



BOARD OF DIRECTORS MEETING

5 May 2017 Meeting Minutes
PROVISIONAL

Board Members Present: Roger Carleton '67, Outgoing Chair; Cathy McClain '82, Chair; Ginny Caine Tonneson '80, Secretary; Jack Fry '67, Treasurer; Hans Mueh '66; Robert Munson '73; Larry New '76; Steve Mueller '79; Will Gunn '80; Tamra Rank '83; Kathleen Rock '98; Mark Rosenow '03; Emma Przybyslawski '10; Garry Dudley '68, President, Class Advisory Senate.

Board Members Absent: Wally Moorhead '69, Vice Chair.

AOG Staff Present: William "T" Thompson '73, President and CEO; Marty Marcolongo '88, Chief Operations Officer; Gary Howe '69, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Bob McAllister Senior Vice President for Communications; Corrie Grubbs, Senior Vice President for Corporate & Association Relations; Emma Ross, Executive Assistant; Amanda Hess, Heritage and Traditions Project Officer; Johnny Bollman, Help Desk Specialist.

Members and Guests Present: Superintendent Lt Gen Michelle Johnson '81, Brian Binn '72, USAFA/A8D; Kimberly Tebrugge '92, Director of Communications Air Force Academy; Randy Jayne '66, Chair, USAFA Endowment Board; Terry Storm '61; Vic Andrews '66, Doug Jenkins '64, Class Advisory Senate.

I. Call to Order/Chairman's Welcome

Chair Carleton called the meeting to order at 8:37 a.m. MDT, Friday, 5 May 2017. There were no changes offered by the Board to the Chair's agenda.

II. Election of New Board Chair

Chair Carleton read from the bylaws pertaining to the selection of a new Board Chair and Board officers.

MOTION: Director Dudley moved and Director Gunn seconded Cathy McClain's appointment as AOG Board of Directors' Chair. The motion passed unanimously.

III. Chair's Comments

Chair McClain welcomed the new Board members (Hans Mueh, Bob Munson, Ginny Caine Tonneson, and Emma Przybyslawski) and offered her thoughts on the way ahead for the AOG, reflecting on the recent election results and the opportunities they represent. She

highlighted the need to reflect on why the AOG exists, what graduates want from us, whether we are meeting those needs, what we are doing well, and what we can do better. She spoke of meeting the needs of our graduates, enhancing cadet programs, and being good financial stewards. She highlighted the importance of crafting a new financial MOU with the USAFA Endowment (UE) and moving toward a single CEO of the AOG and UE. She stressed the importance of identifying common ground on which to collaborate, not just cooperate, and stressed viewing challenges as opportunities.

IV. Election of Board Officers

Chair McClain nominated Wally Moorhead as Vice Chair, Ginny Caine Tonneson as Secretary, and Jack Fry as Treasurer. No additional names were forthcoming.

MOTION: Director McClain moved and Director Dudley seconded that the slate of new officers be accepted. The motion passed unanimously.

V. Appointed Director Discussion

The AOG Board has two positions to fill for four year terms, although both positions do not need to be immediately filled. Chair McClain spoke of using appointed directors to fill skill set needs. The group discussed the importance of having someone with a solid finance background to replace Director Fry in a couple of years. Director Gunn commented that the Board had done well with respect to gender, but much needed to be done regarding racial and ethnic diversity. Director Rosenow wondered whether it would be helpful to find a Board member specifically to help with the Single CEO and UE Endowment issues, while several others commented on the importance of finding someone who could assist with getting more of the recent graduates involved with the AOG. The group agreed that it was important to fill one of the positions with a finance expert and to think through the potential candidates for the second position.

MOTION: Director Mueller moved and Director Mueh seconded the appointment of Glenn Strebe, '87 to fill an Appointed Director position. The motion passed unanimously.

