



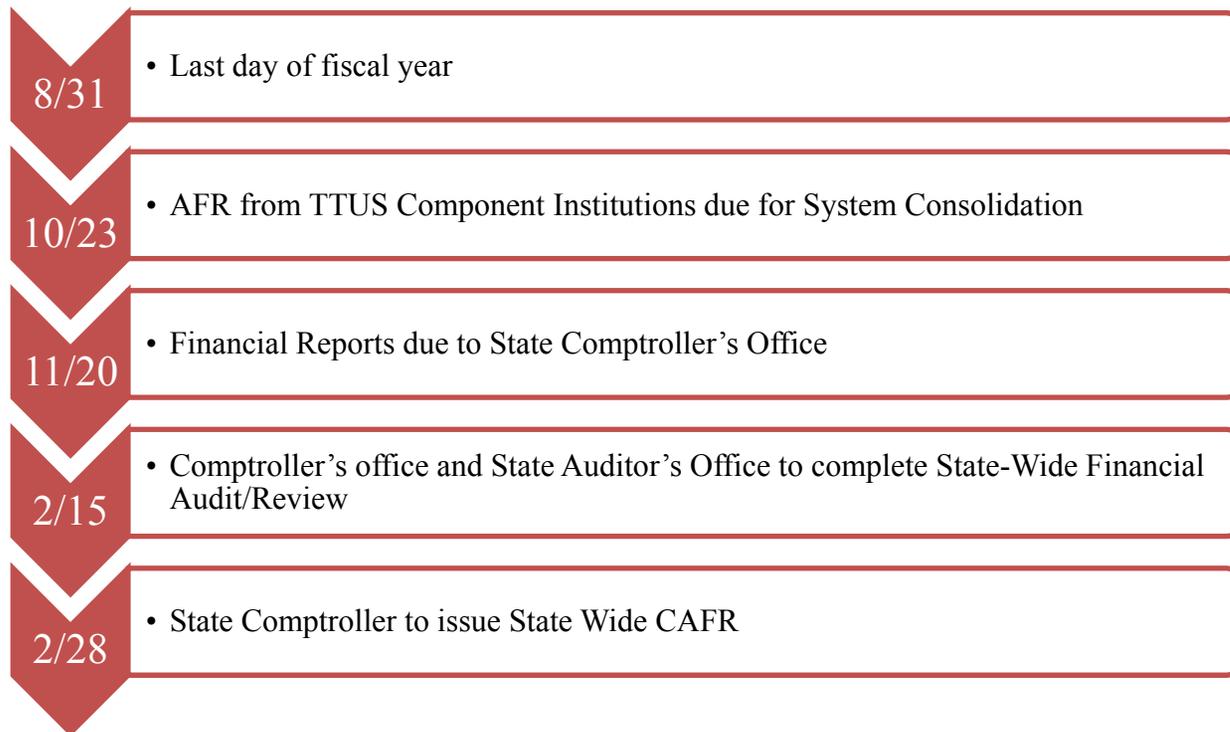
TEXAS TECH UNIVERSITY SYSTEM™

*Review of the*  
FY 2018 Texas Tech University System  
Combined Annual Financial Report

