

ASSOCIATION OF GRADUATES

UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING

APPROVED Meeting Minutes

7 August 2015

Board Members Present: Roger Carleton, '67, Chair; Vic Andrews, '66, Vice Chair; Robert Munson '73; Secretary; Jack Fry, '67, Treasurer; Mike Torreano, '70; Drew Miller, '80; Cathy McClain, '82; Tamra Rank, '83; Wally Moorhead, '69; Steve Mueller, '79; Larry New, '76; Will Gunn, '80; Larry Fariss, '75; William Looney, '72; Garry Dudley, '68, President, Class Advisory Senate.

Board Members Attending via Teleconference: Kathleen Rock, '98.

Board Members not Present: Mark Rosenow, '03

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Exec. VP; Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo, '88, Senior Vice President for Business Operations; Bob McAllister, Senior VP for Communications; Corrie Grubbs, Vice President for Corporate & Association Relations; Emma Ross, Executive Assistant; Amanda Hess, AOG History and Heritage Projects Officer; Nick Johannsen, Communications.

Members and Guests Present: Gen (Ret) Stephen Lorenz, '73, President, USAFA Endowment; Col Dale Holland, '87, Vice Commandant of Cadets; George Van Wagenen '67.

I. Call to Order

Chairman Carleton called the meeting to order at 0830 hours MDT, Friday, 7 August 2015. He welcomed the newly elected and appointed Directors to their first Board meeting. Each member of the Board, old and new, and members of the staff introduced themselves.

II. Approve Agenda

There were no changes offered by the Board to the Chair's agenda.

III. Consent Agenda Approval

There were no changes or objections offered to Chairman Roger Carleton's request. MOTION: Director Roger Carleton moved, and Director Jack Fry seconded, that the Board approve the meeting minutes for 1 May 2015 (Atch 1) and E-Vote

minutes from 19 July 2015 (Atch 2). The motion passed unanimously.

IV. Staff Report

A. Review of AOG Performance

CEO Thompson, provided details of what the AOG has accomplished under the 2010 to 2015 Strategic Plan which focused on five key areas: Member Engagement, Communication, Academy and Cadet Connections, External Outreach, and Financial Sustainment. In each of those five areas the AOG has made significant improvements/progress (details in Atch 3).

CEO Thompson summarized that the AOG is on solid footing, but there is more work to do. His next Strategic Plan covers the next three years and is available for the Board.

B. Quarterly Financial Update

Senior Vice President for Finance and CFO Alton Parrish presented the quarterly financial report as of June 30 2015 (Atch 4).

Director Torreano asked that the Board to note that the ‘Heritage under Restricted Funds Support’ is reported in the amount of \$404,393, and that it deserved clarification. He commented “The majority of that money was not raised by the AOG. The majority of those dollars were raised by classes for heritage projects ... [and] transferred to the AOG. My point of that is to say that the AOG, at this point, has very little financial skin in the heritage game and I would like to encourage the AOG to budget and provide more of its revenue money...towards heritage projects.” He asked that the Board consider its own Heritage Preservation Fund as a possible source of funds “to help classes get class projects started.” Director Torreano continued to comment “there are disconnects between AOG and Administration on the Hill. My recommendation is to move the Heritage plan forward and start putting some real money into this arena”.

Chair Carleton asked that Heritage Committee and Finance and Investment Committee look further into this and make it an agenda item for the December Board meeting.

C. CEO Monitoring Report: Policies 2.4, 2.5, 2.6

CEO reported he was in compliance with all of the above.

D. Board On-Line Collaboration Tool

CEO Thompson opened by saying his wish is to do away with Board books and, instead, provide the materials electronically so the Board could reference the materials prior to, and during, the Board meetings. Also, in response to Director New’s request, his staff had looked into options for on-line collaboration tools. He introduced Nick Johansen, Programmer Communications, who discussed new tools, such as Confluence (to replace the Board books) and Slack (for Board

communication and collaboration that ties to email) (Atch 5). To Director Rank's question, Mr. Johannsen thought the Endowment was Dropbox, which was merely a file sharing program. After some discussion the Chair wanted to have the Board try both for the next meeting, but have the binders as a back-up for Confluence.

E. SEA Plaza of Heroes Update

Amanda Hess, Heritage and History Projects Officer provided the progress of the construction for the project. The completion date is 15 October 2015 and the dedication ceremony is set for 6 November 2015, during the class of 1965 and 1970 reunions.