After continued discussion, Chair McClain summarized the needed skill sets for the remaining appointed director as including diversity, being an informed critic, and having experience in Board leadership, connections, communications experience, and time to devote to Board activities. Board members will approach potential nominees to glean their interest and to obtain biographies. Biographies are due to the Chair and Secretary by May 12 for dissemination to the Board by May 15. Director Rosenow will contact Lou Michels '77; Director Munson will contact Don Avery '78; Director Rank will contact Mike Malone '84; and Director Rock will contact Alex Armour '93. In addition, the Board already has the biography of Frank Gorenc '79. The Board will discuss these candidates and vote on May 18 and 19, with a goal of having the two new Appointed Directors at the August Board meeting.

VI. Committee Assignments

Chair McClain solicited feedback from the Board on the draft committee assignments. There was a short discussion about the role of the Joint Coordination Committee. Director Fry pointed out that the USNA never had to go to the JCC for resolution of issues; all were solved by the two Chairs. Chair McClain clarified that the Joint Coordination Committee would come into play when the CEOs of the AOG and UE cannot come to agreement and that it was a safety net.

MOTION: Director Gunn moved and Director Rosenow seconded to approve the Chair's Committee appointment recommendations.

MOTION: Director Munson moved to amend the motion by adding Director Mueh to the Athletic Liaison committee. Director Dudley seconded. Director Munson offered that Director Mueh's experience as previous Athletic Director would prove invaluable. Chair McClain expressed her concern about Director Mueh's former position as the Athletic Director and that it might be wise to give a couple of years' worth of space for the new Athletic Director. Others thought Director Mueh's contacts would be very beneficial. The Board voted 8-4 to pass the amendment (Directors McClain, Rank, Mueller, and Rock against).

MOTION: Chair McClain moved and Director Mueller seconded that the Board approve Director Moorhead as the Chair of the Athletic Liaison Committee. The motion passed unanimously.

The Board then unanimously approved the Chair's Committee appointments, as amended (Atch 1).

Following the meeting, two additional task forces were created and approved by an e-vote of 11-0 on 18-20 May. The first is the Umbrella Task Force, which will look strategically at the issue of potentially creating an umbrella over the USAFA non-profits. The second is the Ends Task Force, which will look at the issues of why the AOG exists, which groups the AOG should serve, and what the AOG goals should be for the next 1, 2, and 5 years.

VII. Meeting Minutes Approval

MOTION: Director Gunn moved and Director New seconded approval of the minutes (Atch 2). The motion passed unanimously.

VIII. Agenda Approval

MOTION: Chair McClain moved and Director Rock seconded approval of the agenda. The motion passed unanimously.

IX. AOG Updates

- a. AOG Staff Update
CEO Thompson reported to the Board the AOG accomplishments during his tenure. (Atch 3)
- b. AOG Business Plan FY18
COO Marcolongo reported the Operational Business Plan for FY 18 to the Board (Atch 4).
- c. CEO Monitoring Report. The CEO reported he is in compliance with the following items: 2.1 Treatment of Members and Other Constituents, 2.3 Financial Planning/Budgeting, and 2.9 Board Awareness and Support.
- d. Quarterly Financial Update
 - i. CFO Alton Parrish briefed the Board on the statement of the financial position for the AOG as of March 31, 2017 (Atch 5). Overall, while revenues fell short of the annual budget by only about \$30,200, operating expenses were about 5.22% higher than anticipated, the majority of it the (non-cash) depreciation expense for the Plaza of Heroes not being included in the budget. Director Fry explained a short-term account of the investments of 15% plus/minus 5% of the total investment portfolio had been implemented after Board approval of the changes to FMIP at the February Board meeting.