Gary Barnes, *TTUS Vice Chancellor and CFO*

February 21, 2019

# Texas Tech University System Timeline for Combined Annual Financial Reporting

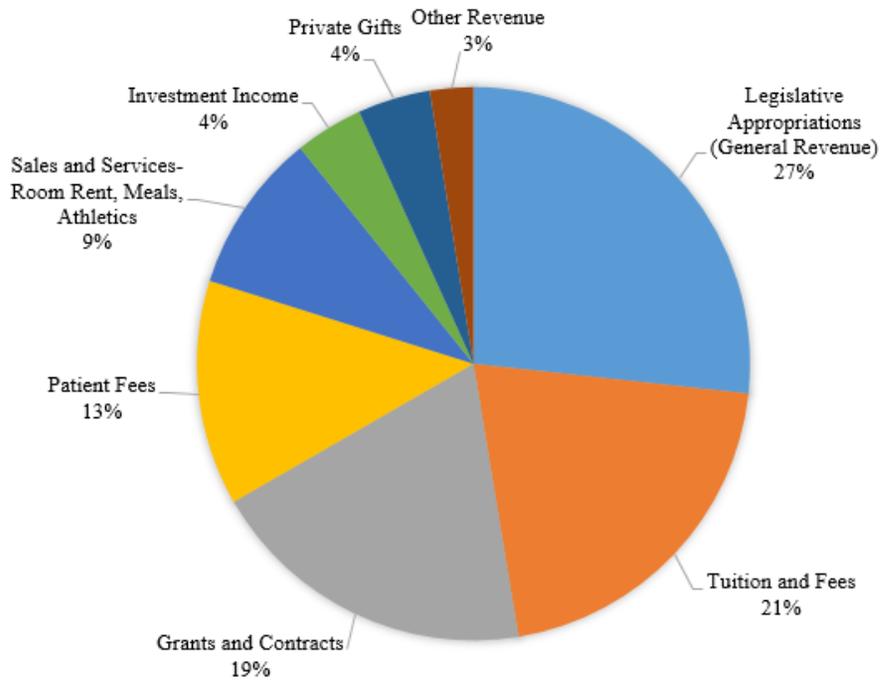




# Revenues, Expenses and Changes in Net Position

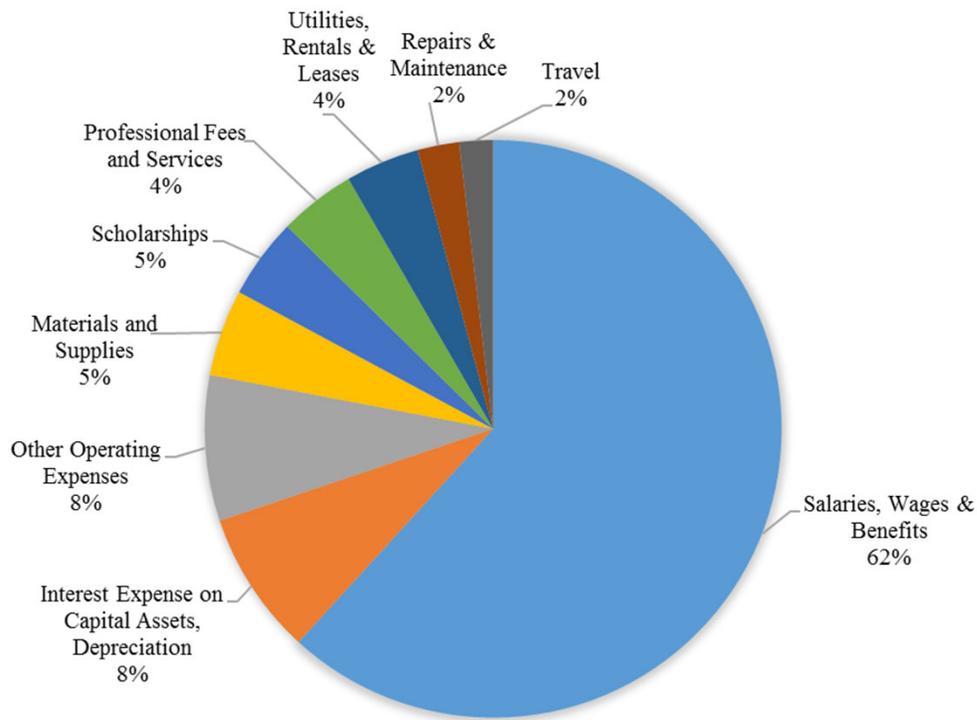
	as of August 31 (in thousands)				
	2014	2015	2016	2017	2018
<b>Beginning Net Position</b>	\$ 2,603,698	\$ 2,685,809	\$ 2,732,250	\$ 2,924,055	\$ 2,833,287
<b>Revenues</b>					
Tuition and Fees	348,344	380,658	404,505	413,531	429,179
Patient Fees	244,555	254,662	262,154	260,173	273,361
Sales and Services-Room Rent, Meals, Athletics	162,286	181,365	185,717	191,103	194,800
Grants and Contracts	347,152	346,389	400,650	397,159	400,522
Other Revenue	31,841	23,202	49,780	56,421	52,567
Legislative Appropriations ( <i>General Revenue</i> )	466,857	468,174	515,430	541,934	554,682
Private Gifts	95,216	83,318	123,267	92,203	88,246
Investment Income	113,740	56,594	80,557	117,710	82,715
<b>TOTAL REVENUE</b>	<b>1,809,991</b>	<b>1,794,362</b>	<b>2,022,060</b>	<b>2,070,234</b>	<b>2,076,072</b>
<b>Expenses</b>					
Salaries, Wages & Benefits	996,509	1,049,394	1,105,158	1,184,505	1,149,009
Professional Fees and Services	64,091	64,588	76,200	80,018	79,680
Travel	31,104	31,396	33,651	33,796	35,146
Materials and Supplies	85,731	90,832	91,457	93,380	90,384
Utilities, Rentals & Leases	62,747	65,952	69,172	75,182	77,120
Repairs & Maintenance	37,706	38,556	38,473	39,357	43,273
Interest Expense on Capital Assets, Depreciation	148,142	154,915	142,400	145,044	149,957
Scholarships	65,817	69,515	77,794	83,208	83,698
Other Operating Expenses	116,649	129,511	170,150	141,139	151,467
<b>TOTAL EXPENSES</b>	<b>1,608,496</b>	<b>1,694,659</b>	<b>1,804,455</b>	<b>1,875,629</b>	<b>1,859,734</b>
<b>Other</b>					
Increase (Decrease) in Fair Mkt Value of Inv	47,998	(59,284)	(26,711)	65,927	40,631
Prior Period Adjustment(s)	(167,382)	(53)	911	(351,300)	-
<b>Ending Net Position</b>	<b>\$ 2,685,809</b>	<b>\$ 2,726,175</b>	<b>\$ 2,924,055</b>	<b>\$ 2,833,287</b>	<b>\$ 3,090,256</b>

