



BROWN

Open Forum: FY25 Budget Guidance

December 15, 2023

Agenda

1. Financial Overview – *Mike White, Vice President for Finance and Administrative Services and CFO*
2. FY25 Budget Guidance Key Highlights – *Tim Fater, AVP for Financial Strategy and Planning*
Rob Eaton, Director, Budget, Planning and Analysis



This Fall, new materials were developed to more effectively tell the story of how Brown makes decisions about funding the academic and administrative operations that fulfill our mission of education and research.

1. FY23 Annual Financial Report –

- Brown’s Financial Model: A high-level overview of the factors driving Brown’s financial decision making. **(New!)**
- Review of Fiscal Year 2023 Financial Statements: FY23 financial performance, based on Brown’s audited financial statements.

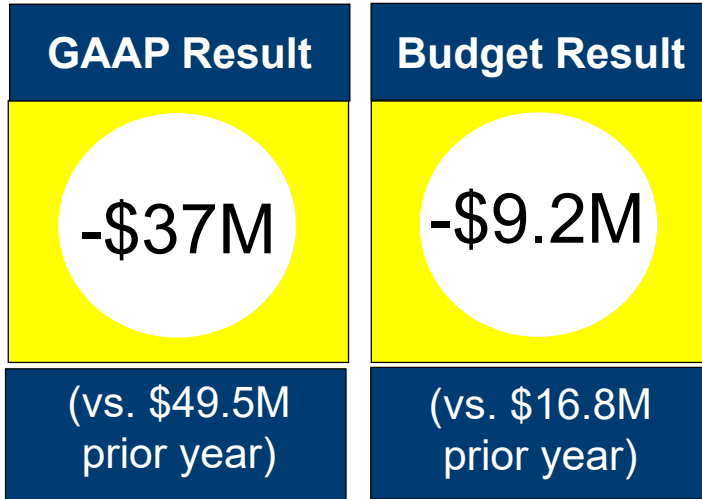


2. Brown Finance 101 **(New!)** –

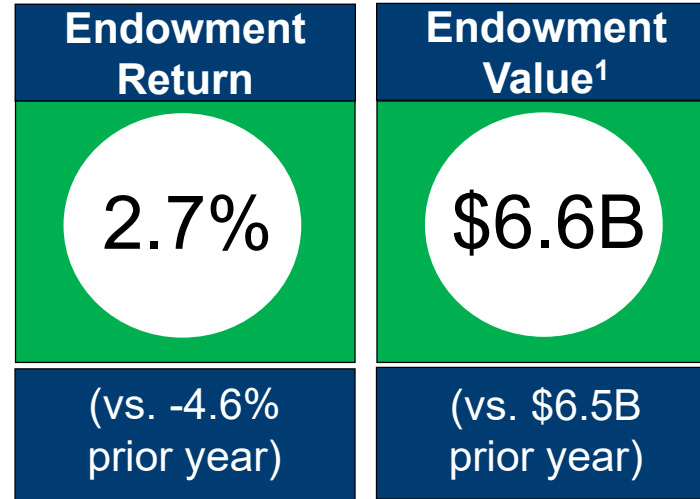
- Widely shared with faculty, staff, and student groups this Fall
- If you have not seen this and/or would like to request it be presented, contact Mike White or Tim Fater

