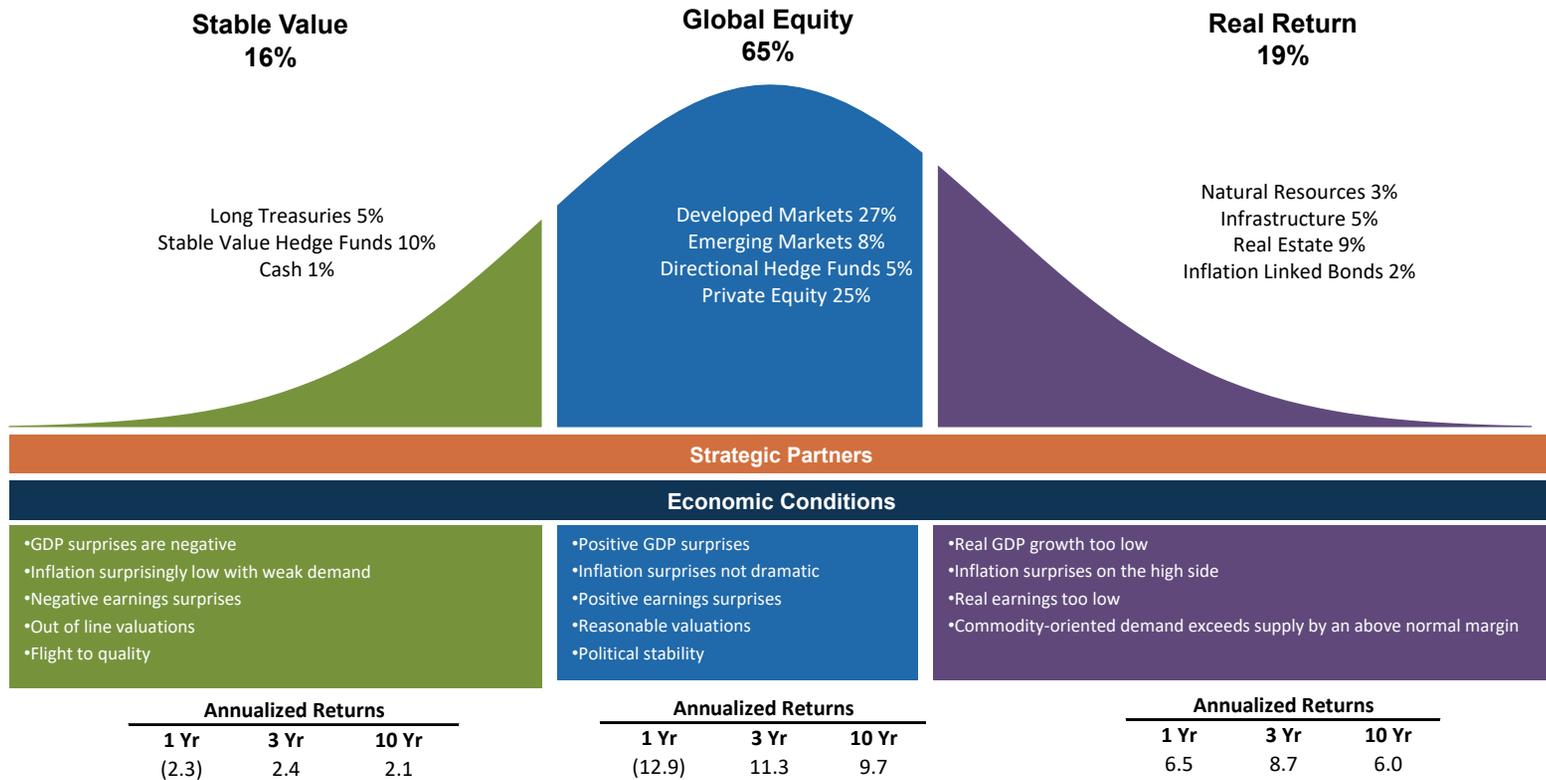
	\$ Billion
Beginning Net Asset Value (NAV)	66.9
Contributions	4.4
Net Investment Income	-5.7
Distributions	-2.3
Ending Net Asset Value	63.3

