

ASSOCIATION OF GRADUATES

UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING

6 August 2010

Provisional Meeting Minutes

DRAFT

Board Members Present: Terry Storm, '61, Chair; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Pat Rosenow, '76; Vic Andrews, '66; Steven Beasley, '93; Rip Blaisdell, '62; Roger Carleton, '67; Tom Lockie, '79; Frank Schmuck, '88; George Van Wagenen, '67

Board Members Participating By Phone: Brian Binn, '72, Vice Chair; Bill Stealey, '70; Jim Wheeler, '64. Mark Rosenow, '03 planned to also phone in, but his TDY duties prohibited that.

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Executive VP; Alton Parrish, CFO; Marty Marcolongo, '88, Senior VP for Business Development; Jack Mueller, '70, Director of Information Systems; Ruth Reichert, Executive Assistant

Members and Invited Guests Present: Dick Sexton, '60, President, Class Advisory Senate; Andi Biancur, '60, Heritage and Traditions Committee; Dr. Erv Rokke, '62, President, USAFA Endowment; Brig. Gen. (ret.) Ruben "Randy" Cubero, '61, President, Falcon Foundation; Lt. Gen. Mike Gould, '76, USAFA Superintendent; Col. Tamra Rank, '83, USAFA Vice Superintendent; Lt. Col. (ret.) Steve Simon, '77, Graduate/Donor Liaison, USAFA Development and Alumni Programs; Brian Burnett, UCCS Vice Chancellor for Administration and Finance; Col. Kathleen Harrington, '84, Permanent Professor and Head, USAFA Department of English and Fine Arts, ACE Fellow.

I. Call to Order

The Chairman, Terry Storm, called the meeting of the Association of Graduates Board of Directors to order at 0800 hrs MDT, Friday, 6 August 2010.

II. Pledge of Allegiance

Vic Andrews led the Board in reciting the Pledge of Allegiance

III. Approval of Consent Agenda

The Chair asked if there were any objections to the provisional minutes of the Board meeting on May 7, 2010; as there were none the minutes were accepted and will be filed and posted.

IV. Approve Agenda

The Chair offered the agenda to the Board for suggested changes; Vic Andrews requested adding "Heritage Trail briefing" under "Heritage Committee"; the Chair agreed.

V. Committee Reports

Bylaws Committee

Director Binn expressed his thanks to all the members of the Bylaws Task Force for all the work that was put into this document.

MOTION: Director Blaisdell moved to approve the Bylaws for distribution to the membership as drafted. The motion was seconded by Director Lockie.

Director Blaisdell gave thanks to everybody involved – the committee members; Binn, Howe, Mark Rosenow, Tom Hayden, and Ron Scott; Board members, Class Senators and Senate president, legal review by three lawyers, as well as numerous other graduates for their feedback. He also mentioned that the timing is good: the Governance Committee has until January to send the Bylaws to the election company to add to the ballot. He emphasized that most of the changes are for clarification or to correct oversights within the 2006 Bylaws; none of the changes are major. The Chair noted that AOG needs 25% of members to vote in order for an approval to comply with Bylaw requirements. The committee considered lowering this requirement, but as there was historical evidence of previous elections meeting this requirement, the committee decided not to include such a change. Director Blaisdell, noting that this motion is only to send out the draft to the membership, said that his committee is ready to consider further inputs and in fact plans on adding a category of “Replacement” Director to reflect those Directors that are appointed to fill vacated positions. Executive Vice President Howe added that he is developing a communications plan that includes giving the Bylaws revision, with cover letter, to those graduates who usually get questions about the AOG such as Senators, chapter presidents, and scribes followed by rolling it out to the membership. The proposed Bylaws revision will be posted on the AOG website, with changes marked.

