UNTS Board of Regents

FY 2024 Q1 Financial Update

Susan Alanis, Deputy Chancellor for Finance & Operations
February 22, 2024
Enterprise Strategic Priority

Previous – Increase cash and investments
- Projected loss of future debt capacity in 2026 without damage to credit rating (Moody’s)
- Award of TUF resolves with ~$480m corpus to be reflected on UNT balance sheet
  - Held and managed by State Comptroller for investment purposes
  - Initial annual distribution of ~$20m annually for investment in research activities

Revised
- Establish/update financial policies and practices to:
  - Manage risk (reserve policy; fiscal health ratios) and maintain appropriate liquidity
  - Support operations (effective/efficient resource management and forecasting)
  - Invest in capital renewal (deferred maintenance strategy and master planning of built environment)
  - Preserve credit rating and flexibility to pursue strategic initiatives
- Establish financial strategies and objectives for:
  - Philanthropy
  - Research and Other Grants
Key Financial Drivers
FY2024 Year-End Forecast as of Q1

• Actual revenue performing above budget with anticipated enterprise-wide contributions to fund balance of $26.6m
  • Tuition revenue increases driven by UNT’s enrollment growth
  • Investment returns strong with growing long-term pool

FY2024 Base Budget Attributes

• Budgeted State Appropriations increased by $45m from prior year due to biennium increase
  • Affordability Compact and Enrollment Growth ($27m)
  • Non-Formula Funds (Optometry and Nursing, Healthcare and Workforce Readiness, Classroom to Career, B-On-Time)
  • CCAP

• Budgeted increased cost of doing business for personnel costs by $45m due to demands of serving more students and market pressures on pay
FY 2024 Q1 Budget Performance
UNTS Consolidated

Forecasted Net Impact to Fund Balance
Operating $27.4m + Auxiliary $1.3m + Restricted -$1.8m + Clinical -$0.3m = $26.6m
Revenues and Transfers-In Drivers (received 61% of budget, forecast 3% over budget):
- **Tuition and Fees** forecasted to be 1% over budget due to Fall enrollment; increased 5.8% compared to prior year
- **State Appropriations** projected to be 9% over budget due to Texas University Fund approved in current biennium

Expenses and Transfers-Out Drivers (spent 43% of budget, forecast 1% over budget):
- **Personnel Costs** expended 26% of budget, on track to be 3% over budget at end of year
- **Maintenance & Operation Costs** forecasted to be 3% over budget due to increases in subcontracts

Forecasted impact to fund balance +$22M; $23M operating, $1M auxiliary and -$2M restricted.
FY 2024 Q1 Budget Performance
UNT HSC

Revenues and Transfers-In Drivers (received 42% of budget, forecast 11% over budget):
• Tuition and Fees received 33% of budget, on track to be flat to end of year budget
• Grants and Contracts forecasted to be 21% over budget due to AIM-Ahead carryover revenue from FY23

Expenses and Transfers-Out Drivers (spent 35% of budget, forecast 10% over budget):
• Personnel Costs expended 27% of budget
• Maintenance & Operation Costs projected to be 27% above budget because AIM-Ahead carryover expenses and TCMHCC payments

Forecasted impact to fund balance +$2.6M
$2.3M operating, $0M auxiliary, $0.6M restricted, and -$0.3M clinical.
Revenues and Transfers In Drivers (received 67% of budget, forecast 1% over budget):

- **Tuition and Fees** forecasted to be 2% over budget because Fall enrollment increased 5.6% compared to prior year
- **Sales of Good and Services** lower than expected due to Principal Impact Collaborative (PIC) revenue collection timing

Expenses and Transfers Out Drivers (spent 45% of budget, forecast 1% over budget):

- **Personnel Costs** are 25% expended of budget

Forecasted impact to fund balance +$0.7M
$0.9M operating, -$0.1M auxiliary and -$0.1M restricted.
FY 2024 Q1 Budget Performance
UNT System Administration

Revenues and Transfers-In Drivers (received 65% of budget, forecast 3% over budget):

- **Sales of Good and Services** expected to be higher than budget due to building related revenue not included in the FY24 Budget

Expenses and Transfers-Out Drivers (spent 22% of budget, forecast 2% over budget):

- **Personnel Costs** expended 24% of budget
- **Maintenance & Operation Costs** forecasted to be 10% above budget related to the delay in the sale of the System Building

Forecasted impact to fund balance $1.7M
$1.5M operating and $0.2M auxiliary.
FY 2024 Q1 Statement of Revenues, Expenses & Changes in Net Position
Compared to Prior Year Q1

Net Position increased by $52M (5%)

Operating Revenues increased by $20M (6%)
- Tuition and Fees – $6M
- Grants and Contracts – $11M
- Sale of Goods and Services – $4M