10-Year Change in AUM

	\$ Billion
Beginning Net Asset Value	28.0
Contributions	25.2
Net Investment Income	26.9
Distributions	-16.8
Ending Net Asset Value	63.3



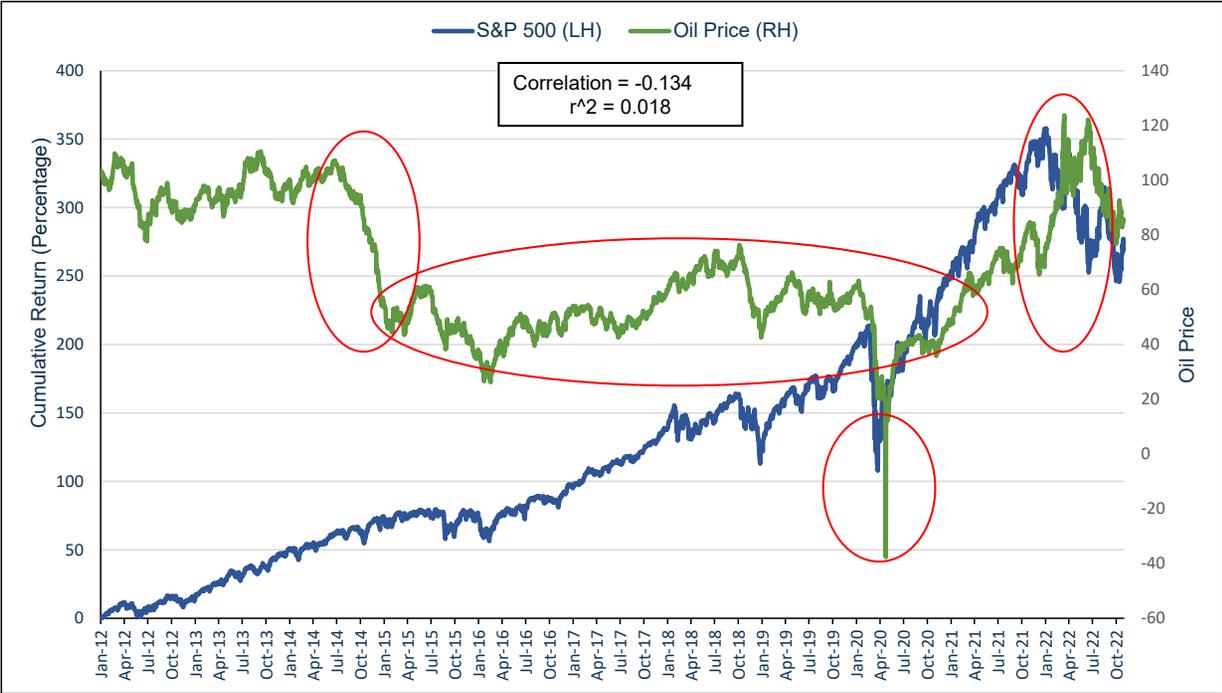
UTIMCO Diversification Framework





Total Asset Diversification

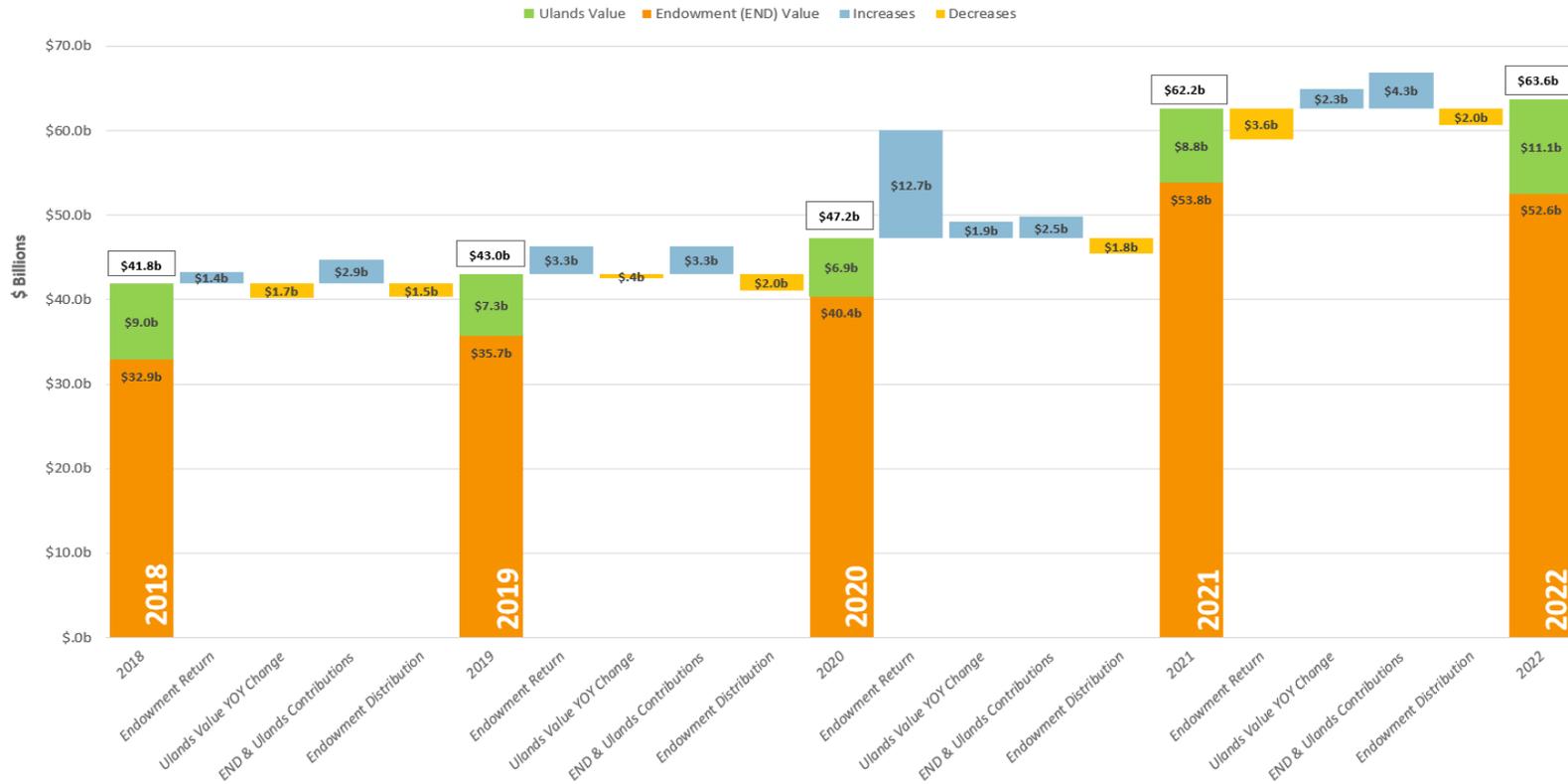
10-year history: Price of Oil vs. S&P 500





