

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia
Board of Visitors
Audit, Finance and Planning (AFP) Committee
Thursday, 2 May 2024

MINUTES

Board Members Present:

Mr. Thomas R. Watjen '76 (President)
Mr. John D. Adams '96
Mr. Hugh M. Fain III '80 (Vice-President)
Mr. J. Conrad Garcia
Mr. Thomas E. Gottwald '83 (Vice-President, Committee Chair)
Ms. Gussie A. Lord '01 (Vice-President)
Lt. Col (Ret.) James G. Joustra '76
Ms. Kate Todd
Mr. Damon Williams '90

Others Present:

MG Cedric T. Wins '85, Superintendent
BG Dallas B. Clark '99, Deputy Superintendent for Finance and Support
COL Jeffrey R. Boobar '86, Senior Director, Finance and Support
Ms. Pamela S. Brown, Assistant Director, Finance and Budget
Mr. Andrew C. Deal '12, Chief Operating Officer, VMI Keydet Club
Ms. Crissy S. Elliot, Chief Financial Officer, VMI Alumni Agencies
Mr. Jeffrey L. Lawhorne, Director, Finance and Budget
LTC Michael T. McCarthy '78, Deputy Chief of Staff for Organizational Performance and Risk Management
Mr. James D. Miller, Director of Intercollegiate Athletics
COL Kimberly C. Parker, Director, Government Relations
Mr. David L. Prasnicky, Chief Executive Officer, VMI Alumni Agencies
Mr. David G. Sigler, Financial Analyst
COL William "Bill" J. Wyatt, Executive Officer to the Superintendent

Mr. Gottwald, AFP Committee Chair, presided and called the meeting to order at 2:01 PM. A quorum was physically present with Mr. Fain, Mr. Garcia, Mr. Gottwald, Lt. Col Joustra, Ms. Todd, and Mr. Watjen in attendance. Ms. Lord and Mr. Williams attended through electronic means.

Mr. Gottwald expressed his appreciation for each Board member's effort to attend the day's meeting, as well as the 19 March meeting. White reminding the Committee of its responsibilities from the State to review tuition and fees, he felt it was important to have more time as a Committee to discuss the budget and proposed FY 2025 tuition and fees.

Prior to asking BG Clark to present the agenda, Mr. Gottwald complimented the Institute's leadership for its solid work to manage revenues and expenditures in FY 2024. In mentioning Athletics, he asked BG Clark to review the Budget Performance Reports which project Athletics as being over budget for FY 2024.

BG Clark discussed the meeting's agenda and gave an overview of the State's budget status, VMI year-to-date budget and projected fund balance level, and staff levels. When discussing staffing levels, he highlighted the impact of the State's One Corps, One VMI funding, SCHEV Pell Initiative funding, as well as the annual faculty hiring cycle and VMI's periodic use of adjuncts for certain courses.

In discussing the proposed FY 2025 budget, BG Clark explained the 3.0% net increase in tuition and fees would comply with guidance from Governor Youngkin on potential tuition increases of 3.0% or the rate of the Consumer Price Index, whichever is smaller. He then shared that the proposed budget includes expenditures of \$119,100,500, an increase of \$4,583,500 over FY 2024's budget, and a budgeted use of fund balance of \$3.6M. The budgeted use of fund balance would result in a potential "low water mark" for the fund balance of \$21.3M at the conclusion of FY 2025. Positive trends in enrollment and other factors may contribute to an overall balanced budget in FY 2026. BG Clark explained the less-than-anticipated reliance on fund balance, compared to forecasts shared in April 2023, is due to increased State funding, higher than budgeted enrollment, internal budget control measures, and increased vacancy savings. BG Clark also informed the Committee the proposed tuition and fee increase aligns with VMI's previously submitted Six-Year Plan.

BG Clark presented spreadsheets depicting the proposed budgeted sources of the revenues and expenditures within Educational and General (E&G), Unique Military Activities (UMA), and Auxiliary Enterprises, as well as a chart displaying the proposed FY 2025 increases over budgeted FY 2024 spending levels in Personal Services and Non-Personal Services. For example, one of the Personal Services increases would be the potential State compensation increase of 3% (60/40 split, 100% for auxiliary employees) resulting in a budgeted expenditure increase of \$2,062,941.

Discussion occurred and questions regarding the financial impact on cadets and families, levels of private support from the VMI Alumni Agencies, and endowment spending factor were received. Mr. Prasnicky informed the Committee that the annual drawdown is 5.0%, with VMI receiving 4.25% and 0.75% used for administrative expenses. Mr. Prasnicky explained this spending rate is considered sustainable and promotes endowment growth.

Questions related specifically to out-of-state costs and costs of other senior military colleges were received. Data showing where VMI stands compared to in-state and out-of-state competitors, as well as projected 2024-2025 tuition and fee increases was provided and discussed.

Mr. Gottwald then asked BG Clark to discuss the FY 2024 Athletics Budget, as well as the proposed FY 2025 Budget. Mr. Gottwald pointed out the Athletics Budget would likely end over budget in FY 2024 and reminded the Committee of the previous year's directive concerning the Athletics Budget. He then explained that the proposed FY 2025 again showed expenditures exceeding revenues by over \$1M. He acknowledged the administration's request for an increase of 7.1% to the Athletics Fee, while holding flat other fees, but expressed concern that expenditures would continue to increase and outpace revenues independent of any proposed Athletics Fee increase. The Committee discussed the ongoing Athletics Budget deficits and reliance on an annual Institute subsidy (leading to a negative Athletics Department fund balance) to balance the budget. There was general consensus that an annual subsidy would likely be needed since VMI has a small Corps size and 18 teams, but the amount Committee members felt was acceptable was debated.

The Committee discussed VMI's FY 2024 Athletics Fee of \$3,950 per cadet, which was the highest in Virginia, by over \$1,000 but noted that almost one-third of the Corps competes on a Division I team. Mr. Miller explained the Athletics Department functioned with a lean budget and attempted to make strategic investments to enhance cadet-athlete health and overall experience, the Committee expressed concern about spending exceeding the FY 2024 budget.

In further discussion of the FY 2025 budget, the Athletics Department staff headcount was discussed, with the conversion of seasonal athletics trainers to full-time positions, as well as the part-time assistant lacrosse coach to full-time (privately funded) explained by MG Wins and Mr. Miller. Additionally, Mr. Miller stressed that in his opinion the Department did not have an expenditure problem since they are already lean and reasonable for the high expectations held, but instead an increase in sources of revenue, specifically non-cadet fees revenues, is needed to balance the budget. With this goal in mind, an employee was recently hired to cultivate marketing relationships and focus on corporate sales.

In concluding the meeting, Mr. Gottwald acknowledged the challenges to the Athletics Department's budget as one of the smallest FCS schools was not easy but reinforced the issues at hand: Is the Board comfortable with a \$1.0M deficit and with a 7.1% increase to the Athletics Fee? Furthermore, what is an acceptable deficit next year and going forward?

There being no further business to come before the Committee, Mr. Gottwald thanked the Committee members and staff for their work and the meeting adjourned at 3:46 PM.