Director Wheeler asked if this revision might not be the place to change the voter requirement for Bylaw changes. Director Pat Rosenow agreed, and had two other thoughts for possible changes: Board member compensation and better definition of meeting types to cover telephone/electronic meetings that are not really open to the membership. The Chair asked that these recommendations, and other proposed changes by directors be provided to the Bylaws subcommittee. However, the discussion that followed centered on whether the Board should now pursue a change to the voter requirement for Bylaws. After this discussion the Board Chair asked for a sense of the Board on the voter requirement issue and the majority felt that this change be considered at some later date.

The Chair called the question; the Board unanimously approved sending the draft Bylaws to the membership as written.

Finance & Investment Committee

Director Fry began his briefing by introducing Director Munson’s motion on Unrestricted-Designated Funds to give guidance to the Finance & Investment Committee. If passed, the Finance and Investment Committee would still be required to set ‘the foul lines’ for the CEO and specify the intent for those funds.

MOTION: With respect to unrestricted-designated funds this Board intends that their use follow the AOG’s Strategic Policy Governance philosophy; that is, the CEO has the freedom to use

unrestricted-designated funds at his discretion as long as their use is consistent with the FMIP and Executive Limitations in the Policy Manual.

Director Wheeler objected as the motion allowed the CEO to expend these funds at his discretion and thus changed the FMIP directions; Director Fry responded that the motion did not change the FMIP, the Board would still lay out requirements for their use. Director Van Wagenen thought the FMIP change in the last meeting required the CEO to get Board approval before using unrestricted – designated funds. Director Andrews said that the fund in consideration is really an operational reserve and thus best left to the CEO, rather than a strategic reserve which the Board could set up and hold. Director Munson noted that Board members were split in their interpretation on the FMIP wording; this motion clarifies that the Board's intent is to provide guidance and limitations for the fund's use and the CEO then can use the funds as long as he adheres to the guidance and limitations. Director Van Wagenen countered that this motion would allow the CEO to spend these monies however he wanted to. Directors Munson and Fry and the CEO reiterated this was not the case; the CEO could only spend those funds following the Board's intentions and restrictions.

The motion was seconded by Director Andrews. It passed 11-3: (Directors Wheeler, Stealey, and Van Wagenen voted against, Binn was not present).

Director Fry stated that the financial numbers for this meeting are all preliminary and will change. The final review will be done at the 2nd Board meeting of the fiscal year (at the December meeting) and again at the May meeting.

Heritage and Traditions Committee

Chairman Storm welcomed committee member Andi Biancur '60 to the Board meeting. He is also the 1960 Class President.

Director Andrews introduced the topic of the Heritage Trail with the goal of providing options to the Board for its use in the future. EVP Howe, using slides, showed the original concept for the trail, and provided three main alternatives and their projected impact over the next ten years, and summarized problems associated with the options. Director Andrews, and the committee's, initial preference was to extend the trail in the area of the already existing trail. Andi Biancur, in a quick history brief, described the original long-term vision as a war memorial that would include wars 'for the next 100 years'. He warned against continuing "band aid fixes," and asked for the Heritage Committee to propose a plan to the Board, and for the Board to make a decision. He said that his class will not commit funds until the Board approves a plan for the trail.

There was considerable, and wide ranging, discussion on both the merits and critiques of all the alternatives. Also there was discussion of how the Board should act at this meeting and what it should act on. To the thought by Director Lockie that 'heritage' not be restricted just to wars, the Chair responded that the agreement with the funding Class of '60 specified that the trail would be used to honor those graduates in combat.

A number of motions were considered. Chairman Storm suggested a motion for the Heritage Committee to eliminate the previous plan of the path to the promontory, and to continue it in the

existing Heritage Trail area. The Board Chair then asked the Heritage Chair for a motion to consider.

MOTION: Director Andrews moved that the Board follow the recommendation of the Heritage Committee and approve relocation and construction of the eastern Heritage Trail to a more western position that is to the left (west) of the current Heritage Trail beginning at the Memorial Wall. This project will be presented to the Class of 1960 for funding. [Slide depiction of the proposed trail is at Atch 2.]