# Sources of Revenue, FY 2018



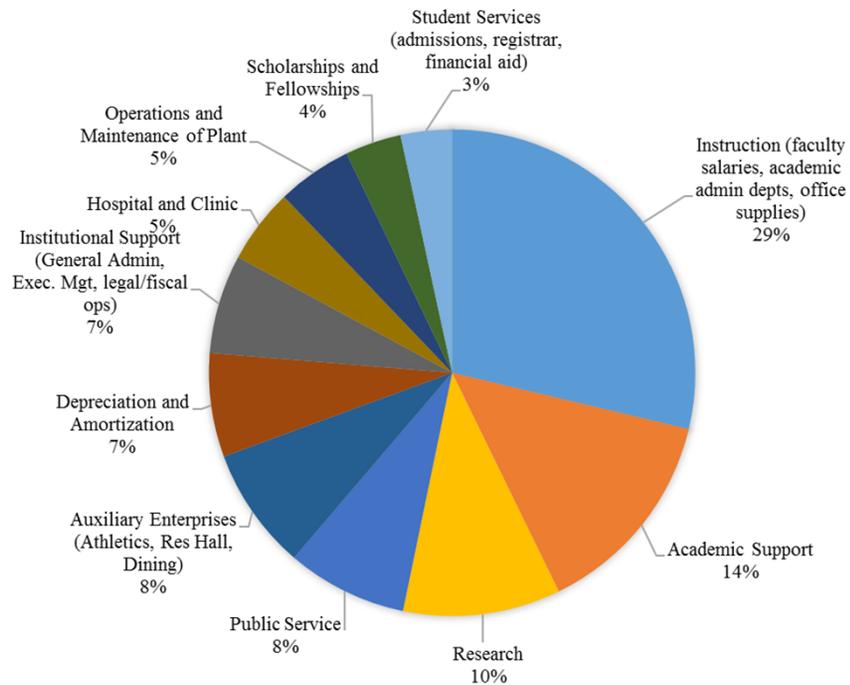
Revenues (in thousands)	FY 2018	
Legislative Appropriations ( <i>General Revenue, HEF, TRB</i> )	554,682	27%
Tuition and Fees	429,179	21%
Grants and Contracts	400,522	19%
Patient Fees	273,361	13%
Sales and Services-Room Rent, Meals, Athletics	194,800	9%
Investment Income	82,715	4%
Private Gifts	88,246	4%
Other Revenue	52,567	3%
<b>TOTAL REVENUE</b>	<b><u>2,076,072</u></b>	

