

# TOGETHER **WE** THRIVE

*Ensuring Financial Resilience of the UW*

*Kickoff: Winter 2024*



# Executive Summary & Key Takeaways

UW's financial position is challenging, but not dire

- Strong balance sheet, but propped up by restricted investment returns and non-operating revenues
- Top five adjusted operating losses occurred since FY16

UW faces a growing financial challenge due to an increasing imbalance between revenues and expenses

- Various threats pose risks to UW's long term financial stability

Opportunity to address this challenge now, with capacity to act strategically

- Delayed action risks continued deterioration, which may require reactive, unstrategic and draconian action later

**This is a community effort:** Academy and UW Medicine together toward shared measurable outcomes

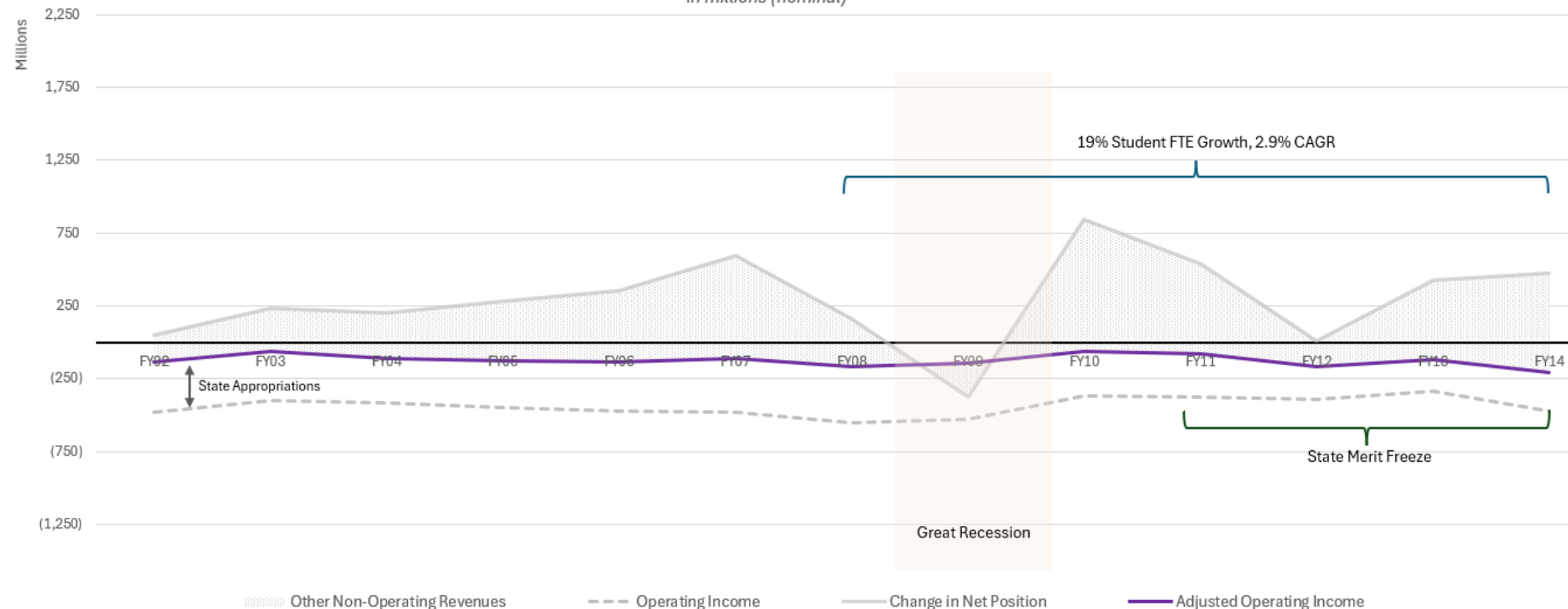
- Decentralized authority environment necessitates buy-in and shared accountability to move strategically

# The Case for Action: Historical Context

## *Dotcom Bubble through the Great Recession*

UW's financial performance remained stable though much of the first part of the century with strong enrollment growth, sizable tuition increases, merit freezes and positive operating margins within UW Medicine occurring after the Great Recession.

