

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia
Board of Visitors
Audit, Finance and Planning (AFP) Committee
Thursday, 14 November 2024

MINUTES

Board Members Present:

Mr. C. Ernest Edgar IV '87
Mr. Quintin D. Elliott '85
Mr. Hugh M. Fain III '80
Mr. J. Clifford Foster IV '93
Mr. J. Conrad Garcia
Mr. Thomas E. Gottwald '83 (Vice-President, Committee Chair)
COL James P. Inman '86
MG James 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, Assistant Superintendent for Operations and Planning, Interim
Chief of Staff
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. Andrew C. Deal '12, Chief Operating Officer, VMI Keydet Club
Mr. Meade B. King '85, Chief Operating Officer, VMI Foundation and Director of
Advancement
Mr. Jeffrey L. Lawhorne, Director, Finance and Budget
LTC Corey A. Matteson, Bursar
Mr. Patrick O. O'Leary '90, General Counsel
COL Kimberly C. Parker, Director, Government Relations
Mr. David L. Prasnicki, Chief Executive Officer, VMI Alumni Agencies
Mr. David G. Sigler, Financial Analyst
COL William "Bill" J. Wyatt, Executive Officer to the Superintendent, Secretary to the
Board of Visitors

Mr. Gottwald, AFP Committee Chair, presided and called the meeting to order at 2:08 PM in the Board Room in Smith Hall. He shared the meeting's purpose would be to have a high-level discussion of the budget, receive a report from the VMI Alumni Agencies, and to receive the Information Technology report.

1. *Minutes from 17 September 2024 BOV-AFP Committee Meeting*

Mr. Elliott requested refinements to the minutes, and their approval was tabled until the February 2025 meeting.

2. *VMI Operating Budget Discussion*

MG Wins offered opening comments regarding the meeting's strategic budget discussion and ongoing efforts to market and advertise the affordability of VMI's education.

Mr. Gottwald explained that the Board has identified two key issues warranting focus: 1) Out-of-state tuition costs since VMI is higher than its competitors, and 2) Outlook of declining college enrollment. Paired together, the Board is evaluating if VMI is pricing itself out of the market. He also referenced Scenario #2 in the meeting materials depicting several years of 0% tuition and fee increases but pointed out that it did not display corresponding changes to expenditures to account for the decreased revenue.

BG Clark shared with the Committee that the budget was tracking as expected in FY 2025 and that additional revenues would be received via State funding to offset tuition waived as part of the Virginia Military Survivors and Dependents Education Program (VMSDEP) in both FY 2025 and FY 2026 because of State negotiations.

He then shared revenue and enrollment assumptions used to develop projected budgets and received a question on whether increasing projected enrollment was realistic given the pending "enrollment cliff," which refers to the national trend of declining number of high school graduates. Mr. Foster also asked about VMI's excess fund balance and BG Clark explained how it had grown and how it would be deployed. Mr. Edgar asked if State limitations exist about in-state and out-of-state tuition increases, BG Clark answered that while there is no present code language limiting increases, there are political optics.

MG Wins offered points on new cadet recruiting and VMI's expanded efforts post-Covid, as well as an emphasis on retention, that will assist VMI in meeting enrollment goals. Mr.

Gottwald asked for staff to look back at enrollment during the recession and consider if matriculating classes of 515 is the correct number for long-term budget planning.

BG Clark presented a slide on VMI's sources of revenue and answered questions about private support from the VMI Foundation and the increasing State support, specifically noting funds attributed to One Corps One VMI.

Mr. Elliot asked for clarification regarding expenditures and revenues as displayed by the Auditor of Public Accounts and the process through which the budget is amended during the Winter Board meeting.

In displaying the increases to VMI's tuition over time, BG Clark mentioned several cost drivers, such as increasing utilities, expanded staff in the Post Hospital and VMI Police Department, as well as the cost to operate new buildings. Mr. Elliott questioned the graph showing VMI's potential FY 2030 out-of-state costs reaching \$74,000 and asked how realistic this amount would be in helping to attract a Corps size of 1,700. BG Clark discussed VMI's approach to affordability for in-state and out-of-state cadets through efforts to meet demonstrated financial need, as calculated by the FAFSA. Mr. Gottwald asked if it would be possible to continue meeting 100% of the demonstrated need for Virginia cadets as the Institute's costs rise. Mr. Elliott observed that VMI faces the challenge of helping parents get past the sticker shock so that individual conversations can occur about financial aid. MG Wins agreed and explained the enhanced Net Price Calculator available to families and highlighted COL Eskam's efforts to communicate with and personalize information for, prospective cadets and their families.