Total Asset Diversification

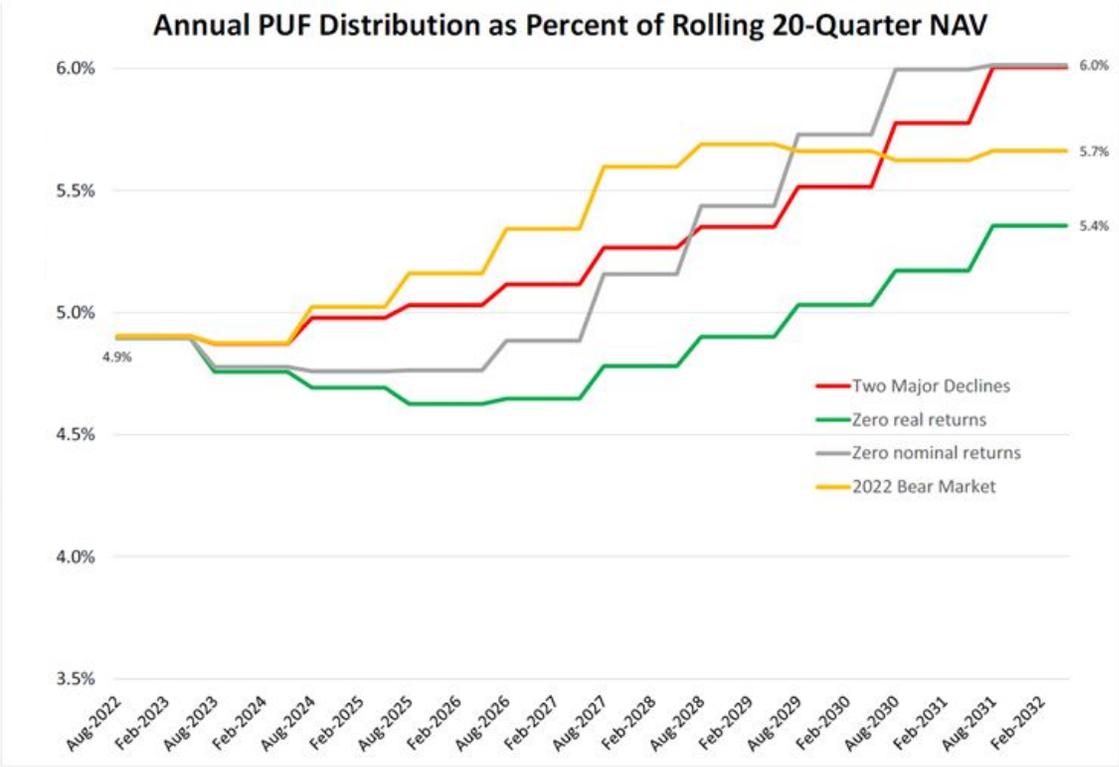
Diversification has had a positive impact on U.T. and A&M Total Asset Value





Margin of Safety

Ability to make distributions remains strong



Summary of UTIMCO AUM, Returns and Alpha

As of September 30, 2022



Endowment Returns

	1-Year	5-Years	10-Years
Investment Return %	-8.3	8.2	8.0
Policy Portfolio	-6.6	7.1	6.9
Value Add %	-1.7	+1.1	+1.1
Total Investment Return (\$ millions)	-\$4,510	\$15,912	\$25,868
Value Add (\$ millions)	-\$951	\$2,308	\$4,747

Assets Under Management (\$ billions)

	1-Year	5-Years	10-Years
Endowments			
Beginning NAV	\$53.8	\$29.6	\$20.9
Contributions	3.9	15.4	20.5
Net Investment Return	-4.8	14.6	23.8
Distributions	-2.0	-8.7	-14.3
Ending NAV	50.9	50.9	50.9
AUM Growth \$	-\$2.9	\$21.3	\$30.0
Est. AUM Per Student (\$ thousands)	137	90	70
Operating Funds			
Beginning NAV	\$13.3	\$11.8	\$7.1
Contributions	0.4	0.4	4.7
Net Investment Return	-1.0	1.6	\$3.1
Distributions	-0.3	-1.4	-2.5
Ending NAV	12.4	12.4	12.4
AUM Growth \$	-\$0.9	\$0.6	\$5.3
Total UTIMCO			
Beginning NAV	\$67.1	\$41.4	\$28.0
Ending NAV	\$63.3	\$63.3	\$63.3
AUM Growth \$	-\$3.8	\$21.9	\$35.3

