

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia
Board of Visitors
Audit, Finance and Planning (AFP) Committee
Friday, 26 January 2024

MINUTES

Board Members Present:

Mr. John D. Adams '96
Mr. Hugh M. Fain III '80
Mr. J. Conrad Garcia
Mr. Thomas E. Gottwald '83 (Committee Chair)
Ms. Gussie A. Lord '01
Lt. Col (Ret.) James G. Joustra '76
Maj. Gen. James W. Ring '88
Ms. Kate Todd

Others Present:

MG Cedric T. Wins '85, Superintendent
BG Dallas B. Clark '99, Deputy Superintendent for Finance and Support
COL Gary A. Bissell '89, Assistant Superintendent for Operations and Planning
COL Jeffrey R. Boobar '86, Senior Director, Finance and Support
Ms. Pamela S. Brown, Assistant Director, Finance and Budget
Mr. Darrell C. Campbell, Chief Information Officer
Mr. H. Lee Clark. III '93, Director of Auxiliary Services
Mr. Andrew C. Deal '12, Chief Operating Officer, VMI Keydet Club
Ms. Crissy S. Elliot, Chief Financial Officer, VMI Alumni Agencies
LTC Shannon M. Eskam, Acting Assistant Superintendent for Strategic Enrollment Management
and Director of Financial Aid
Mr. Tyler B. Falls, First Sergeant, VMI Police Department
Ms. Emily E. Fulton '18, Associate Athletic Director for Internal Operations/SWA
Mr. T. Keith Jarvis '82, Director, Facilities Management
Mr. Paul T. Kastner, Director of Emergency Management
Mr. Jeffrey L. Lawhorne, Director, Finance and Budget
Ms. Corey Ann Matteson, Bursar
Mr. David L. Prasnicky, Chief Executive Officer, VMI Alumni Agencies
Mr. David G. Sigler, Financial Analyst
COL Kathleen H. Tomlin, Director of Procurement Services and Accounts Payable
COL William "Bill" J. Wyatt, Executive Officer to the Superintendent

Mr. Gottwald, AFP Committee Chair, presided and called the meeting to order at 11:45 AM in the Turman Room, Preston Library.

1. *Minutes from the 12 September 2023 BOV-AFP Committee Meeting.*

The Committee unanimously approved the minutes.

2. *Auditor of Public Accounts (Audit Entrance)*

Information related to the Auditor of Public Accounts regular entrance meeting with staff was included in the Agenda book provided to the Committee.

Board Motions

3. *Amendment of the FY24 Operating Budget*

Mr. Gottwald asked BG Clark to expand on the underlying amendment factors, including increased revenues from actual enrollment, receipts from private support, and additional State General funds. He explained the increased net revenues of \$1,933,000 are offset by lower than planned use of reserve funds totaling \$1,476,000. The proposed amendment results in a net expenditure increase of \$1,933,000.

The Committee unanimously agreed to recommend that the Board of Visitors approve the Amendment of the 2023-2024 Operating Budget to reflect increased revenues of \$1,933,000 and expenditures of \$1,933,000.

4. *VMI Post Facilities Master Plan 2024*

BG Clark provided relevant contextual background related to the purpose of the Post Facilities Master Plan and its alignment with VMI's Six-Year Plan and overall Capital Improvement Plan. He stated the approval of the Post Facilities Master Plan 2024 would not trigger immediate actions or expenditures, but rather document the overall concept, scope, and direction of VMI's facilities.

The Committee unanimously agreed to recommend that the Board of Visitors approve the Post Facilities Master Plan dated January 2024.

Briefing/Discussion Items

5. *Information Technology Report*

The Information Technology Report was included in the Agenda book provided to the Committee.

6. *Report from the Alumni Agencies*

There were no discussions on this topic.

7. *Budget Performance Reports FY 2024 and Key Financial Indicators*

BG Clark introduced the Budget Performance Reports FY 2024, as of 31 December 2023, and VMI Key Financial Indicators, as of 10 January 2024, showing the impact of actual enrollment and increased revenues. He highlighted the overall fund balance as of 1 July 2023 stood at \$26.1M and as a result of increased revenues, the budgeted use of fund balance will result in the fund balance decreasing to \$22.9M as of 30 June 2024. BG Clark clarified these amounts are *budgeted*, not operationalized, since they do not account for ongoing budget reduction measures implemented during the current fiscal year.

