

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia
Audit, Finance and Planning (AFP) Committee
Wednesday, 12 April 2023

MINUTES

Board Members Present:

Mr. John Adams '96
LTG Charles E. Dominy, USA (Ret)
Mr. C. Ernest Edgar IV '87
Mr. Hugh M. Fain III '80
Mr. J. Conrad Garcia
Mr. Thomas E. Gottwald '83 (Committee Chair)
Ms. Gussie Lord '01
Mr. Thomas R. Watjen '76
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 of Finance and Support
Ms. Pamela S. Brown, Assistant Director, Finance and Budget
Mr. Jeffrey L. Lawhorne, Director, Finance and Budget
COL Kimberly C. Parker, Government Relations Director
LTC Kevin A. Ryan '01, Executive Assistant to the Superintendent
Mr. David G. Sigler, Financial Analyst
COL William J. Wyatt, Director of Communications and Marketing

Mr. Gottwald, AFP Committee Chair, presided and called the meeting to order at 11:00 AM in the Smith Hall Board Room.

Mr. Gottwald commented about the importance of understanding the current year's budget in order to understand the FY 2024 budget and the impact of potential tuition and fee increases.

MG Wins offered opening comments on the cost of tuition and his goal to ensure VMI is providing an affordable education with regards to admissions and enrollment.

1. State Budget Update

BG Clark provided an overview of the existing 2022-2024 State Budget, as well as budget amendments recently passed by the House and Senate that may impact the second year of the two-year budget. Since budget conferees are presently negotiating, it is unlikely the budget will be finalized until after the April

meeting of the Board of Visitors. Therefore, VMI is building its FY 2024 budget conservatively, showing potential new expenditures but not new potential sources of revenue.

2. Enrollment Assumptions

BG Clark presented Enrollment Assumptions and explained the methodology on which they are based. He explained the budgetary impacts of the multi-year enrollment challenge that will require moving several smaller classes toward graduation and the importance of backfilling with larger incoming classes.

3. FY 2024 Preliminary Budget Notes and Assumptions

BG Clark presented FY 2024 preliminary budget notes and significant assumptions related to enrollment, tuition and fees, State funding and potential employee salaries and benefits.

4. Proposed Tuition and Fee Schedule

BG Clark introduced a chart depicting proposed FY 2024 increases to tuition (Virginia and Non-Virginia), room, board, auxiliary fees, and quartermaster charges.

Discussion about VMI's advertised range of potential tuition and fee increases occurred and members were reminded of VMI's approach to FY 2023 increases with relation to the Governor's request, as well as actions taken by other Virginia public institutions. Mr. Watjen asked if VMI was potentially pricing itself out of the market for families and Mr. Gottwald asked about the feasibility of holding increases flat over the course of one's cadetship.

Charts were provided displaying VMI's in-state and out-of-state tuition and fees compared to other Virginia public colleges.

5. Budget Modeling and Fund Balance

BG Clark presented a handout for discussion depicting budget modeling and fund balance levels from FY 2023 through FY 2029. The spreadsheet was explained in detail and significant discussion occurred regarding potential sources of budgetary savings, use of fund balance and overall cost-drivers. Mr. Gottwald reminded the committee about the importance of maintaining a minimum level of fund balance and BG Clark shared that \$11M-12M is typically needed to support regular operations.

Discussion about potential additional state support occurred and BG Clark explained that although the House and Senate budgets presently include between \$1M and \$1.1M in additional support for the Education and General program, these funds are not included in the modeling since they are not approved. Additionally, receipt of additional funds may include an expectation to limit in-state tuition increases.

Mr. Fain asked about relevant assumptions pertaining to support from the VMI Foundation in FY 2024. BG Clark shared that the majority of the Foundation's support is designated for specific purposes. The Committee learned VMI expects to receive \$2.7M of unrestricted support in FY 2024, which is an increase of \$200,000 over FY 2023. BG Clark reported conversations with Mr. David Prasnicki, CEO of the Alumni Agencies, have occurred, but stated he is committed to reducing expenditures before engaging in additional conversations that include specific requests.

6. Key Questions and Answers

BG Clark shared a “Key Questions and Answers” document for discussion that addressed in-state and out-of-state enrollment, the impact of rising tuition on the overall financial aid budget and ability of NCAA coaches to recruit cadet-athletes. The document also explained that in FY 2024, each 1% increase of out-of-state tuition is estimated to generate an additional \$212,000 in tuition revenue. Conversely, for FY 2024, each 1% increase of in-state tuition is estimated to generate an additional \$84,000 in tuition revenue.

Mr. Edgar shared concerns about VMI’s escalating out-of-state costs of \$60,000-\$65,000. He stated the costs are likely a barrier for many families to even consider VMI unless an emotional pull to the Institute exists. This challenge may lead families to never learn about financial aid opportunities and consider other schools.

7. Budget Reduction Strategies

A discussion on budget reduction strategies occurred and questions about non-personnel savings, vacancy savings, the potential for a hiring freeze and reduction of force were answered.

8. Update on Six-Year Plan Process and Timeline

An update on the Six-Year Plan Process and Timeline was included in the Agenda book provided to the Committee. Due to time constraints, there were no discussions on this topic.

9. Update on Submission of SCHEV Enrollment Projections

An update on the SCHEV Enrollment Projections was included in the Agenda book provided to the Committee. Due to time constraints, there were no discussions on this topic.

There being no further business to come before the Committee, the meeting adjourned at 12:53 PM.