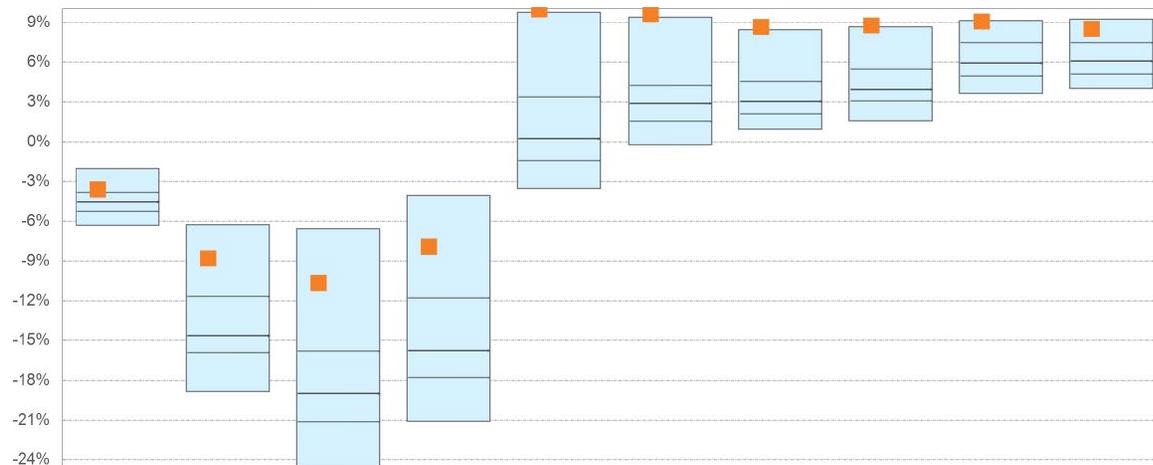
Peer Comparison

Periods Ending September 30, 2022



Trust Universe Comparison Service Performance Comparison

Total Returns of Master Trusts - Foundation & Endowment
Cumulative Periods Ending : September 30, 2022



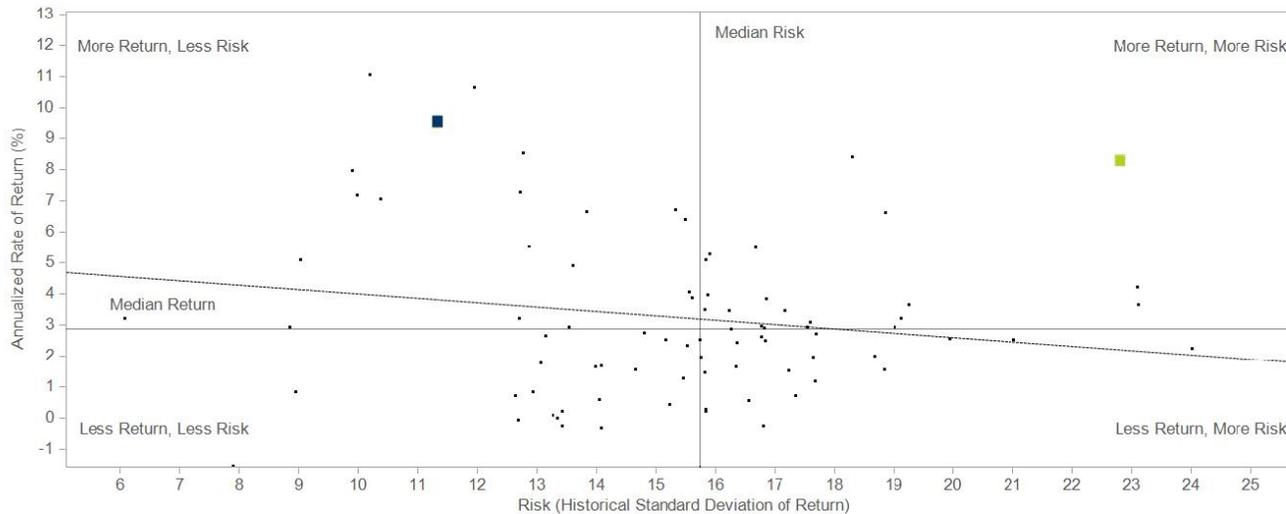
Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	-2.04	-6.26	-6.57	-4.03	9.76	9.40	8.44	8.67	9.14	9.26
25th	-3.80	-11.66	-15.81	-11.77	3.36	4.23	4.56	5.51	7.48	7.46
50th	-4.53	-14.66	-19.00	-15.75	0.25	2.87	3.05	3.92	5.95	6.10
75th	-5.26	-15.91	-21.11	-17.79	-1.44	1.56	2.12	3.09	4.96	5.12
95th	-6.29	-18.86	-24.59	-21.09	-3.53	-0.23	0.94	1.59	3.62	3.99
No. Of Obs	97	94	93	93	89	86	80	79	77	74
PUF TOTAL FUND	-3.80 (26)	-9.02 (14)	-10.90 (14)	-8.13 (16)	9.76 (5)	9.42 (4)	8.44 (6)	8.56 (6)	8.86 (7)	8.28 (10)