# Total Expenses, FY 2018



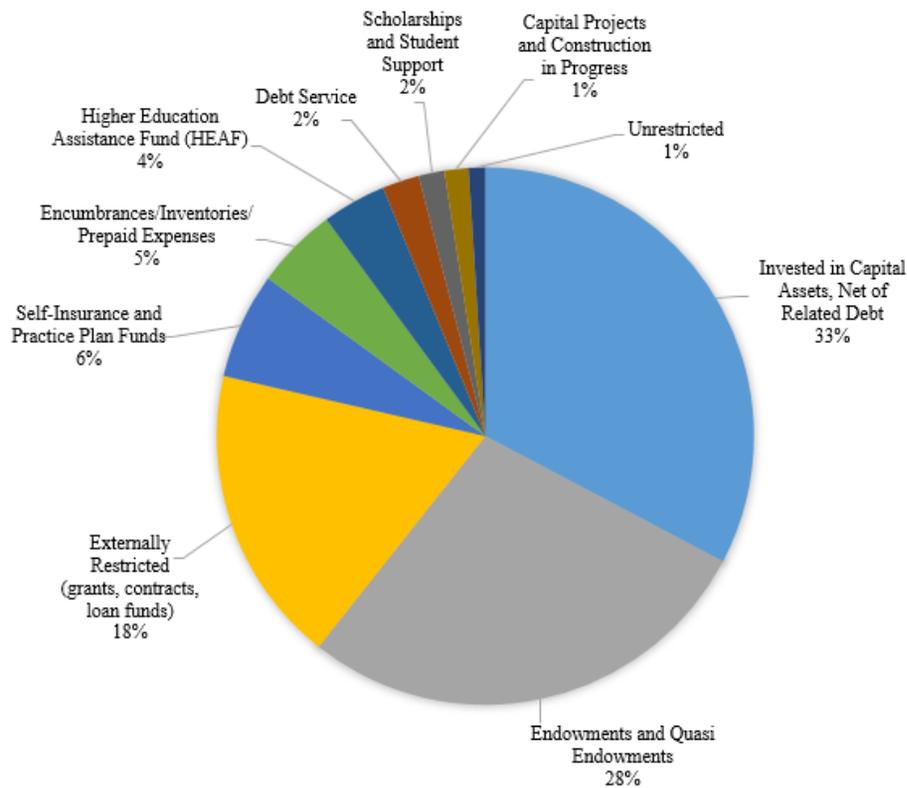
Expenses (in thousands)	FY 2018	
Salaries, Wages & Benefits	1,149,009	62%
Interest Expense on Capital Assets, Depreciation	149,957	8%
Other Operating Expenses	151,467	8%
Materials and Supplies	90,384	5%
Scholarships	83,698	5%
Professional Fees and Services	79,680	4%
Utilities, Rentals & Leases	77,120	4%
Repairs & Maintenance	43,273	2%
Travel	35,146	2%
<b>TOTAL EXPENSES</b>	<b><u>1,859,734</u></b>	

# Operating Expenses by NACUBO Function, FY 2018



Operating Expenses by NACUBO Function (in thousands)	FY 2018	
Instruction (faculty salaries, academic admin depts, office supplies)	527,480	29%
Academic Support (libraries, academic computing, central academic admin)	258,021	14%
Research	192,291	10%
Public Service (SBDC, public broadcasting, TDCJ)	147,113	8%
Auxiliary Enterprises (Athletics, Res Hall, Dining)	149,679	8%
Depreciation and Amortization	126,559	7%
Institutional Support (General Admin, Exec. Mgt, legal/fiscal ops)	120,692	7%
Hospital and Clinic	91,550	5%
Operations and Maintenance of Plant	91,737	5%
Scholarships and Fellowships	68,552	4%
Student Services (admissions, registrar, financial aid)	62,663	3%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,836,337</b>	