Director Rosenow asked CFO Parrish that with the Endowment subsidy revenue down at \$164.7K and the MOU expiring at the end of the year, what the shortfall was over the last couple of years of the MOU and whether it was consistently around \$164.7K. CFO Parrish answered that it was not as significant as it is this year.
 - ii. Budget FY18. Director Fry presented the budget for FY18 to the Board which had been reviewed and recommended for approval by the Finance and Investment Committee (Atch 6). He wanted to point out two areas 1) The AOG was planning on \$600K in the budget for income from investments, and 2) there is an unknown concerning the Endowment support subsidy for July 2017 – June 2018, which will need to be addressed in the negotiations of the new MOU. One of the things needed going forward, is for the AOG to transition to a dollar amount that can be counted on from the UE that is not tied into anything else. How we get to that number will be a give and take between AOG and UE for our budgets. The question was asked as to why the Investment Committee chose 4.5% return on investments. It was explained that when the Investment Subcommittee restructured in March, they added some index funds into the mix to eliminate some of the risk. When risk is eliminated, returns are often reduced. The Investment Subcommittee intentionally moved to lower the risk knowing that our return over a long period of time would likely be lower.

MOTION: Director Fry moved that the FY18 Budget be approved as is. The motion did not require a second because it was coming from a committee. The motion passed unanimously.

X. Committee Updates

a. Heritage and Traditions Committee

Committee Chair Mueller led the discussion on how to recognize the recipients of the Distinguished Graduate Award in perpetuity. Currently a pedestal is erected for each recipient along the Heritage Trail. Brian Binn '72 mentioned that USMA and USNA have a simple display with pictures that does not take a lot of space. Amanda Hess, History and Heritage Project Officer, reported that we currently have 34 recipients and that we are the only military academy that has a permanent plaque and pedestal. The cost, including installation, is \$8,000 per Distinguished Graduate. Committee Chair Mueller reported that the committee wanted to get a sense of what the previous committees had intended for the Distinguished Graduates. When asked about the purpose of the Distinguish Graduate Award, Committee Chair Mueller stated that the recipients have had a lifetime of dedication to the nation and have had a profound effect, and so it is important that other graduates are able to know them and aspire to have the same impact. That is one of the reasons why they are recognized with pedestals, rather than simply listing their name on a plaque or a wall. Brian Binn commented that there needed to be something in the Cadet Area. There are currently two kiosks in Polaris Hall with the Distinguish Graduates. He mentioned that perhaps they could be recognized in a node in the Air Gardens. The Board discussed the use of the Heritage Trail and the possibility of doing some sort of virtual recognition. Committee Chair Mueller took an action to come back to the Board with a recommendation on how to appropriately recognize the Distinguished Graduate Award recipients in a way that controls the costs.

b. Finance and Investment Committee

Committee Chair Fry noted that investments at end of third quarter were \$46,790,000. Investments are up 16% this year which is higher than the index which is 12%. The index will likely become more conservative in the future, so returns may go down. There will be a report to the Board in August for the fiscal year by Rod Hennek '75, the chairman of the Investment Subcommittee. The committee is selected by the Finance and Investment Committee and meets approximately quarterly. All members are well-established financial planners and investors. Current members include Director Fry, Bill Jennings (USFAFA Professor of Management), and Kathleen Barchick '89 (investment counselor to the Falcon Foundation). Jerry Bruni, '70, Treasurer of the UE Board, has also joined the committee.

c. Governance Committee

Chair McClain asked Director Munson to do a brief discussion of Policy 1.0 of the Governance Policies, which includes the Ends Statements. Director Munson commented that we needed to think where we wanted to be in 10 years because Ends are an aspirational vector. He walked the directors through the Ends Statement and noted that there was no

mention of a single CEO. He mentioned that during the next three months, we needed to talk with the AOG staff, UE, and other Directors to get an idea of the vision for the future, and then redraft the Ends Statement, as needed. This will be discussed at the August Board meeting. Director Gunn offered to review Policy 2.0, Executive Limitations, and lead a discussion on it for the August meeting.

d. Awards and Recognition

Committee Chair Rock gave background on the Young Alumni Excellence Award for the new Board members and talked about how the caliber of packages for this second year were even higher than those received the first year. She also reviewed the February Board discussion on the potential for two additional awards – a mid-career award for graduates, 16-30 years post-graduation (similar to the Young Alumni Excellence Award) and a Distinguished Achievement Award, which would be of the caliber of the Jabara Award.

