



THE UNIVERSITY OF TEXAS RIO GRANDE VALLEY

# The University of Texas Rio Grande Valley

## Long-Range Financial Planning

Guy Bailey, President

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U. T. SYSTEM BOARD OF REGENTS MEETING

August 2021



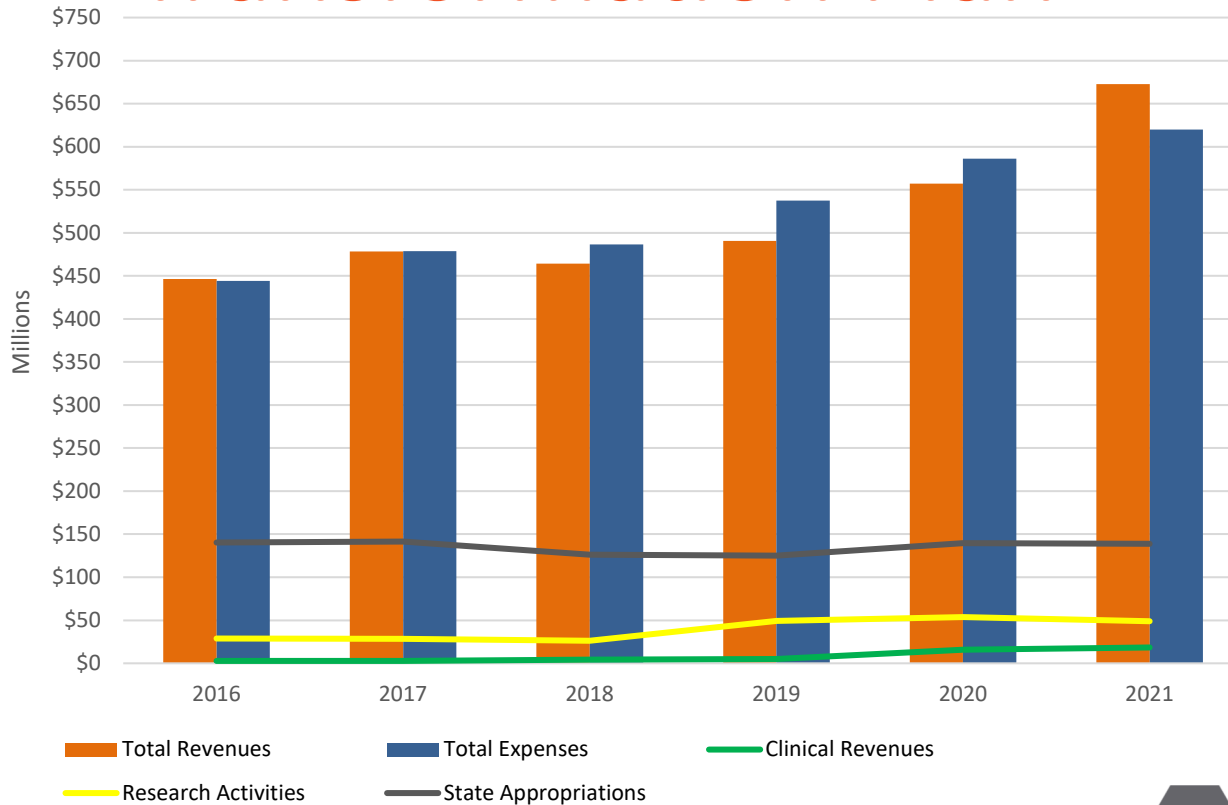
# Long-Range Financial Planning

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For Academic Transformation and Clinical Expansion