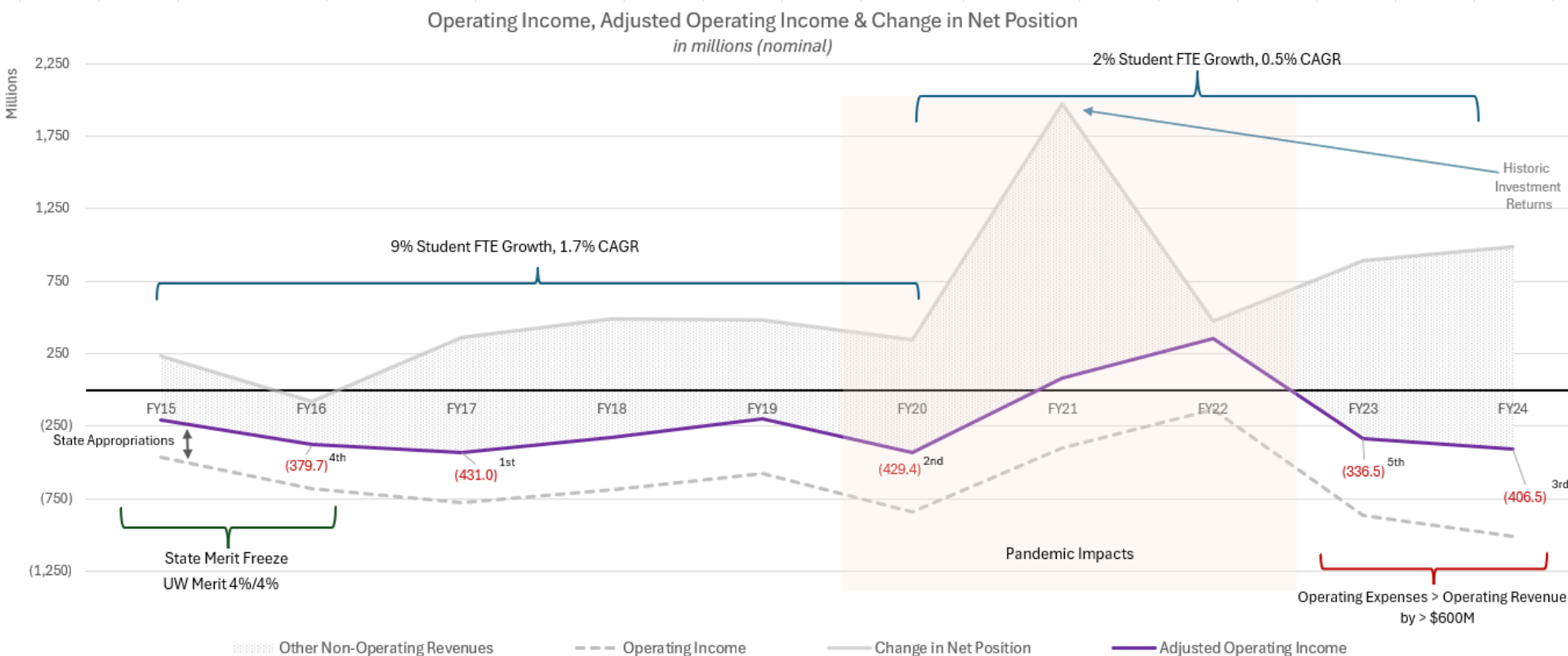
Operating Income, Adjusted Operating Income & Change in Net Position  
in millions (nominal)



# The Case for Action: Recent Context

**Mid-2010s -> 2020s: Challenging Healthcare Environment, Emerging Academy Capacity Constraints, a Pandemic & Historic Inflation**

Tapering enrollment growth, institutional compensation decisions, operational challenges exacerbated by the COVID-19 pandemic, and significant increases in compensation and goods/service costs. Workday offers us insights into our financial outcomes and drivers.



# The Case for Action: Looking Ahead

***Deteriorating Infrastructure, Projected Spend Down of Reserves, Challenging Socioeconomic Conditions & Changing Landscape***

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## *Outlook: Action Required*

- Unsustainable and growing deferred maintenance
- Uncertainty surrounding future academic, research and healthcare operating and regulatory environments
- The value of higher education in question
- Inflationary pressures on wages, goods and services outpacing incremental revenue
- One quarter of UW Seattle units projecting exhaustion of core reserves by FY29, equally challenging auxiliary portfolios
- UW Medicine's future trajectory challenged by local and national economic conditions
- Falling below "financial peer"\* median benchmarks on overall institutional leverage metrics



\* Institutions that are financially and operationally similar to UW, uncorrelated to academic, research or other peer sets

# We're Not the First to Consider Strategic Action

## *Common Higher Ed Fiscal Resilience Efforts*



### **Operational Efficiencies:**

Performance audits, leveraging technology, consolidating/centralizing administrative services, aligning service levels with actual business requirements (vs preferences) and identifying activities to discontinue.



### **Improved Transparency and Accountability:**

Implementing budget allocation models contemplating distribution of revenues and expenses, simplifying/reducing recharge activities, and establishing governance for resource allocation.



### **Strengthening Financial Management:**

Developing a robust financial reserve policy (institutional and unit level), integrating long-term forecasting into all institutional planning mechanisms, resisting “cut and redeploy” and leveraging external stakeholder connections.



### **Identifying Essential Priorities:**

Optimizing resource allocation by identifying institutional priorities and prioritizing high-impact initiatives, ceasing investment in non-priority activities.

# Elements and Actions Already Underway



Initiated UWS's budget model change from ABB (a revenue distribution model) to Incentive Based Budgeting (a revenue and expense distribution model) including revisiting inter-campus taxation model



Early work underway on institutional "margin policy" and institutional financial benchmark metrics



Academy budget development process refined to focus on "break even" budget expectations & alignment of faculty hiring plan process



Expanding focus and utility of institutional financial forecast

# Next Steps: Align, Engage, and Act

- > **Align:** Share purpose of this work broadly; build interdependencies with Academy “Strategic Foundations Assessment” and Medicine “Mission Forward” work
- > **Engage:** Connect with the leadership community, highlight key actions, and collaboratively iterate on strategies
- > **Act:** Implement and build upon initiatives that enhance financial resilience