Endowment Risk / Return

Three Years Ending September 30, 2022



Trust Universe Comparison Service
Risk vs Total Returns of Master Trusts - Foundation & Endowment
 3 Years Ending September 30, 2022



	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	11.40	89	9.40	5
PUF TOTAL FUND	11.41	88	9.42	4
S&P 500	22.87	3	8.16	7
Median	15.75		2.87	



Ten Year Investment Performance Analysis

Trust Universe Comparison Service
 Periods Ending September 30, 2022

<u>UTIMCO</u>					
	Return	Rank	Median Return	Q1 Return	Q3 Return
U.S. Public Equity	9.84%	67	10.73%	11.74%	9.17%
Real Estate (7 Yrs)	12.64%	25	9.60%	13.60%	9.54%
Private Equity	14.31%	32	9.41%	15.64%	2.44%
Global Equity	9.38%	22	7.91%	9.25%	5.75%
Hedge Funds	6.54%	32	5.82%	8.57%	4.40%
Venture Capital	24.67%	1	5.10%	11.57%	1.03%
Emerging Markets	4.83%	10	2.10%	3.48%	1.44%
Fixed Income (H)*	1.11%	83	2.01%	2.51%	1.34%
U.S. Fixed Income	1.29%	63	1.53%	2.26%	1.12%
U.S. Cash	-	-	0.89%	1.02%	0.72%
Fixed Income (UH)**	1.11%	22	-0.10%	0.45%	-0.85%

UTIMCO Fund	8.28%	12
Risk/Return Rank		1

*Global Portfolio, US Dollar Hedged (H)