BG Clark presented VMI's approach to its budget development and budget priorities and Mr. Foster inquired how the State determines its share of compensation increases. BG Clark explained that it is based on VMI's percentage of in-state and out-of-state cadets. Mr. Elliott added that he would like to learn more about VMI's budget requests and Mr. Edgar inquired about the Institute's approach to its capital requests. Mr. Elliott commented that there may be initiatives that cannot be undertaken if funding does not exist.

BG Clark presented preliminary budget scenarios displaying the impact of a 3% tuition and fee increase in FY26-FY30, a 0% tuition and fee increase in FY26-FY28, and a 1% increase in FY26-FY28, on revenues. Board members discussed the budget assumptions and projected rising annual expenses (4%) and asked about additional State dollars. BG Clark explained that VMI typically budgets conservatively and assumes flat State support. Mr. Gottwald discussed the timeline for approving the budget in May 2025. He expressed to the Committee the importance of having internal discussions in order to provide clear direction on the appropriate tuition and fees level during the February 2025 meeting.

3. *VMI Alumni Agencies Report*

Mr. Gottwald invited Mr. Prasnicki to provide a report on the VMI Alumni Agencies. Mr. Prasnicki explained the VMI Alumni Agencies are comprised of four separate 501(c)3 organizations which collectively are responsible for fundraising, alumni relations, and investing funds on behalf of the VMI Foundation to support VMI. The Agencies are considered a component unit of VMI and therefore are included on VMI's financial statement. The Agencies conduct class reunions, affinity reunions, chapter events, new cadet recruiting, scholarship banquets, communications, and other outreach efforts to engage and support VMI.

At present, Mr. Prasnicki shared that the Agencies employ 43 full-time employees, maintain an endowment of \$747.8 million as of 30 June 2024, provided \$28.9 million to VMI during FY 2024, and have an overall operating budget of \$7.9 million.

He discussed donor retention (65%) and giving participation rates (20%), which compare favorably to industry metrics. Questions were asked about recent giving trends and the overall number of donors (the high-water mark was in 2013 with about 7,000 donors).

Mr. Elliott asked where VMI showed how unrestricted funds were used. Ms. Brown shared that they are shown in the Budget Performance reports presented regularly to the Board. He also asked about the Agencies' expense (spending) ratios for advancement and Mr. Prasnicki shared that they compare favorably to CASE (Council for Advancement and Support of Education) standards and explained further that funds allocated toward fundraising compare even more favorably to accepted industry standards for schools with similar endowment size.

Mr. Fain complimented the Agencies for the efficiencies resulting from combining the separate entities underneath the VMI Alumni Agencies and highlighted the endowment's growth. Mr. Prasnicki discussed Cliffwater's positive role in working with VMI Investment Holdings LLC to manage and grow the endowment.

Mr. Gottwald thanked Mr. Prasnicki for his report and expressed his appreciation toward the VMI Alumni Agencies. He reminded the Committee that the Board's bylaws require the Board to ensure their expenses and activities are proper for VMI, and that he believed a report at least one time a year would be sufficient. He also shared that the Board has an interest in trends of annual giving, especially during periods of unrest when some alumni may be disgruntled. Ms. Todd followed up by asking if alumni were provided regular satisfaction surveys and if alumni who no longer contribute have been asked why. Mr.

Prasnicki responded that alumni are surveyed but they have not specifically asked questions about why alumni may no longer contribute.

4. Information Technology Report

Mr. Campbell provided the Information Technology Report and two points from the recent Auditor of Public Accounts audit. He discussed the need for an external audit and explained that VMI worked with Baker Tilly to conduct it and that twenty-seven medium issues were identified and would be addressed. He discussed the Continuity of Operations Plan (COOP) and then discussed other audits recently conducted within Information Technology by Office of the State Inspector General (OSAIG). He shared that the OSAIG had conducted a cybersecurity audit of all Virginia public institutions and he was not sure if they would come back with additional questions

Mr. Campbell then updated the committee on the recent acquisition of vulnerability software that seemed to be working very well and he discussed upcoming PCI (Payment Card Industry) authentication scans due in early 2025. He also highlighted the migration of VMI's SoftDocs (Etrieve) storage to the cloud.

An overview of VMI's new printer and copier vendor was shared and Mr. Campbell explained that VMI is now contracting with Offix to lease Kyocera and Canon machines. He then discussed Information Technology's support for the implementation of Post-wide scheduling software, ongoing efforts to back up Microsoft 365, and changing internet service providers to improve speeds and provide greater redundancy. Mr. Foster asked about Information Technology's personnel and non-personnel expenditures over the last five years and inquired about staffing levels. Mr. Campbell shared that his department's positions are presently filled but the competitive marketplace and retirements provide ongoing challenges and that increased workloads and information technology requirements may lead him to ask for additional staffing.

Mr. Gottwald complimented BG Clark for his team's efforts in providing materials to guide the Committee's discussion and adjourned the meeting at 4:35 PM.