

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
FACILITIES, FINANCE AND AUDIT COMMITTEE
APPROVED MEETING MINUTES
Thursday, January 30, 2020
(Approved 6.29.2020)**

CALL TO ORDER

Mr. Michael Flemming, Committee Chair, called the meeting of the Virginia State University (VSU) Board of Visitors (Board) Facilities, Finance and Audit Committee (Committee) to order in the Board Room, 310 Virginia Hall, on the campus of Virginia State University at 1:05 p.m.

ROLL CALL

A quorum was present.

Committee Members Present:

Mr. Michael Flemming
Dr. Valerie Brown (*electronic participation*)
Mr. Raul Herrera (*absent*)
Mr. Jay Stegmaier (*arrived at 1:03 p.m.*)
Mr. Gregory Whirley
Mr. Charlie Hill
Mr. Wayne Turnage (*absent*)
Mr. Huron Winstead, Rector (ex-officio) (*arrived 1:27 p.m.*)

Administration Present:

Makola M. Abdullah, Ph.D., President
Dr. Donald Palm, Senior Vice President/Provost
Hubert D. Harris, Chief of Staff
Kevin Davenport, Vice President, Finance
Reshunda L. Mahone, Vice President, Institutional Advancement
G. Dale Wesson, Ph.D., Vice President, Research & Economic Development
Sheila Alves, Chief Audit Executive
Annie C. Redd, Ed.D, Special Asst. to President/Board Liaison
Tanya Simmons, Office of Human Resources
Jane Harris, Asst. VP, Finance/Capital Outlay
Dr. Tia Minnis, Executive Director, OPIE
Charmica Epps, Interim Associate VP, Institutional Advancement

Legal Counsel Present:

Ramona Taylor, Asst. Attorney General/University Legal Counsel

Others Present:

Ali Bayler, Spider Management
Tory Sprehe, Spider Management
Robert Brockmeier, Graystone/Merrill Lynch
Fletcher Metz, Graystone/Merrill Lynch
Benjamin Houck, Finance
Adrian Petway, Budget Office

Others Present (continued)

Malika Blume, Internal Audit
Tasha Owens, Internal Audit
Marlo Green, Internal Audit

Committee member Valerie Brown participated by electronic means. Dr. Brown participated from 2444 Ballahack Road; Chesapeake, VA 23322, due to a business conflict. The Committee unanimously agreed to the electronic participation of the board member.

APPROVAL OF AGENDA

The Committee approved the meeting agenda.

APPROVAL OF MINUTES

The Committee approved minutes from the November 7, 2019 meeting.

PRESIDENT'S REMARKS

President Abdullah thanked the Board members for attending the meeting today.

REPORTS AND RECOMMENDATIONS

Division of Finance

Mr. Kevin Davenport introduced Graystone Consulting (Morgan Stanley), the manager of the Title III portion of the University's endowment, to present an overview of market conditions and the fund's performance. Chip Brockmeier of Graystone first discussed various partnerships between Morgan Stanley and VSU. He then presented the fund's performance for fiscal year 2019, commenting on major drivers of performance such as large gains in US equity markets and various other macroeconomic factors. He also outlined the firm's return expectations for the next year as well as a 7-year expectation. Mr. Brockmeier then outlined performance across various asset classes. Fletcher Metz of Graystone concluded the presentation by discussing matters specific to manager performance for individual asset classes.

Mr. Davenport introduced Spider Management, the manager for the non-Title III portion of the University's endowment, to present an overview of market conditions and the fund's performance. Ali Bayler and Tory Sprehe of Spider Management first gave an overview of market fundamentals, opportunities, and risks. They then discussed returns versus the benchmark and commented on asset allocation. They also explained the expected forward return compared to 60/40 and outlined the rationale for the inclusion of various asset classes. Visitors asked Spider to summarize the differences in their strategic approach to asset allocation compared to more standard compositions based on typical benchmarks.

Ms. Bayler replied that the largest difference is the extent to which Spider invests in private markets. Visitors asked follow up questions about the reporting delay in private markets, noting some possible concerns in how these delays might affect the fund statements of individual donors. Ms. Bayler and Ms.

Sprehe presented a summary of the new optionality in the Amended Limited Partnership Agreement, which presents additional choices for the University to consider with respect to incentive fees. Mr. Davenport indicated no changes to the agreement were recommended.