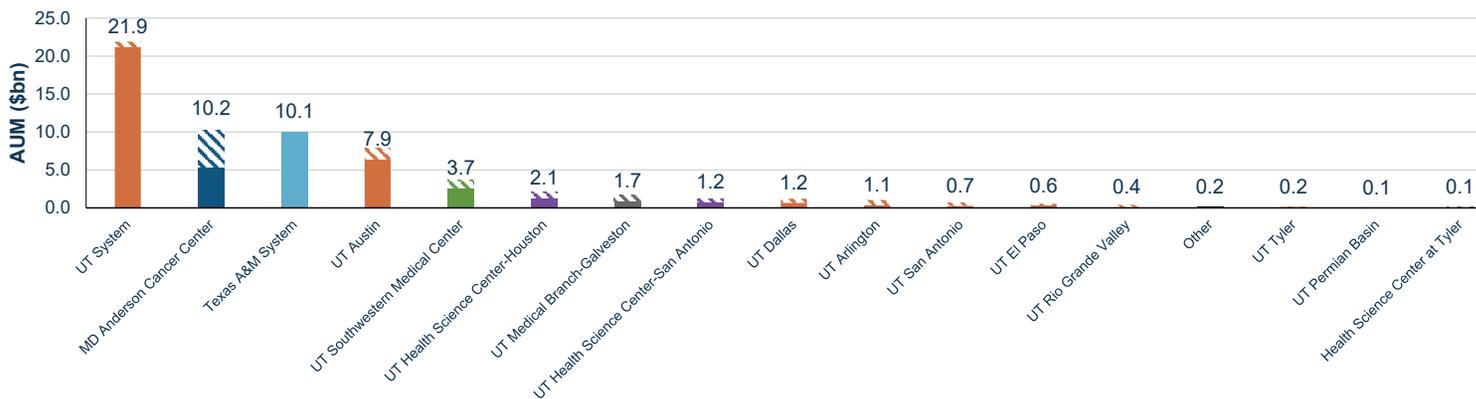
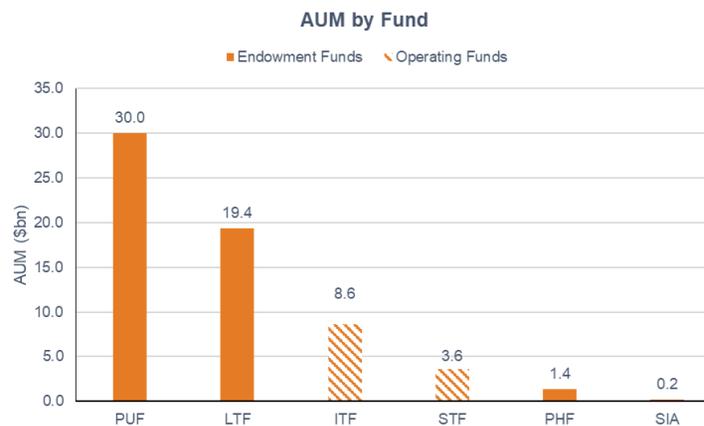
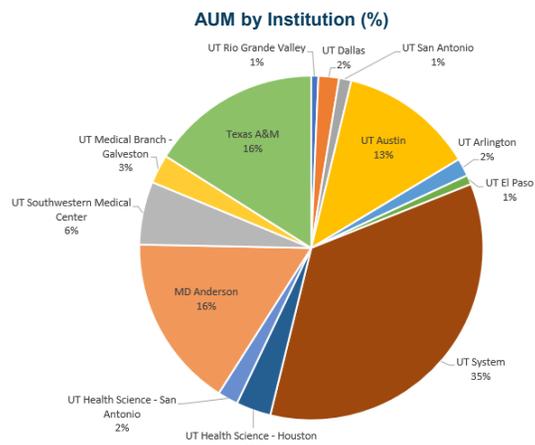
**Global Portfolio, Unhedged (UH)

Appendix