FY23 Financial Key Updates

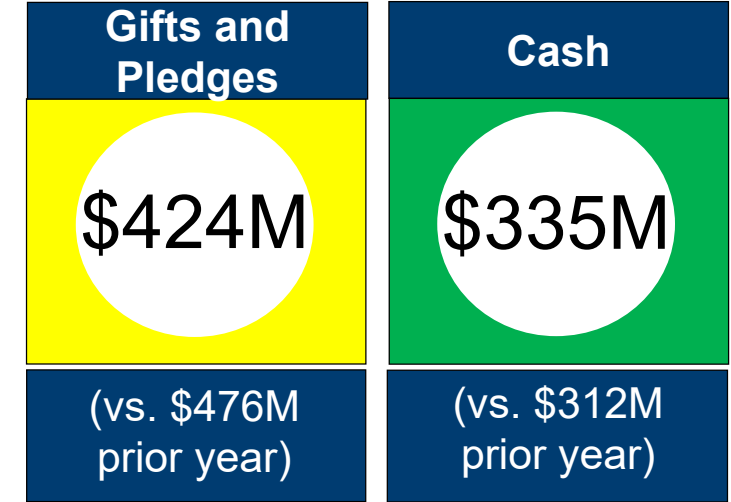
FY23 Results



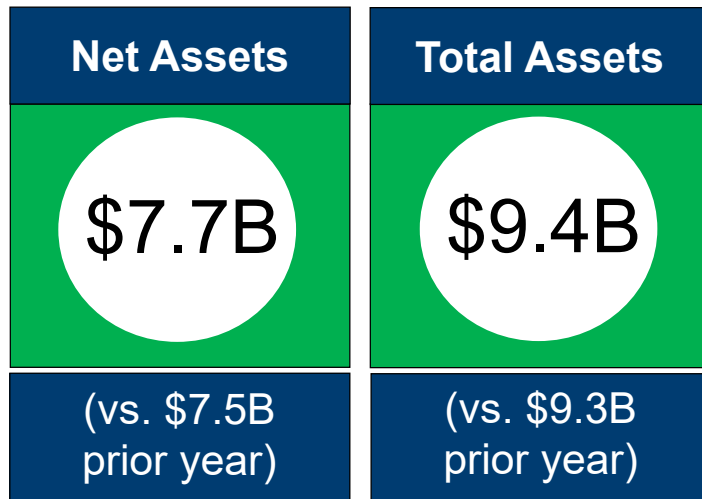
Endowment



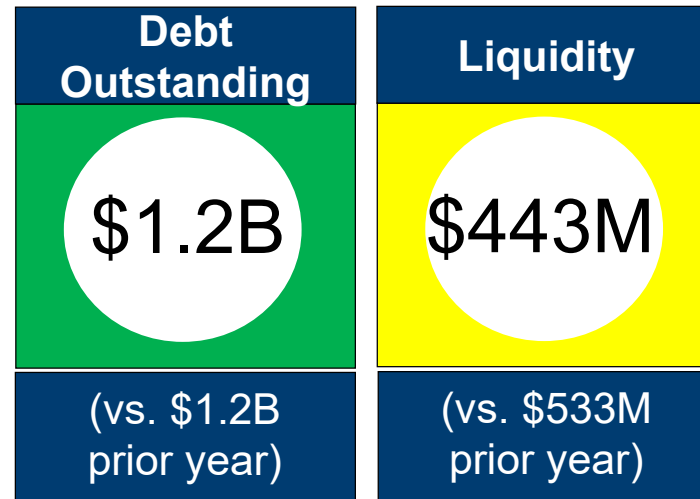
Advancement



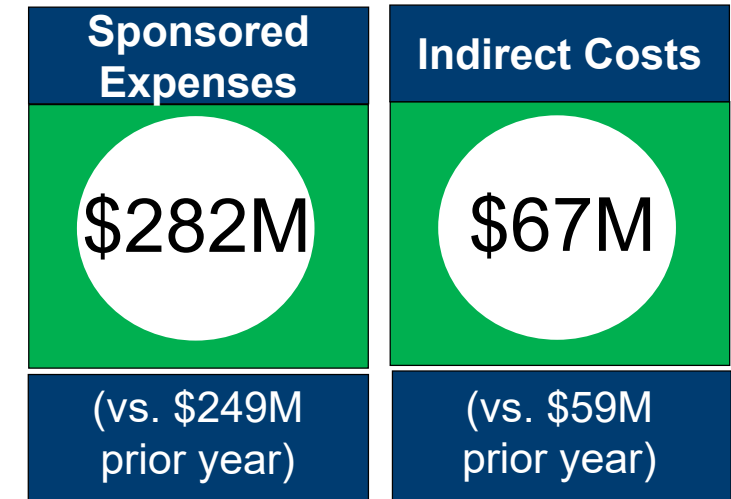
FY23 Balance Sheet



Debt and Liquidity (as of 9/1)