The motion was seconded by Director Fry and passed unanimously.

The Board of Directors acknowledged the entry of Captain David Wisniewski, Class of 2002, on the Graduate War Memorial Wall. Captain Wisniewski passed away on 2 July 2010 as the results of wounds suffered when his helicopter was shot down in Afghanistan on June 9, 2010. (Electronic Board approval, July 12, 2010.)

Nominating Committee

Director Andrews contacted General Born for a list of female graduates who might be interested in running for the Board of Directors. He contacted everybody on her suggestion list, and three female grads are interested in Board or Committee membership. Director Andrews will keep the Board updated on the progress.

Director Andrews then presented a list of questions (approved by the Nominating Committee) the 2011 candidates will be requested to answer and asked the Board for suggestions.

Audit Committee

Director Van Wagenen briefed that the auditors are about to start the audit process for the fiscal year ending June 30, 2010. They will start in early September, and the audit will be completed by the end of October. This is the last year of the BiggsKofford contract – it is their last year of the second three-year contract with the AOG, and bids for next year will be going out at the end of the year.

VI. Class Advisory Senate Update

Senate President Sexton briefed the Board on the Senate meeting of July 28th. The CEO gave an excellent briefing on chapter development and updates to keep the members connected to the AOG. He received very positive responses from the Senate. USAFA Endowment VP of Development, Mark Hille, gave an update on their future plans, and AOG Board Chair, Terry Storm, talked about Board activities. President Sexton mentioned that Senator Grayson, Class of 1999, did a great job setting up a social networking process for the CAS, and that they have the AOG Senate on Facebook now. As president he has called for nominations for next year's Senate officers, who will take office in January 2011. The next major project is "Moving Forward 2011-2013." President Sexton congratulated the Board, AOG President & CEO Thompson and his staff because every recommendation that the Senate provided in previous CAS 'Moving Forward' papers is either completed or in progress. He has asked the CAS for inputs by 1 September as to where the AOG should be going in the next two years. He ended his briefing by telling the Board that General Gould might address the Senate at their November meeting.

Chairman Storm thanked President Sexton for instigating the task of updating “Moving Forward”.

VII. CEO Report

a. Quarterly Financial Update

The CEO presented the statements showing the AOG’s financial position, and the CFO continued with a page by page explanation of the financial statements, in both ‘Generally Accepted Accounting Practices (GAAP)’ and cash terms, together with a detailed management discussion and analysis. The CFO expects to have a net surplus of approximately \$400k at the end of the fiscal year. With regards to the AOG/Endowment cooperative agreement, the AOG has been receiving its agreed share of unrestricted donations to date; Director Carleton added that the Endowment reported that the sum of unrestricted donations received by both organizations is about \$840k. The quarterly report is at Atch 3. The CFO emphasized that these financial statement numbers are preliminary and will change.

b. Monitoring Reports

The CEO briefed the Board on the following monitoring reports: Financial Condition and Activities; Asset Protection; Investment Management. The CEO is in compliance with all of the Board’s Executive Limitations.

c. AOG Operations Update

The CEO briefed the Board on the following topics:

Chapters

There are currently 43,000 graduates, and the AOG now has 50 chapters, a rapid increase from 32 since March. The goal for growth was 40, so the program to add chapters has exceeded expectations. This has been for two reasons; the new Chapter Handbook proved to be extremely helpful and the AOG has dedicated resources to the program including hiring a ’99 grad, Stella Grayson as the graduate support specialist. In addition to chapters, we have signed up 26 ambassadors in not-so-highly populated areas.

The CEO reviewed new incentives for chapters and chapter presidents (using a points system), without legal or financial requirements for these affiliates. The CEO explained that chapters that complete core requirements and obtain Distinguished Chapter status will receive recognitions, financial awards (up to \$500 for their Founders Day program), \$300 worth of merchandise, and travel reimbursement for an annual meeting of Chapter Presidents in Colorado.