Non-operating Revenues increased by $3M (1%)
- Legislative Appropriations – $18M
- Investment Income – $4M
- Investment Fair Market Value decrease – ($13M)
- Federal Revenue decrease – ($4M)

Operating Expenses increased by $30M (10%)
- FY24 Planned Expenses
- Depreciation and Amortization

| UNAUDITED Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position For the Three Months Ended November 30, 2023 and 2022 (in thousands of dollars) |
|-------|-------|-------|
|        | 2024   | 2023   | % Increase (Decrease) |
| Operating Revenues        | $342,634 | $322,287 | 6.3% |
| Operating Expenses        | 337,322  | 307,770  | 9.6% |
| Operating Income (Loss)   | $5,312   | $14,517  | (63.4%) |
| Nonoperating Revenues (Expenses) | 228,208  | 225,103  | 1.4% |
| Income (Loss) Before Other Revenues, Expenses and Transfers | $233,520 | $239,620 | (2.5%) |
| Other Revenues, Expenses and Transfers | 66,451 | 61,464 | 8.1% |
| Change in Net Position    | $299,971 | $301,084 | (0.4%) |
| Net Position, Beginning of Year | $794,037 | $737,436 | 7.7% |
| Restatement               | (3,670)  | -       | N/A |
| Restated Net Position, Beginning of Year | 790,367 | 737,436 | 7.2% |
| Net Position, End of Year | $1,090,338 | $1,038,520 | 5.0% |
FY 2024 Q1 Statement of Net Position (Assets, Liabilities & Net Position)
Significant Changes from Prior Year Q1

Net Position increased by $52M (5%)

Assets & Deferred Outflows: increased $110M (3%)
- Investments – $111M
- Accounts Receivable (Student Debt) – $39M
- Lease Receivable – $7M
- Deferred Outflows for OPEB and Pensions – ($54M)

Liabilities & Deferred Inflows: increased $58M (3%)
- Lease/Subscription Liability – $9M
- Bonded Debt decrease – ($50M)
- Commercial Paper increase – $14M
- Unearned Revenue increase – $63M
- Pension liability increase – $105M
- OPEB liability decrease – ($80M)
Budgetary Impact to Fund Balance Trend

- FY23 decrease due to Fair Market Value change
- FY24 plan conservative; forecasted $18M contribution to fund balance

(in millions)
Sources: FY21-FY23 actuals & FY24 plan
Balance Sheet Trends (FY21 – FY24)

- Assets increased by 19% while liabilities increase by 4%
- Net Position forecasted to grow 41% due to TUF allocation for FY2024 (excluded from Plan)

(in millions)
Based on Audited Financial Statements (including pension & OPEB) and FY24 Plan
FY 2024 Q1 Operating Funds Balances

Operating funds consists of Cash and Investments in the Short-Term Pool (STP) and the Long-Term Pool (LTP)

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY23</th>
<th>Q1 FY24</th>
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<tbody>
<tr>
<td>STP</td>
<td>LTP</td>
<td>STP</td>
</tr>
<tr>
<td>Millions</td>
<td>Millions</td>
<td>Millions</td>
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<tr>
<td>$481</td>
<td>$53</td>
<td>$580</td>
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<tr>
<td>$100</td>
<td>$150</td>
<td>$62</td>
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$99M or 20% Increase

11/30/2022
11/30/2023

Notes: Total operating funds have increased $99M over one year mostly due to positive cashflow of $68M from tuition and fees and investment growth in the operating funds of $31M.
## FY 2024 Q1 Operating Funds Performance Review

### FY2024 Q1 Short Term Pool Performance

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<th>Percentage</th>
<th>Quarterly Return</th>
<th>1-Yr Return</th>
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<tr>
<td>0%</td>
<td>1.30%</td>
<td>1.30%</td>
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<tr>
<td>5%</td>
<td>5.10%</td>
<td>4.90%</td>
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- | Short Term Pool | BBG TBill 1-3Mo Benchmark |

### FY2024 Q1 Long Term Pool Performance

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<th>1-Yr Return</th>
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<td>4.40%</td>
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<tr>
<td>5%</td>
<td>7.60%</td>
<td>8.20%</td>
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- | Long Term Pool | LTP Blended Benchmark |

Short term and long term pool performance remains on trend with market rates. Long term pool investment of REITs usually play the role of hedging inflation but has not performed as such recently.
Short term debt market rate volatility leading to an inflated short-term rate environment. UNTS long term debt rates remain low compared to current market; watching Fed rates in preparation for bond issue this fiscal year.
FY 2024 Q1 Long Term Pool and Foundations

Notes: Comparison of long-term managed funds and their strategies.
Questions