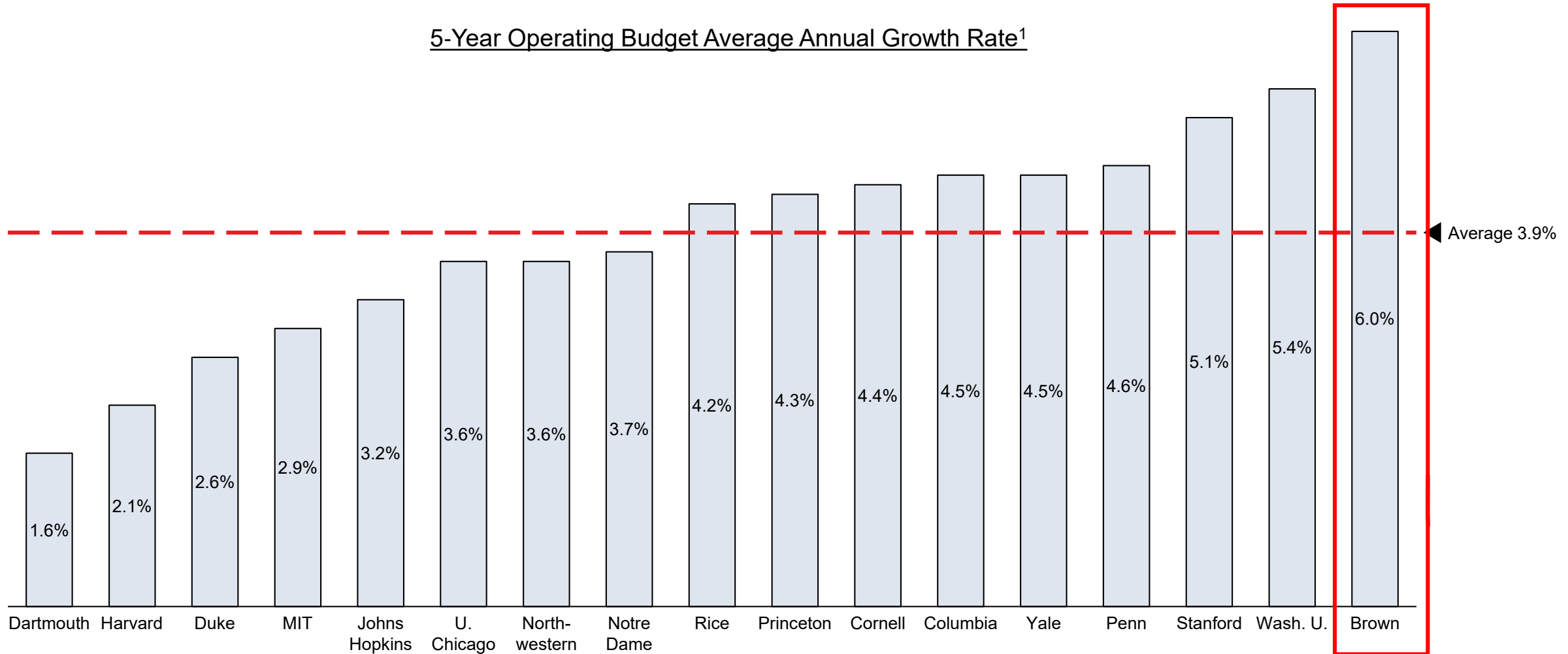


Sponsored Research



1. Includes other managed assets.

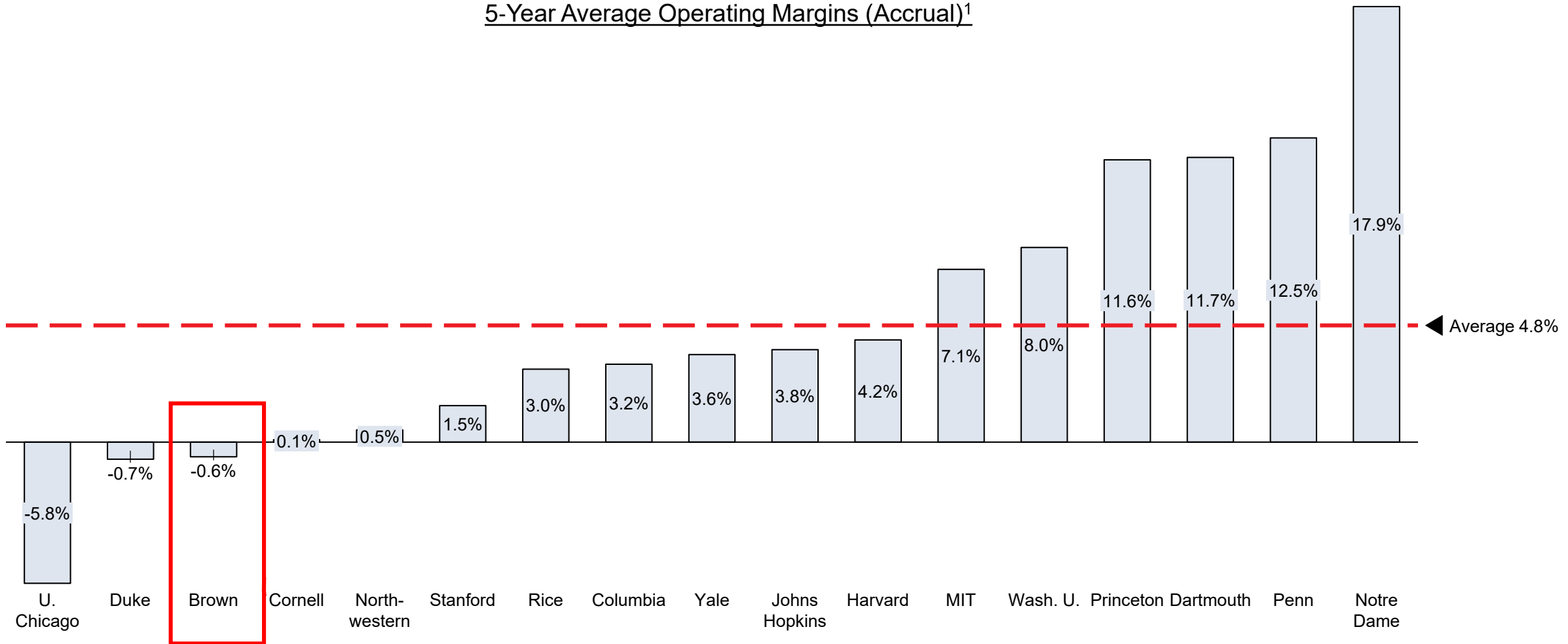
Brown and Peer Operating Budget Growth Rates