Membership

The AOG has instituted the new dues structure approved at the last meeting; this has been published on the web and on video. This includes a tiered price for life memberships and joint memberships for married graduates.

“Means”

The staff has gone through an extensive planning process and has, to date, a 19 page detailed draft Staff Strategic Plan for programs that they are doing, and will do, to achieve the Board’s Ends. The CEO briefed the Board on the details of the “Means” that the AOG is currently using, and plans to use, to meet each of the Board’s five Ends Statements.

VIII. Board Discussion

Director Andrews gave a perspective of the July 2010 Donor Summit, a two-day joint event of AOG and USAFA Endowment. All in all it was well done, and had a great agenda. There were older grads, younger grads, and even one set of parents.

Chairman Storm suggested that if USAFA Endowment and AOG have their Board meetings on the same weekend, the directors could have dinner together Friday night. Director Carleton added that the Endowment wishes to gather together all the non-profits that serve the Academy at their 30 Oct meeting. Their numbers show that Class giving for the Naval Academy is in the order of 30% participation, while USAFA grads average is 9.5%.

The Chair then asked the directors to go to policy 4.0, Governance Commitment, of the Governance Policy Manual and pointed out that the AOG Board is moving in the right direction. The Directors should all assist in meeting the Governance Commitment. Also, the committees of the Board should prepare their strategic plans.

IX. Guest Speaker Brig. Gen. (ret.) Ruben “Randy” A. Cubero, ’61, President of the Falcon Foundation

General Cubero was welcomed and introduced by Chairman Storm. He started with an overview of the Falcon Foundation and how they reach their goal: to get kids, who applied to USAFA and did not get accepted, a Falcon Foundation scholarship to help them get into the Academy. The Falcon Foundation mission is to give young men and women a second chance to go to the Academy.

X. Guest Speaker Lt. Gen. Michael C. Gould, ’76, USAFA Superintendent

General Gould was welcomed and introduced by Chairman Storm. After his introduction, The Superintendent specifically thanked the AOG for their support in welcoming and in-processing the Class of 2014. General Gould then introduced Vice Superintendent, Colonel Tamra Rank, ’83. Colonel Rank serves as chief administrator to the Superintendent and is the principal coordinating agent for command matters. General Gould gave an update of the Center for Character and Leadership Development with art renditions depicting what the building will look like. The Academy will finally have a building for Character and Leadership capstone events. He also briefed on the progress of the Indoor Training Facility. The Academy should get a green light from Congress within a couple of weeks, and according to the contractor, the facility should only take eight months to complete.

XI. Guest Speaker Brian D. Burnett, UCCS Associate Vice President for Administration for Foundation Relations

Mr. Burnett was welcomed and introduced by Chairman Storm. Mr. Burnett was accompanied by Colonel Kathleen Harrington, ’84, Permanent Professor and Head of USAFA’s Department of English and Fine Arts, who spent an academic year at UCCS as an American Council on Education Fellow. Mr. Burnett presented an overview of what UCCS does in partnership with the Academy, showing their involvement and integration.

XII. Board Discussion – cont’d

a. Policy 2.9 Executive Limitations

MOTION: Director Lockie offered the following motion:

“Add to the Policy and Procedures Manual, Policy 2.9 Board Awareness and Support, the following:

10. Fail to provide the board updates of AOG operations in those months board meetings are not scheduled.

11. Fail to provide the board “Read Ahead” materials fourteen (14) days prior to scheduled board meetings.”

After a short discussion Director Lockie withdrew his motion.

