



**Finance Committee Report**  
**February 2023 Meeting of the UWC-USA**  
**Board of Trustees**

# Agenda

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- Budget Pressures
- Protocol for Funding Deficits
- Budget Modeling
- Special Projects
- Solutions
  - Proposed Protocol for Reviewing and Approving Significant Deficits
  - Resolution to Fund Projected Deficit for FYE 2023
  - Resolution to Fund Projected Deficit for FYE 2024

# Budget Pressures

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- UWC-USA embarked on a cost saving program last year. The process was successful, even during exceptionally difficult times (COVID, forest fire, serial evacuations, floods, potable water shortages etc.).
- Unfortunately, given the prevailing macro economic inflation, it is likely that UWC-USA will be facing budget deficits in the near term (absent a successful Capital Campaign),
- This unusual circumstance requires advanced planning to establish deficit-financing protocols to successfully navigate the challenge.

# Protocol for Funding Deficits

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- Projected deficit for FY2023 is currently estimated to be \$407k. This equates to a run-rate deficit of \$657k (as \$250k cash carry forward was applied this year).
- Based on the preliminary budget, the cash deficit for FY24 will be \$1.43m. This implies a run-rate deficit of \$1.7m.
- While cost increases are budgeted across most categories, the main areas of increases were: (a) bringing existing faculty to market wage rates, (b) Food Service cost inflation (c) overhaul of IT infrastructure (d) investment in Advancement.
- UWC needs to formalize a protocol for funding significant deficits that may be persistent. (See Proposed protocol)

# Budget Modeling

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- The FC and CFO (with Victoria) are working on refurbishing UWCs budget construction and forecasting tools. This will allow us better (more realistic) view into our five-year fiscal window. This work project should be complete within the next three weeks.
- A more accurate budget model will allow better understanding of the nature and magnitude of future deficits (T2-T5), structural versus non-recurring elements, and therefore a more comprehensive discussion on deficit funding options (e.g. temporary increases in endowment draw, internal loans from the endowment, external mortgages, utilization of debt markets -- private and, or, public.)

# Special Projects

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- At the last full Board meeting the Board requested that the FC review two Special Projects that were presented and recommend financing options. Given the work that is ongoing the FC will delay presenting until the next Board meeting. This will afford us time to complete the financial modeling. Special Projects included
  - a. The Field project
  - b. Castle consolidation – various phases. Additional Special Project is
  - c. Water storage infrastructure.

# Solutions

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- Available financing options will likely be affected by: (a) the magnitude of need (i.e. forecasted deficits + approved special projects) (b) the persistence of fiscal deficits (c) timing of needs and, (d) UWC-USA credit rating.
- BoT needs to vote on two Resolutions: to fund the deficit for FY23 and to fund the deficit for FY24 (Attached)

# Proposed Protocol for Reviewing and Approving Significant Deficits

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- 1) Administration proposes budget to FC for review, advice and consent
- 2) The FC Chair appraises the EC of the projected deficit (magnitude and duration, and presents recommendations for funding
- 3) Budget is presented to the BoT for approval
- 4) The Treasurer jointly presents recommendations for funding
- 5) BoT votes on funding recommendation
- 6) Appropriate authority is granted to realize funding
- 7) FC chair presents an interim report to the EC mid-year to track variances.

# Resolution to Fund Projected Deficit for FYE 2023

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Whereas the Administration of UWC-USA project a cash deficit of \$660 thousand for financial year 2023.

Whereas this projection may be affected by ongoing macro economic inflation.

Whereas the Board of Trustees acknowledges that this deficit requires Extraordinary Fiscal Measures.

Be it resolved that the Board of Trustees approves and Extraordinary Draw from the Endowment I/A/O \$660 thousand.

Be it further resolved that the UWC-USA Investment Committee is hereby instructed to create the necessary additional liquidity to satisfy the Extraordinary Draw, and to effect a transfer to the school's operating account, the timing of which will be decided in concert with the Associate Head for Finance and Operations and the President.

This resolution was duly voted on and approved by the Board of Trustees on this day \_\_\_\_ of February 20

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Aly Kassam-Remtulla

Chairman

# Resolution to Fund Projected Deficit for FYE 2024

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Whereas the Administration of UWC-USA project a cash deficit of \$1.68 million for financial year 2024.

Whereas this projection may be affected by ongoing macro economic inflation.

Whereas the Board of Trustees acknowledges that this deficit requires Extraordinary Fiscal Measures.

Be it resolved that the Board of Trustees approves an Extraordinary Draw from the Endowment I/A/O \$1.68 million.

Be it further resolved that the UWC-USA Investment Committee is hereby instructed to create the necessary additional liquidity to satisfy the Extraordinary Draw, and to effect a transfer to the school's operating account, the timing of which will be decided in concert with the Associate Head for Finance and Operations and the President.

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Aly Kassam-Remtulla  
Chairman