1. Data derived from Yuba Group 2023 5-Year Financial Performance Rankings.

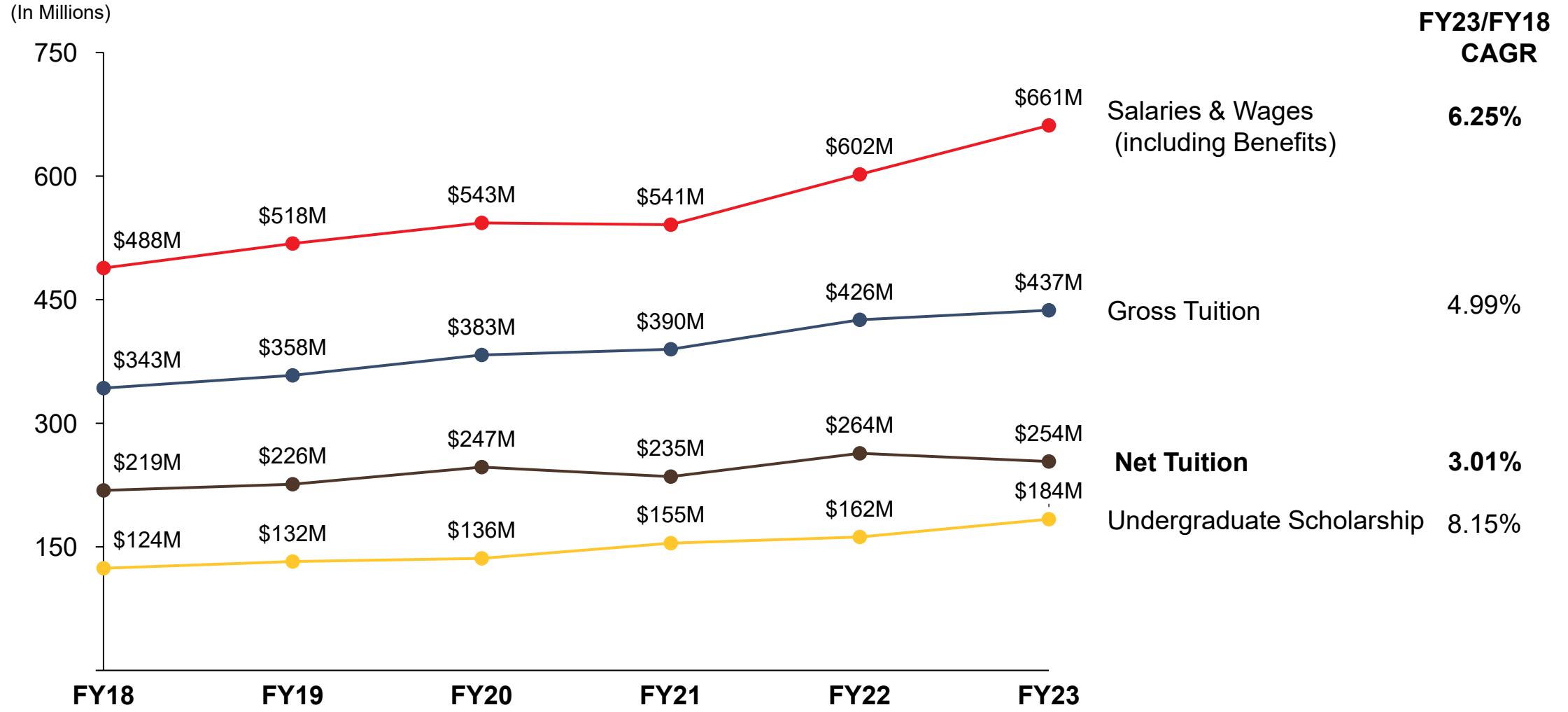
Brown and Peer Operating Margins

5-Year Average Operating Margins (Accrual)¹



1. Data derived from Yuba Group 2023 5-Year Financial Performance Rankings.

Historical Growth of Undergraduate Tuition vs. Salaries and Wages



1. Source: Workday Manager Activity Report
 2. CAGR used to calculate annual growth rate

FY25 Budget Guidance

FY25 Budget Guidance – Key Takeaways

- Brown’s FY25 budget faces pressures with **flattening revenues and increased expenditures.**
- As the university focuses **incremental investments in strategic areas**, FY25 Budget Requests should include limited/no new spending requests.
- New FY25 **Scenario Planning exercise** will be requested
 - Best practice in financial planning
 - Will be requested annually going forward
 - Required as part of NECHE accreditation standards (7.14)
- FY25 Budget Requests and Scenario Plans will be **due February 16, 2024.**

FY25 Scenario Plan Review

FY25 Targets will be developed for each division/unit as follows:

Begin with the department's approved **FY24 Budget** for unrestricted expenditures.

(-) Reduce the approved **FY24 Budget** for unrestricted expenditures **by 2%**.

(+) Increase for **FY25 salary pools** based on the latest URC recommendation.

(+) Increase for significant **department-specific commitments**.

Departments will be asked to itemize a list of proposed actions to reduce its FY25 Budget Request to the FY25 Target

OFSP will be distributing custom Excel workbooks to each division/unit for this exercise before Winter Break, and will be scheduling follow-up meetings for most departments to review.

Recommended FY25 Preliminary Budget Meetings

- Recommended for all (some already scheduled at request of Provost/EVP)
- **Goal:** Preview budget requests with unit and university leadership before February 16 submission
- **Suggested topics:**
 - Budget pressures, opportunities, requests to ensure preliminary alignment.
 - For example, FTE requests, other material spending requests, estimates of university-funded start-up, preliminary enrollment targets, etc.
 - Levers being considered to achieve Scenario Plan targets
 - Gift and endowment balances and utilization
- **Suggested approach:**
 - More qualitative than quantitative
 - Establish an earlier check-point in the process
 - Knowing these are early in the process, typical budget submission materials not required (presentation materials, detailed reports, variance analysis, narratives, etc.)
 - Leverage existing/standing meetings

Overview of Restricted Funds

Funds established by donors for “donor-directed” or “restricted” purposes. The University is required to spend these funds in accordance with the donor’s terms.

Endowment Funds

- Principal invested in perpetuity.
- Payout is the amount distributed annually to support the designated purpose of each fund.
- Brown targets an annual payout between 4.5% and 5.5% of calculated value (FY24 Budget was 4.8%).
- Annual payout and prior year balances can be used (principal is not used).
- ~3,600 restricted endowed funds.