# Net Position, FY 2018



Net Position (in thousands)		FY 2018	
Invested in Capital Assets, Net of Related Debt <i>(buildings, land, equipment)</i>	1,011,251	33%	
Endowments and Quasi Endowments	863,106	28%	
Externally Restricted <i>(grants, contracts, loan funds)</i>	554,638	18%	
Self-Insurance and Practice Plan Funds	197,554	6%	
Encumbrances/Inventories/Prepaid Expenses	152,294	5%	
Higher Education Assistance Fund (HEAF)	119,207	4%	
Debt Service	68,541	2%	
Scholarships and Student Support	48,089	2%	
Capital Projects and Construction in Progress	44,788	1%	
Unrestricted	30,788	1%	
<b>TOTAL NET POSITION</b>	<b><u>3,090,256</u></b>		

# TTUS Credit Profile

## Analysis of FY 2015 - FY 2018\* Ratios for TTUS



<b>MOODY'S</b>	<i>Weight(%) – Moody's Rating Methodology</i>	FY 2015	FY 2016	FY 2017	FY 2018*
Operating Revenue (\$MM)	<i>15%</i>	1,704	1,882	1,894	1,896
Annual Change in Operating Revenues (%)	<i>5%</i>	5.5%	9.1%	0.6%	1.6%
Operating Cash Flow Margin (%)	<i>10%</i>	14.7%	16.9%	13.4%	14.1%
Max Single Revenue Contribution (%)	<i>15%</i>	31%	30%	30%	31%
Total Cash & Investments (\$MM)	<i>10%</i>	2,071	2,189	2,414	2,540
Spendable C&I to Operation Expense (x)	<i>10%</i>	0.9x	0.9x	1.0x	1.0x
Spendable Cash & Investments to Total Debt (x)	<i>10%</i>	2.3x	2.5x	2.0x	2.2x
Total Debt-to-Cash Flow (x)	<i>10%</i>	2.5x	1.9x	3.4x	3.0x

*\*Estimate based on FY18 CAFR.*

# TTUS Credit Profile

## Peer Comparisons, FY 2018\*



MOODY'S



	Texas A&M University System	Texas State University System	Texas Tech University System	University of North Texas System	University of Texas System	University of Houston System
RATINGS (Moody's, S&P, Fitch)	Aaa/AAA/AAA	Aa2/NR/AA	Aa1/AA+/AA+	Aa2/NR/AA	Aaa/AAA/AAA	Aa2/AA/NR
Operating Revenue (\$MM)	4,381	1,265	<b>1,896</b>	908	18,542	1,293
RANKING:	2	5	<b>3</b>	6	1	4
Operating Cash Flow Margin (%)	13.4%	17.2%	<b>14.1%</b>	12.4%	15.9%	14.2%
RANKING:	5	1	<b>4</b>	6	2	3
Max Single Revenue Contribution (%)	33%	54.9%	<b>31.4%</b>	46.5%	41%	54.4%
RANKING:	2	6	<b>1</b>	4	3	5
Spendable Cash & Investments to Operating (x)	1.6	0.7	<b>1.0</b>	0.6	1.3	0.9
RANKING:	1	5	<b>3</b>	6	2	4
Spendable Cash & Investments to Total Debt (x)	1.8	0.8	<b>2.2</b>	0.7	1.9	0.8
RANKING:	3	4 (tied)	<b>1</b>	6	2	4 (tied)
Total Debt-to-Cash Flow (x)	7.0	5.1	<b>3.0</b>	6.5	4.2	7.0
RANKING:	5 (tied)	3	<b>1</b>	4	2	5 (tied)
AVERAGE RANKING:	<u>3.00</u>	<u>4.00</u>	<b><u>2.17</u></b>	<u>5.33</u>	<u>2</u>	<u>4.17</u>
	<u>3</u>	<u>4</u>	<b><u>2</u></b>	<u>6</u>	<u>1</u>	<u>5</u>

\*TTUS ratios updated based on estimates from FY18 CAFR – peer comparisons shown are based on FY17 data as FY18 figures are not yet available for peer institutions.



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