b. Ends Motion and Discussion

The Chair introduced the Ends discussion and the proposed change to the Policy manual that had been circulated by Director Stealey via the motion to vote process. He noted that considerable work had been done by the Board to produce those Ends currently in the Policy Manual and that they aligned with both the AOG Mission and Vision statements. The Secretary added that, from an administrative standpoint, Director Stealey’s proposed items weren’t Ends; two were actually written to be Executive Limitations, and that the others were stated as AOG ‘Objectives’. Director Binn noted that the Board can use the staff draft strategic plan to determine if it aligns with the “Ends”. The CEO responded that the Board evaluates him on two items: 1) staying within the executive limitations; 2) moving the organization towards “Ends”. He said, in his experience, the Board has the capability to measure his performance in achieving the Ends against their own standards. Using the example of Chapter development he continued that if he grew chapters ‘by two chapters or ten chapters, the Board can decide if that meets their standard.’ Director Stealey responded that the CEO has done very well with initiatives but as far as measurable goals ‘he has operated in a vacuum, in my opinion.’ The Chair noted that on the 20+ Boards that he has been with, or provided consultative services for, none have numerically measurable Ends of the sort proposed. Director Lockie pointed out that the CEO’s draft strategic plan included dates that could be used as a starting point for measurement. When Director Stealey was asked if he wished to make his motion, he replied “No.” The short discussion that followed was centered on the CEO responding to questions and clarifying that the AOG Staff’s Strategic Plan was for staff use. The Strategic Plan is not for Board approval, and it should not be used in lieu of the Executive Limitations and/or the Ends, though it can be used by the Board and CEO to show how the CEO has aligned his programs against the Board’s Ends.

c. CEO Evaluation Committee

MOTION: Director Andrews moved to approve three people for the CEO’s evaluation committee, namely Directors Binn (Chair), Carleton, and Pat Rosenow. The motion was seconded by Director Lockie and passed unanimously.

d. Board Meeting Proposal

Chairman Storm presented a proposal that was suggested at the last meeting to go to three Board meetings per year instead of four. EVP Howe provided his study of the practicality of having only three scheduled BOD meetings per year, and his proposal for scheduling these meetings and attendant problems that would be encountered. The Chair went around the room and, for a variety of reasons the majority favored keeping the schedule at four meetings per year. As there was no motion to change, the Chair declared that the BOD will continue to have four meetings per year.

e. Board Composition

Prior to this meeting Director Stealey had proposed, without formal motion, that the Board consider requiring that the Directors be more representative based on certain qualities such as geographic location, sex, etc. The Chair asked Director Munson to repeat the response he provided via email, which was that if the Board were to limit member choice of Directors based on criteria such as class, sex, geographic location, etc., it might not be legal, should be specified in the Bylaws, and would usurp the membership's freedom to vote for their choice of Directors. Director Andrews then read for the Board the Nominating Committee's Charge which directs the Committee to seek skills needed on the Board but gives priority to seeking candidates that have "a burning desire to serve the graduate community, the cadets, and the Academy; along with a willingness to make the commitment of time and resources needed to carry out that service." Chairman Storm asked for a motion on making a change to the Board composition. No motion was offered. Director Andrews asked all Board members to solicit new members and forward the names to the Nominating Committee.

f. Board Member Reimbursement

MOTION: Director Stealey moved to change Policy 4.10 to add the following:

"The AOG will pay Board members who live at least 200 miles from Colorado Springs and are from USAFA graduating classes who graduated less than 20 years prior to election or appointment up to \$500 per Board meeting for travel expenses. This proposal will not be retroactive but start with the next Board meeting and for only new members that join the Board of Directors after approval of this measure. The AOG will only reimburse for travel and lodging expenses (lodging only if the Academy BOQ is not available and paid for by the AOG). The Director requesting this reimbursement will provide receipts and documentation to the AOG for this reimbursement. Travel may include air transportation or driving direct expenses, and rental car fees."

The motion was seconded by Director Pat Rosenow.