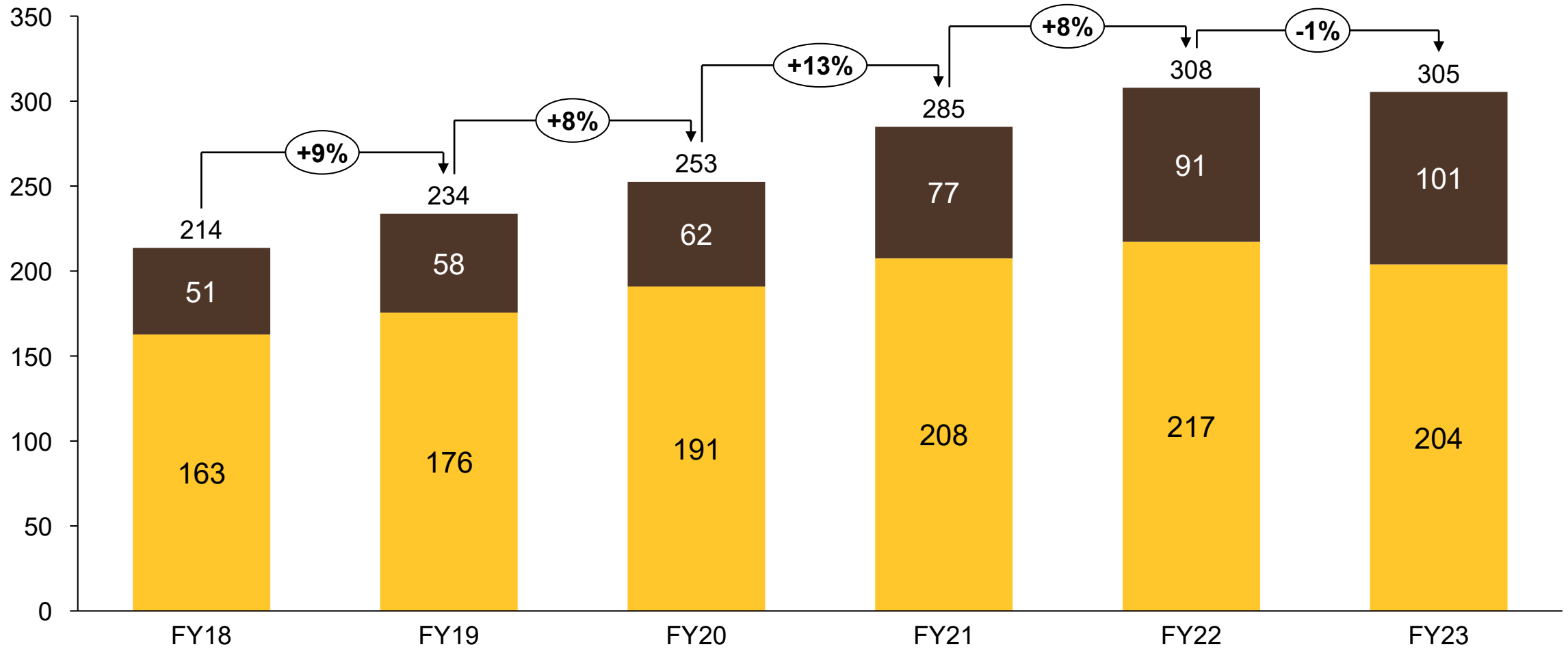
Current Use Spendable Gift Funds

- Intended for use within the fiscal year (some exceptions).
- Full amount should be used.
- ~1,700 current use spendable gift funds.

University Endowed and Spendable Gift Fund Balances FY18 to FY23



(\$M)



Endowed Fund Unspent Balance as of Year End
 Spendable Gift Unspent Balance as of Year End