AUM Breakdown

As of September 30, 2022



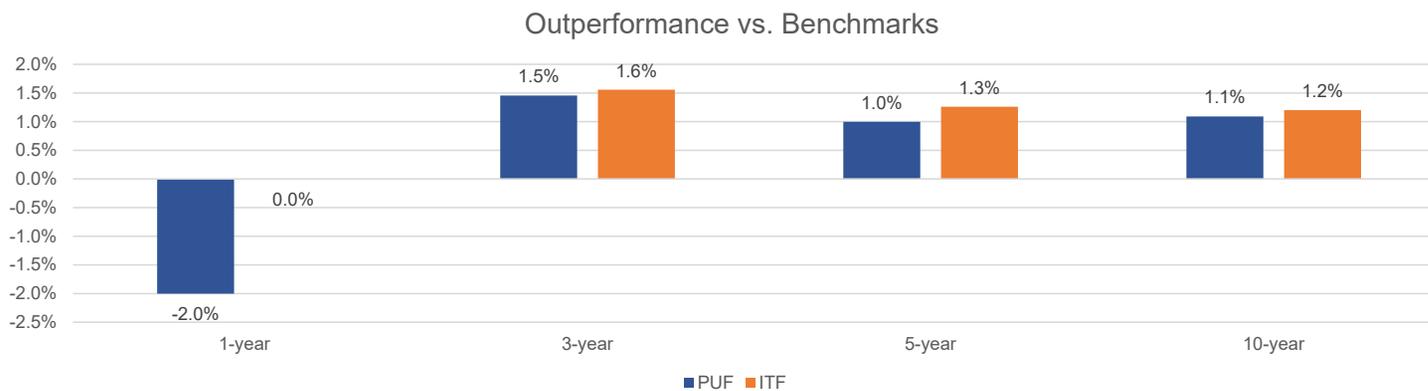
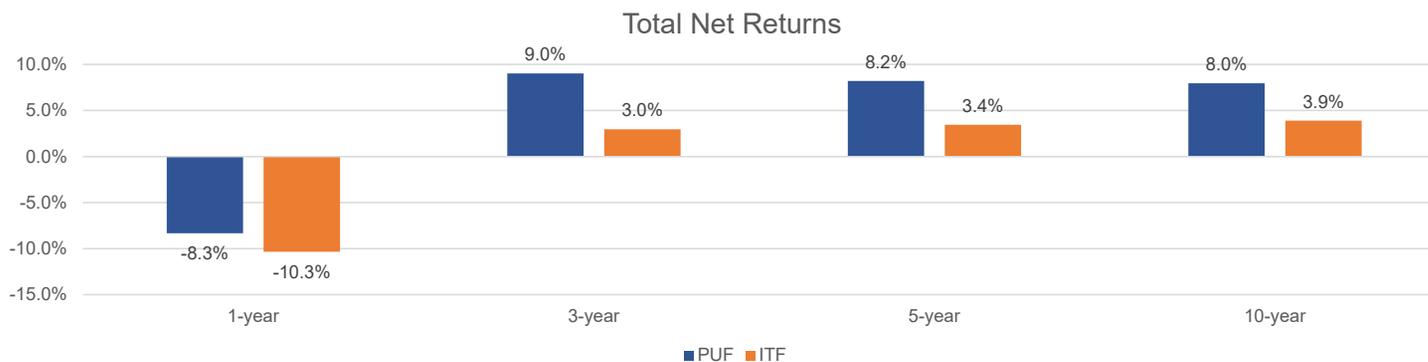
UTIMCO's Standing Priorities