SVP Corrie Grubbs talked about the Distinguished Achievement Award and how it was intended to be a singular achievement rather than a lifetime achievement like the Distinguished Graduate Award. Nominations would be in a calendar year and recipients could be military or civilian. Winners would be recognized in February, included in the March issue of Checkpoints and 7258', and honored at the annual Founders Day dinner via a short video. This award would not have to be given each year, but could be given to more than one person in a year. The committee would consist of a Board member, senior AOG staff member, and three additional AOG staff members. The mid-career award is a little more difficult to encapsulate as accomplishments tend to be in a particular area like academics or space. The award would potentially have regional recognition like the Young Alumni Award, rather than headquarters recognition. Several Board members expressed a concern about having too many awards and not wanting to diminish any of the current awards.

A question was raised about the notable graduates depicted in Doolittle Hall. SVP McAllister explained that those were a recognition, not an award. An AOG committee determines which graduates should be recognized, and the display is occasionally updated. CEO Thompson explained that they wanted to identify notable graduates so that cadets and the general public could see the diversity of accomplishments of our graduates. Almost all of the notable graduates are displayed in both the Cadet Area and Doolittle Hall.

Brian Binn noted that we needed to think about what the Distinguished Achievement Award expectations would be from an Academy perspective. There is a USAFA instruction covering the Jabara Award, a display in Arnold Hall, and Mitchell Hall lunch, so if something similar is anticipated for the new award, the Academy needs to be made aware of it. SVP Grubbs did not think there would be any additional Academy requirements other than potentially being a part of the Founder's Day program. She also mentioned that award winners' Chapters would receive points for the Distinguished Chapter Award. Chair McClain reminded the Board that our purpose at this juncture was simply to decide whether to establish the awards. The committee will think through the details and come back with the exact criteria. The committee will also continue to consider the mid-career award.

MOTION: Director Mueh moved and Director Gunn seconded that a Distinguished Achievement Award be established. The motion passed unanimously.

XI. Class Advisory Senate Update

Director Dudley reported that he had challenged the Senators and other classmates to send out more factual emails. In an email to the Board on April 12, the CAS officially recommended that there be an information campaign to inform more graduates about the single CEO proposal and to look for a future vote. Forty senators voted for this official recommendation, and none opposed it.

XII. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8c.

XIII. Presentation by the Superintendent, Lt. Gen. Michelle Johnson

Lt Gen Johnson spoke about her recent meetings in Washington D.C. that took place in conjunction with the Commander-in-Chief's Trophy presentation. She provided an overview of accomplishments by the Academy over the last quarter as well as some updates on programs in the works. Gen Johnson noted that Brig Gen Kristin Goodwin '93 will become the Commandant on May 15 and that her top priority to pass along to her own replacement is the culture and climate at USAFA. She also talked about cadet assignments and how they are too preference-oriented, the need for more diversity, and how we might get cadets and the younger USAFA graduates to become more engaged. She noted that the 501(c)(3) organizations need to be a "team of teams" with a sense of unity.

XIV. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8b.

MOTION: Director Dudley moved and Director Gunn seconded that the Board will hold a referendum to change the Bylaws to facilitate a single CEO for the Association of Graduates and the USAFA Endowment. The goal is to hold this referendum no later than the January 2018 timeframe. The motion passed unanimously.

XV. Adjournment

Chair McClain thanked everyone for their work and for their faith and confidence in her as the new Chair. She adjourned the meeting at 5:43 p.m. MDT.

Note: Portions of the minutes have been rearranged from the time sequence to topical sequence.

Respectfully submitted,

Emma Ross, Recorder
Virginia Caine Tonneson, Secretary

Atch:

1. AOG Board Committee Assignments
2. AOG Board Minutes, 3 February 2017
3. CEO Brief to the Board of Directors
4. Operation Business Plan FY18
5. AOG Quarterly Financial Report
6. FY 2018 Operating Budget