Chairman Storm explained that the motion to reimburse had been voted down two years ago because of the financial status of the AOG at that time, and that some Board members thought it was inappropriate. He referred to the "Cost of Governance", policy 4.10, in the Governance Policy Manual and suggested there might be problems if there was not a change in Bylaws. Director Pat Rosenow (previous Governance Chair) said that it had been addressed before and thought not to be a problem, and current Governance Chair Binn agreed that reimbursement is not specifically prohibited. Director Schmuck, addressing membership questions, said that the rationale for reimbursement should be sold to the membership as a way to increase geographic diversity. Director Andrews said that the Board would then be trying to fix a problem where there is not even anecdotal evidence to support the contention that graduates don't seek Board positions because of the expense involved. CEO Thompson, in contrast to the Governance Chairs' opinions, said that his reading of the Bylaws from a legal perspective suggests that the expectation of the Bylaws is that each Director would pay his/her own expenses. He recommended that the Board make the Bylaws more explicit as a 'cleaner' way to make the change. Director Stealey said that he had experience with grads not wanting to run for the Board because of the expense involved. The Chair said that this is a 'hot button' issue that would make passing the Bylaws a problem. Director Munson said he has never heard of anyone

using expense as a negative for running for the Board, none the less, he was for this change, but not until the Bylaws are changed. Until that is done, the membership perception will be that the Board is 'just putting money in their pockets'. Director Van Wagenen said that the motion presented two years ago was far superior and did not discriminate between classes of Directors. Executive VP Howe said that Annapolis is silent on this matter and West Point says that 'directors may not be paid, but may be reimbursed for expenses occurred.' Director Lockie said that composition of the Board is more likely a function of the 'stage of life' that graduates are in and that compensation would be like 'pushing on a rope' in terms of increasing diversity. Director Wheeler, noting that this topic was controversial, said he favored tabling the motion rather than voting it down at this moment. Director Blaisdell said he was against it because he thinks it's a Bylaws issue, that he did not want it to be part of the new Bylaws, and he does not think the AOG should be allocating funds to reimbursement at this particular time. Director Beasley said he favors changing the Bylaws first, and he preferred the West Point language. Senate President Sexton offered to bring it up to the Senate to ask if they think it's a hot button. Director Binn did not approve of the wording of the motion, preferred a Bylaws change first and then carefully look at the wording of a change to reimbursement policy. Executive VP Howe said there were administrative problems to the language of this motion and suggested to either make the Bylaws silent on the issue or do what West Point does. The Chair called for a vote (Director Stealey was not on the phone anymore) and the directors showed unanimous opposition to the motion.

Director Pat Rosenow recommended changing the wording in the Bylaws, and Director Lockie suggested using the West Point wording. The Chair directed that the Bylaws Task Force to make a recommendation on the issue to the Board.

g. Next Board Meeting

The Board discussed moving the next Board meeting to October 29th, however, due to scheduling problems of some directors the next Board meeting will be as planned on December 3, 2010.

XIII. Unscheduled Business

Director Wheeler wanted to raise the issue of the way the CEO had conducted the Connection Project as he felt the CEO inappropriately wandered into the Board's policy area. Director Wheeler felt that before the CEO talks to anyone on an AOG policy issue he should confer with the Board first. Director Wheeler noted that there was not enough time to discuss this at this meeting. The Chairman agreed with the time constraint and said that this topic could be discussed at a later meeting better if there were a motion to amend Executive Limitations in that regard.

XIV. Adjournment

The Chair thanked the Board directors, AOG staff, and Senate President for their participation and dedication. He reminded the Board that the next Board meeting will be on December 3, 2010. The meeting adjourned at 1620 hrs (MDT), prior to a reception at the Superintendent's Carlton House.

Respectfully submitted,

Ruth Reichert, Recorder
Robert Munson, Secretary

Attachments:

1. AOG Board Presentation –
<http://www.usafa.org/about/governance/MeetingMinutes/August2010/attachment1.pdf>
2. AOG Heritage Committee Presentation –
<http://www.usafa.org/about/governance/MeetingMinutes/August2010/attachment2.pdf>
3. Financials – Management Discussion and Analysis –
<http://www.usafa.org/about/governance/MeetingMinutes/August2010/attachment3.pdf>