# Current Financial State and UTRGV's Transformation Plan



## The Goal

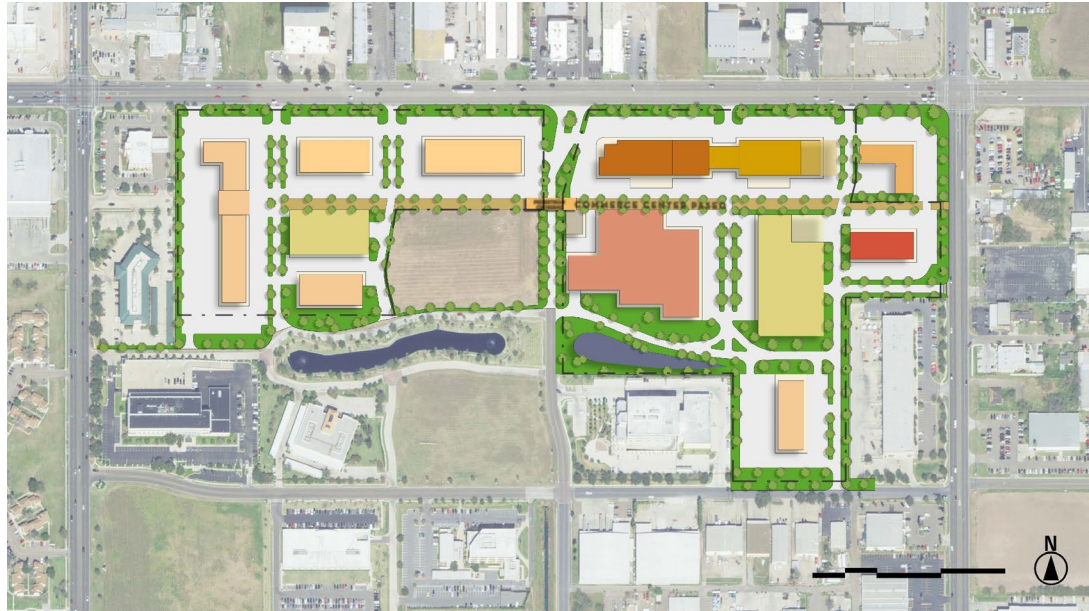
*To be a national leader in higher education, providing general and professional education of the highest quality for students while maintaining low student debt loads and creating opportunities that serve as catalysts for transformation in the Rio Grande Valley*

## The Journey

- Steady revenue growth with slight margins
- Modest increases in state and tuition revenues to cover increasing general instruction and operational costs due to rising enrollment
- Continued expansion of clinical services and clinical faculty and an increased footprint of UT Health across the Rio Grande Valley
- Accelerated research activities with a rapid ramp-up of clinical research
- Executed Clinical Transformation Plan
  - ✓ Phase 1 - Expanded clinical services through UT Health Clinical Laboratory
  - ✓ Phase 2 - New Surgery Center, especially to serve Phase 3
  - ✓ Phase 3 - New Cancer Center



# Transformations – Key Take Aways



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UTRGV | UT Health  
Rio Grande Valley  
School of Medicine

1. *Transformation of the undergraduate student body*
2. *Transformation of campus life*
3. *Clinical expansion to transform health care in the Rio Grande Valley*



# Financial Planning

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For Strategic Investment





# Achieving Our Goal

*Achieving our goal will require*

- *Implementation of merit-based scholarships (and especially Pinnacle Scholars Program)*
- *Development of a rich campus life, including additional housing and dining options through public-private partnerships*
- *The expansion of clinical facilities and opportunities throughout the Rio Grande Valley to expand healthcare access*

*The challenge is to do this in a context of limited resources and in a way that helps maintain low debt loads for students. It requires leveraging our resources to make strategic investments in our university and our students*



# Investments that Help Achieve Our Goal

## Academic Transformation and Health Care Expansion

Ambulatory Surgery and Imaging Center  
Cancer Center, Advisory relationship with MD Anderson  
Renovation of existing space to address current needs  
P-3 partnerships for student housing, dining, shopping  
Pinnacle Scholars Program for high-performing students

## Financial Resources Available

*in millions*

RFS Debt, Phases I-III	\$ 175.0
Remaining PUF, SOM Allocation	17.0
Gifts, SOM needs	3.0
Unrestricted Cash	50.0
Philanthropy for Pinnacle Scholarships	40.0

**Estimated Available \$ 285.0**





# Transforming the Undergraduate and Graduate Student Body

We will use the **Pinnacle Scholars Program** to recruit the best students in the Rio Grande Valley and elsewhere in Texas. This program will include provisional admission for students out of high school to any professional or graduate program that UTRGV offers (including SOM and podiatry) and will cover:

- 1) full tuition and fees for all four undergraduate years
- 2) housing for the first two years of college
- 3) full tuition and fees for up to four years for the professional or graduate program to which the student was provisionally admitted

The goal is for students to graduate debt free, not only from college but also from professional/graduate school. In return, students will agree to live and work in the Rio Grande Valley for a pre-determined period of time depending on the degree program.