Mr. Davenport discussed a proposed correction to the Resolution for the Use of Non-Utilized Local Funds. He explained that a prior draft version of the resolution was presented to the Rector and Secretary for signature instead of the finalized version of the Resolution. Visitors asked follow up questions of Mr. Davenport and Ms. Alves. The Committee agreed to recommend approval of the corrected resolution to the full Board of Visitors.

Jane Harris, Assistant Vice President for Facilities and Capital Outlay, presented an update on the Ashland/Petersburg Trail Smart Scale Grant. Her presentation including plans for changes to the Appomattox River overlook, a discussion of how possible walkways could connect campus, as well as which parts of campus would come in contact with the trail. She stated that this grant is administered by VDOT, and if selected, portions of the trail connecting with campus would be fully funded by the grant. Visitors made follow up comments emphasizing the important of ensuring that, if the University were selected for the grant and construction were to proceed, all sections of the trails connecting with campus are well lighted. The Committee agreed to recommend approval of the University's participation in the application to the full Board.

Mr. Davenport presented several tuition, fees, and room and board rate increase scenarios. He outlined several different increase scenarios separately for E&G and Auxiliary Services, including explanations for each line item driver of the possible increases. Visitors asked follow up questions regarding how the increases would relate to given academic programs. Dr. Palm clarified that certain increases would be specifically for accreditation related objectives. Dr. Abdullah stated that possible increases are being looked at net of the additional scholarship amounts that would need to be awarded to keep scholarship purchasing power constant. He also provided a stage for the Committee to provide advance feedback or guidance ahead of his efforts to gather feedback from the community at large. Visitors asked for follow up information stating each possible price increase scenario in terms of the additional amount that a given student would have to pay. Visitors also emphasized the importance of having a streamlined presentation when presenting to the community, including looking at how possible increases interact with the budget holistically. In presenting the auxiliary side, Mr. Davenport outlined prior communications with the Commonwealth that cap the annual fee increase at 3 percent.

Mr. Davenport provided a brief update on the status of the MPC contract and related timing.

INTERNAL AUDIT

Ms. Sheila Alves reported on hotlines and special investigations, including an update and breakdown of substantiated and unsubstantiated cases. Ms. Alves presented status reports on the Internal Audit's corrective plan, audits in progress, and completed investigations. She introduced the recently-hired IT auditor, Ms. Tasha Owens. Ms. Alves announced that Internal Audit provided consulting services to the offices of Human Resources, Bursar, and Finance/Procurement in the areas of automating forms, process improvement, and allocations and budget, respectively. Ms. Alves also shared that she would serve as the president of the College and University Auditors of Virginia for 2020-2022.

CLOSED SESSION

On behalf of the chair, Dr. Annie C. Redd, Board Liaison, read the motion that the Committee convene a closed meeting at 3:36 p.m. pursuant to §2.2-3711(A)(3) and §2.2-3711(A)(8) of the Code of Virginia for consultation with legal counsel and pertaining to prospective and industry business matters; more specifically, the acquisition and disposition of real estate. The motion provided that President Makola Abdullah, Ramona L. Taylor, University Legal Counsel, Kevin Davenport, VP for Finance/CFO, Jane Harris, Asst. VP, Capital Outlay, Sheila Alves, Chief Audit Executive, and Dr. Annie C. Redd attend the closed meeting because their presence in the closed meeting was deemed necessary; and/or their presence would aid the Board in its consideration of this matter.

A second motion called for the Committee to convene a closed meeting pursuant to §2.2-3711(A)(1) and §2.2-3711(A)(8) of the Code of Virginia involving the discussion of personnel matters and consultation with legal counsel regarding specific legal matters requiring provision of legal advice; more specifically, discussion about the National Institute of Food and Agriculture (NIFA) audit and compliance. The motion provided that President Makola Abdullah, Ramona L. Taylor, University Legal Counsel, Kevin Davenport, VP for Finance/CFO, Sheila Alves, Chief Audit Executive, and Dr. Annie C. Redd attend the closed meeting because their presence in the closed meeting is deemed necessary; and/or their presence will aid the Board in its consideration of this matter.

The Committee re-convened in opened session at 4:36 p.m. with a roll call of Board members to certify that the Committee discussed or considered only those public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened.

Due to time constraints, Mr. Hubert Harris would present the Technology Services update at the February 7, 2020 Full Board meeting.

ADJOURNMENT

There being no further business, the Chair adjourned the meeting at 4:37 p.m.

Michael Flemming, Chair

Date