Inflation Outlook for FY25

Consumer Price Index (CPI) Forecast through Calendar Year 2025

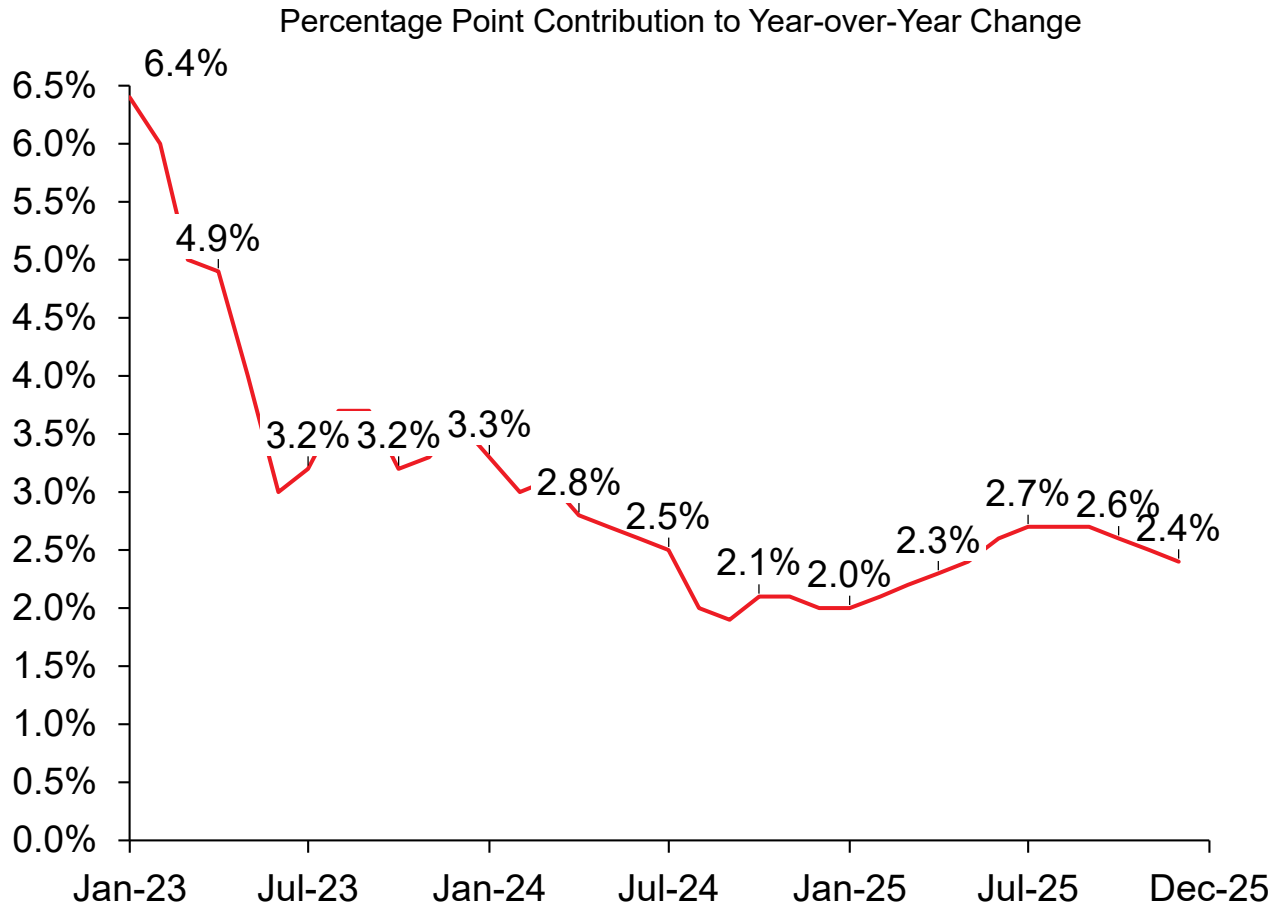


Chart Commentary

- CPI has come down significantly from its high of 9.1% in June 2022.
- According to Wells Fargo¹, economic data suggest inflation expected to remain 2-3% through 2025.

FY 2025 Budget Guidance

- Do not include broad-based inflationary factors in FY25 budgets.
- If you would like to include an inflation-related assumption, consult with Rob Eaton and Tim Fater by Friday, January 19, 2024.

Budget Narratives Requested with 2/17 Submission

Similar to the last few years, this narrative is **designed to provide divisional and departmental leadership an opportunity to contextualize their financial plans.**

Narratives will be included in budget packages and will be reviewed with the Provost, EVP, and CFO in March/April. In approximately 2-3 pages, please respond to the following questions:

1. Summarize your main goals, challenges, opportunities, and how they align with University priorities.
2. Please provide a prioritized list of incremental, material resource requests, including personnel.
3. Discuss material changes from your FY 2024 Winter Forecast vs. the approved FY 2024 Budget.
4. Summarize resources requested that are related to the university's research growth plan and included in your FY25 budget.
5. Brief overview of plans to utilize endowment and gift balances in FY24 Forecast and FY25 Budget.