- Outperform agreed performance benchmarks
- Honor our purpose and responsibilities to others
- Respond to emerging market conditions professionally
- Enhance and utilize our analytical and reporting capabilities
- Support our people, deepen our culture, and collaborate proactively
- Professionally complete all required reporting and all client requests
- Proactive care for UTIMCO client institutions

UTIMCO Returns and Alpha

As of September 30, 2022



Endowment Returns and Alpha Detail

As of September 30, 2022



		1-Year		3-Year		Asset Allocation		
		Return	Alpha	Return	Alpha	\$ Invested (millions)	% of Fund	Over / (Under)
Global Equity	Public Equity	(27.5%)	(5.7%)	2.6%	(0.4%)	13,137	25.9%	(1.3%)
	Directional Hedge Funds	(6.4%)	0.4%	6.3%	2.3%	3,131	6.2%	(0.2%)
	Total Private Equity	3.3%	3.0%	23.9%	4.7%	14,545	28.6%	0.8%
	Total Global Equity	(12.9%)	(2.1%)	11.3%	1.7%	30,813	60.6%	(0.7%)
Stable Value	Investment Grade Fixed Income	(12.2%)	(0.2%)	(1.9%)	1.2%	2,077	4.1%	0.5%
	Long Treasuries	(26.9%)	(0.3%)			747	1.5%	(0.6%)
	Cash	0.7%	0.1%	0.6%	(0.0%)	1,024	2.0%	1.0%
	Stable Value Hedge Funds	7.9%	8.6%	8.6%	4.1%	4,758	9.4%	0.1%
	Total Stable Value	(2.3%)	4.4%	2.4%	1.6%	8,601	16.9%	1.0%
Real Return	Inflation Linked Bonds	(11.2%)	0.3%			979	1.9%	(0.1%)
	Natural Resources	2.3%	(23.6%)	1.3%	(5.3%)	2,431	4.8%	0.1%
	Infrastructure	9.9%	(2.1%)	24.8%	13.9%	1,614	3.2%	0.1%
	Real Estate	12.9%	(3.7%)	10.5%	0.1%	4,184	8.2%	0.3%
	Total Real Return	6.5%	(9.5%)	8.7%	0.4%	9,208	18.1%	0.4%
Strategic Partnerships	Total Strategic Partnerships	(19.0%)	3.2%		0.0%	2,228	4.4%	(0.6%)
TAA	TAA	0.1%	0.1%	0.1%	0.1%	(3)		
Total Fund	Endowment Total	(8.3%)	(1.7%)	9.0%	1.6%	50,846	100.0%	0.0%