# Transforming Healthcare and Research

1. We will expand both the range of our residency programs and also the number of residents in the Rio Grande Valley (especially in Cameron County) by entering into new partnerships with hospitals in Brownsville and McAllen
2. We will expand healthcare options in the Rio Grande Valley by (1) building a surgery and infusion center on the newly acquired 495 property, (2) continuing to hire physicians in specialties that are underrepresented but needed in the Valley, and (3) exploring opportunities to “buy in” to other surgery centers and facilities, especially in Brownsville and Cameron County
3. We will build a research operation that will enable us to generate \$100 million in total research expenditures within five years by ramping up our clinical research focus



# Financial Forecasting

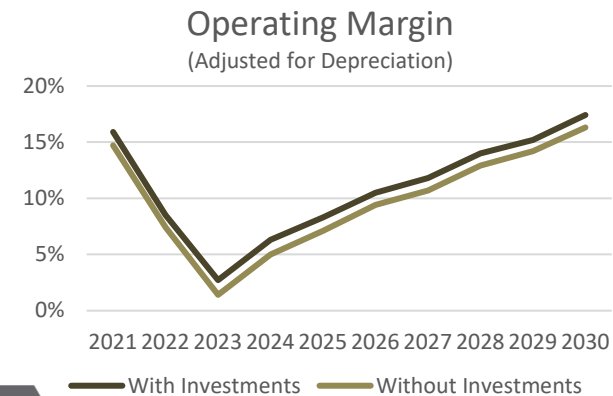
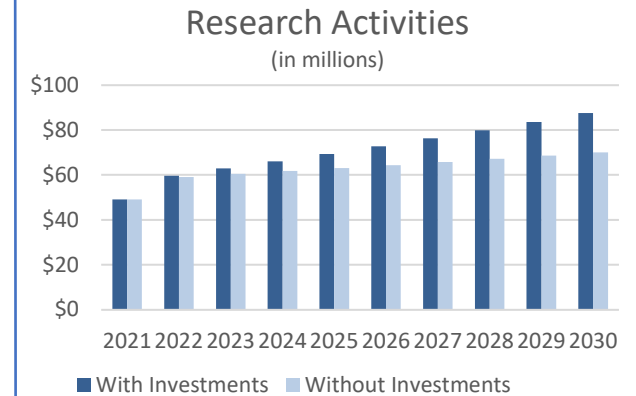
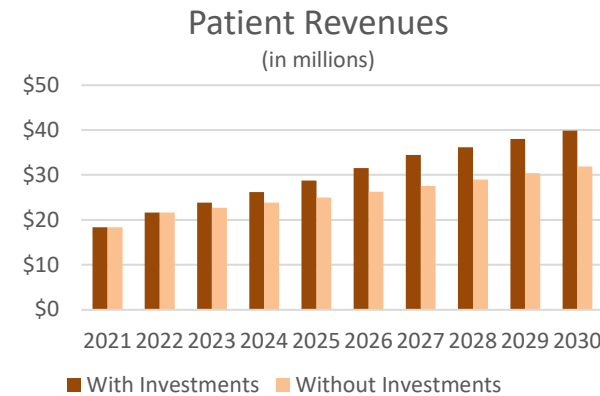
## 10-Year Outlook:

**Comparison of our future financial estimates with and without investments for:**

- Patient Revenue Growth
- Research Growth (Externally Funded)
- Operating Margin
- Cash Flow

**These investments will provide the needed margin and cash to continue the investment for our students and the Rio Grande Valley**