Key Dates and Deadlines

September 2023	October 2023	November 2023	Dec. 2023 - January 2024	February 2024	March – May 2024
<ul style="list-style-type: none"> • 9/28: FY25 Technology Request Process Guidance Issued (#1) • 9/29: FY24 Fall Forecast Guidance Issued (#2) 	<ul style="list-style-type: none"> • 10/2: Adaptive Opens for FY24 Fall Forecast • 10/5: Open Forum <ul style="list-style-type: none"> • FY24/25 Financial Planning Timeline • FY24 Fall Forecast • Preliminary FY25 Budget Guidance (incl. Technology Requests) • 10/25: FY25 Technology Requests Due (OIT) 	<ul style="list-style-type: none"> • 11/3: Adaptive Closes for FY24 Fall Forecast <ul style="list-style-type: none"> • EN & GFT balance responses due to Maureen Moran 	<ul style="list-style-type: none"> • 12/8: Adaptive Opens for FY25 Budget & FY24 Winter Forecast • 12/11: URC votes on FY25 tuition and salary pools • 12/11: FY25 Budget Guidance Issued (#3) • 12/15: Open Forum <ul style="list-style-type: none"> • FY25 Budget Guidance 	<ul style="list-style-type: none"> • 2/9: Corporation votes on FY25 tuition and salary pools • 2/16: Adaptive Closes for FY25 Budget <ul style="list-style-type: none"> • FY25 Budget and FY24 Winter Forecasts due, including Budget Narratives and Scenario Plan 	<ul style="list-style-type: none"> • March/April: Budget Review Meetings with Provost and EVP • May: URC and Corporation Review & Approval of FY25 Budget