BG Clark then moved through each Budget Performance Report for State Programs: Education and General (E&G) Program, Auxiliary Enterprise Program, and Unique Military Activities. He also highlighted changes within the Local Programs: Unrestricted Local, Intercollegiate Athletics, Museum Operations, and Center for Leadership and Ethics.

BG Clark provided a handout specific to athletics which showed one-time private funds removed from revenues and expenditures for a more accurate representation of budget performance. The report showed increases in revenues of \$290,000 during FY 2024 and that the fund balance would be exhausted at the conclusion of FY 2024.

Mr. Gottwald emphasized the importance of continued work on the athletics budget to address the deficit and said more information would be shared with the Board through the Athletics Committee.

Additional discussion occurred about historical athletics funding, cadet participation, and sports sponsorship. The committee also discussed factors such as decreased enrollment, indirect costs, and state-mandated salary increases that have contributed to the present athletics funding challenges.

In concluding the discussion on the athletics budget, Mr. Gottwald reminded the Committee that any solution to solve the fiscal challenges will rely heavily on the Alumni Agencies and Keydet Club since private support is a big part of the funding equation now and in the future.

8. *FY 2025 Preliminary Budget – Significant Assumptions*

BG Clark summarized the assumptions in the following areas and requested input from the Committee in advance of providing significantly more detail at the May Board of Visitors meeting; 1) incoming class of 495, 60% VA and 40% NVA, 2) Overall size (retention) of the Corps at 1,559 cadets (62.4% VA and 37.6% NVA), and 3) Proposing 3.0% increase in tuition for VA and NVA cadets and 2.9% increase in costs overall.

Several Board members expressed concerns about increasing tuition costs, specifically out-of-state tuition. Mr. Adams requested information about how VMI's costs compare among Virginia institutions and how VMI compares to out-of-state competitors. Mr. Garcia cited the impact of providing employee raises during the last few years while keeping tuition flat. He offered that an increase exceeding a

potential State-mandated employee salary increase in FY 2025 could provide some budget relief with respect to previous years when increased tuition revenues were not received to help cover VMI's portion of the annual raises.

In advance of May's Committee and Board meeting, it was requested that BG Clark provide multiple budget options showing the impact of different courses of action.

9. Athletic Operating Budget

Discussion about the Athletics Operating Budget occurred during the presentation of the Budget Performance Reports FY 2024. A more in-depth discussion of the Athletics Operating Budget was expected to occur during the Athletics Committee meeting.

10. Post-Wide Safety and Security Update

COL Gary Bissell introduced VMI's new Director of Emergency Management, Mr. Paul T. Kastner. Mr. Kastner complimented VMI's historical approach to Emergency Management and provided a brief overview of his approach; 1) prevention, 2) preparedness and mitigation (planning and training), 3) response, and 4) recovery. COL Bissell, Mr. Kastner, and First Sergeant Tyler Falls, VMI Police Department, answered several questions related to procedures, multi-agency coordination, and how threats are handled.

Information Items

11. Agency Risk Management & Internal Control Standard FY 2023 Assessment and Certification

Information related to FY 2023 ARMICS certification was included in the Agenda book provided to the Committee.

12. Capital and Non-Capital Projects Update

The Capital and Non-Capital Projects Update was included in the Agenda book provided to the Committee.

13. VMI Accounting Policies and Procedures Compliance Reporting

Information related to VMI Accounting Policies and Procedures Compliance Reporting was included in the Agenda book provided to the Committee.

14. AFP Committee Charter Review

The Audit, Finance, and Planning Committee charter was included in the Agenda book provided to the Committee.

15. BOV-AFP Motion and Standing Reporting Summary

A summary chart of Board of Visitors – Audit, Finance, and Planning Committee motions and standing reporting items was included in the Agenda book provided to the Committee.

There being no further business to come before the Committee, the meeting adjourned at 12:45 PM.