**Confirmed Scorecard rating (slide 13) stays healthy while maintaining positive operating margins**



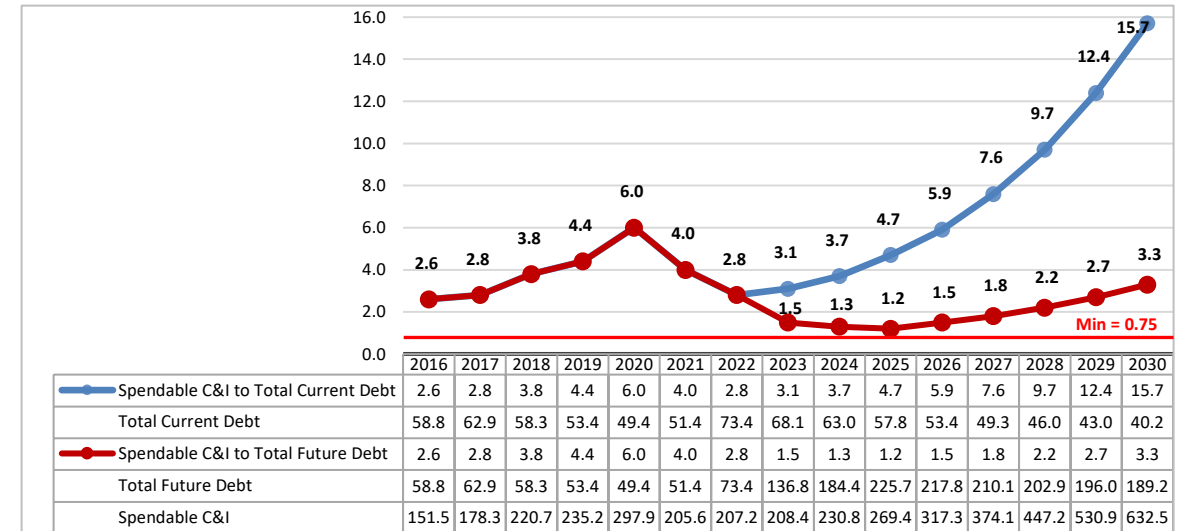
# Financial Forecasting

## 10-Year Outlook:

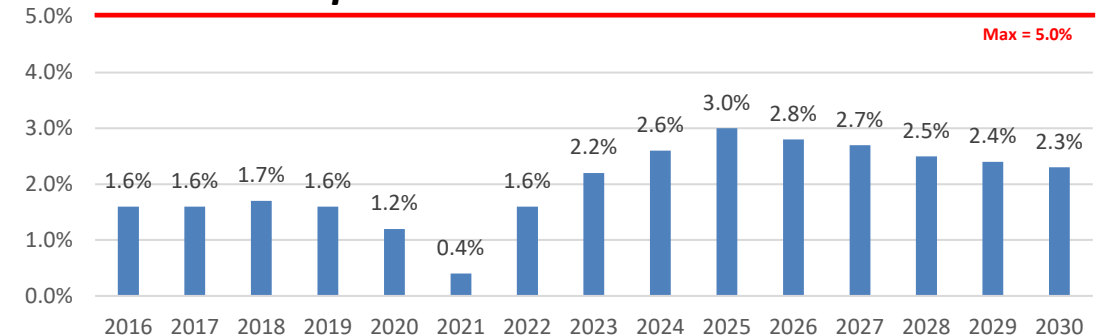
### ❖ Financial Health Assessment

- Start-up costs incurred for the new clinical facilities and enhanced athletic facilities will affect operations between FY's 2022 and 2025
- New RFS debt acquired for clinical, educational, and athletic investments will affect debt capacity through FY 2027
- Operational costs are expected to increase over the upcoming years as educational and clinical activities expand
- Financial stress period is between FY's 2022 to 2025