* Dates are subject to change.

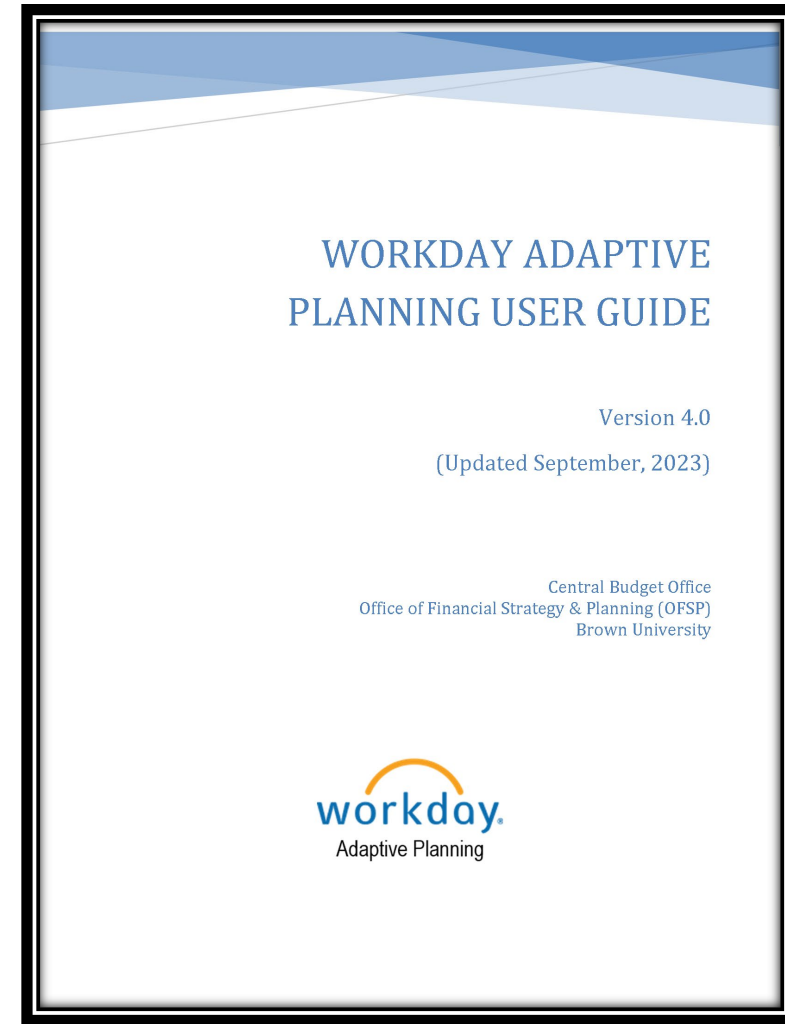
Departments will be notified by OFSP of their Approved FY25 Budget in June 2024.

Note: EN (Endowment), GFT (Spendable Gift), IT (Information Technology), OIT (Office of Information Technology), URC (University Resources Committee)

Questions on FY25 Budget Guidance?

- FY25 Budget Request – “base case” in Adaptive (with limited new requests)
- FY25 Scenario Plan – new request
- Budget Narrative – same as last few years

- To request Adaptive Planning training for new or existing users, please complete the [Adaptive Planning Training Request Form](#). For more information, please reference our ‘Workday Adaptive Planning User Guide’.
- Please reference the [Office of Financial Strategy and Planning \(OFSP\) website](#) for communications and materials about the FY 2024 Forecast and FY 2025 Budget development process and deadlines.
- [University Resources Committee \(URC\) website](#) and reports for current (FY24) and historical budget reports.
- Brown Finance 101 presentation.
- For additional inquiries about the budget, please direct questions to Tim Fater and Rob Eaton.



Office of Financial Strategy and Planning (December 2023)