### Spendable Cash & Investment (C&I) to Total Debt



### Debt Service to Operations



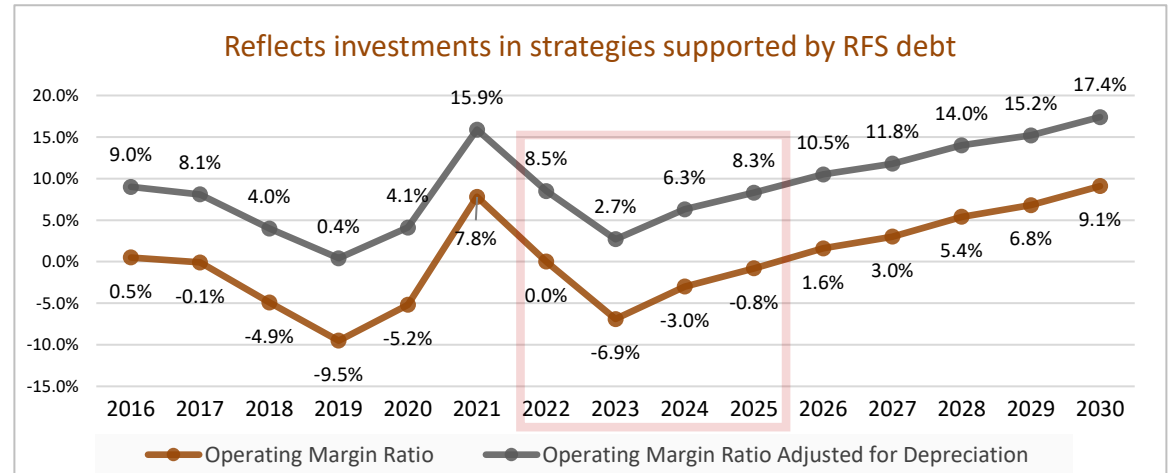
# Financial Forecasting

## Overall Scorecard Rating:

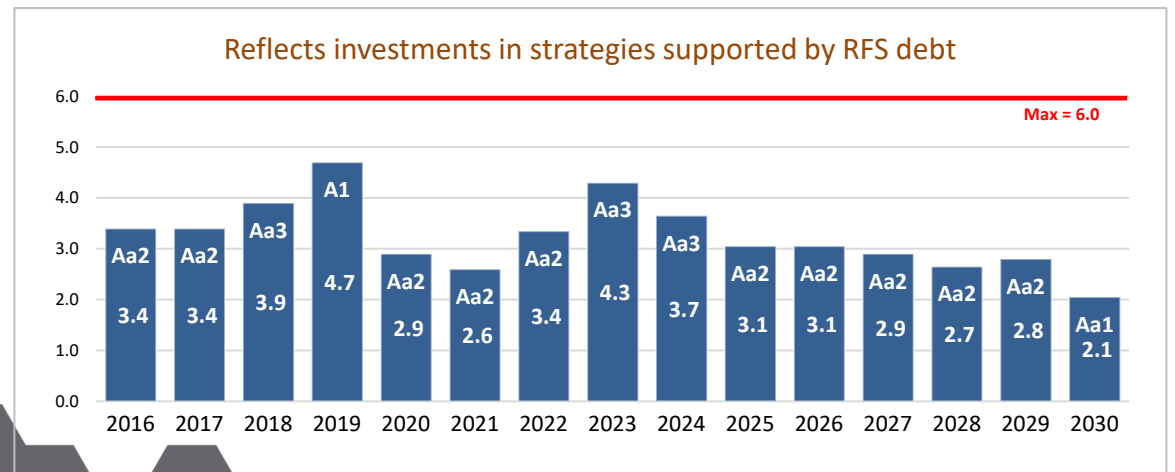
### Observations

- We will remain cash positive before, during and after all investments
- We will steadily transform higher education as we expand access to health services by making strategic investments in School of Medicine's clinical operations and as we develop a robust, strategically focused research presence
- We will seek opportunities for operational efficiencies and cost reductions to improve in annual operating margin ratio
- Our investment in these initiatives will contribute to our ability to **transform UTRGV in the future**

## Operating Performance



## Overall Scorecard



# Financial Forecasting

## UTRGV's Current Process:

1. Develop detailed proformas for all new initiatives
2. Accumulate the proformas into a single long-range, 10-year forecast that includes projections for current operations, revenues and expenses
3. Review program performance each budget cycle
4. Make adjustments based on actual program performance (*continue the program or divest*)
5. Review cash and debt financing options with the U. T. System Office of Finance
6. Evaluate financial performance ratios to identify periods of operational stress