V. Management Accounting Financial Information

Director Miller provided a presentation (Atch 6) to the use and benefits of managerial accounting which provides revenue and cost data by activities or "lines of business". Having the staff provide a breakout by each line of business would be more valuable for the Board to understand costs of different AOG activities and to gauge the relative effort going into programs the Board is interested in. Director Miller used the example of tracking AOG expenditures for the mentoring program.

After the Chair suggested that the Finance Committee look at this recommendation, Director Fry pointed out that management of the finances in this detail is what the Board charges the CEO to do. Chairman Carleton acknowledged that the Board would be 'getting into the weeds' if the Board were to track programs to this detail. Director Miller suggested that governance question could be considered by the Governance Committee; the Chair agreed and asked that the committee report back at the next meeting.

VI. Committee Updates

A. Audit Committee

MOTION: Director Torreano moved, and Director Dudley seconded, that Glen Strebe '87; Everett Vaughn, '63; and Barry Blackman, '65; be approved as non-Director members of the Audit Committee. The motion passed unanimously.

Chairman Torreano reported that the engagement letter for the new auditor, Stockman Kast Ryan + Co, has been signed. The audit will occur mid-September; the preliminary report will be scrubbed by the committee and feedback then provided to the auditors. The final report will be presented to the Board at the December meeting.

B. Awards & Recognition Committee

MOTION: Director Rock moved, and Director Andrews seconded, that Robin Downer '02; and Frank Staine-Pyne '98; be approved as non-Director members of the Awards and Recognition Committee. The motion passed unanimously.

Director Rock provided the committee purpose to the new Directors, which was

to recognize the outstanding accomplishments of younger graduates, defined as graduates that are 15 years or less from graduation. She recognized the tremendous help of the AOG staff in putting together the plan. At this point VP Grubbs provided more details of the Committee's plans. The web page for the Young Alumni Excellence Award (YAEA) will be up by 1 November, the advertising for nominations will start on 16 November with a deadline of 19 January 2016. Recommendations for the YAEA will be presented at this coming February Board meeting and the winners will be announced on 10 February. The awards will then be forwarded to the Chapters to be presented in their meetings in April and May.

C. Distinguished Graduate Award Committee

Director McClain reported that award guidance comes from USAFAI36-2815, but the committee does not adhere to the timeline specified in that instruction, wherein the nomination deadline is April one year prior to the award. The schedule that has been used is that the nominations are in by October, the committee then goes through its selection process and reports its choice to the Board at the December meeting, and the award is presented at the Founders Day dinner in April. Discussions have begun on re-structuring the process to consider separate nominating and voting committees, reaching out for nominations rather than waiting for them to come in, etc. EVP Howe noted that the AOG has already advertised for nominations, but none have come in to date.

D. Finance Committee

MOTION: Director Fry moved, and Director Miller seconded, that Glen Strebe '87 be approved as a non-director member of the Finance Committee. The motion passed unanimously.

E. Nominating Committee

Director New asked that his committee nominations be postponed until the December meeting; the Chair concurred.

F. Governance Committee

MOTION: Director Andrews moved, and Director Carlton seconded, that Bob Munson '73 be approved as non-Director member of the Governance Committee. The motion passed unanimously.

MOTION: Director McClain moved, and Director Torreano seconded, that the Board Schedule at the end of Chap 4 of the Policy Manual, be updated by:

1. adding the task of non-Director appointments to odd-year August meetings
2. adding 'action verbs' to scheduled items for clarity

The motion passed unanimously.

G. Heritage & Tradition Committee

MOTION: Director Mueller moved, and Director Looney seconded, that Andy

Biancur '60; Ron Yates '60, Dick Rauschkolb '70, and Robin Rand '79; be approved as non-Director member of the Heritage and Traditions Committee. The motion passed unanimously.

Director Mueller reported that the committee considered the question of whether to review the names on the Memorial Wall as criteria for death in combat has been judged by variable criteria in the past. The committee decided to not re-address decisions made in the past, even though there is many cases a lack of data as to how the decisions were made.

The other topic discussed by the committee was the Class of '89 'Valor Wall'; with which the class intended to place all deceased members of that class on that wall, regardless of cause of death. The committee did not feel that fell within the intended purpose of the Heritage Trail, and the committee wishes to have that discussed at the December Board meeting. The committee will work with staff to present the arguments for/against, and some alternatives for the Class of '89 that the Board can consider. Director Andrews added that, at the time the project was approved there was no Heritage Committee as the Board at the time had handed that responsibility to the AOG staff, and CEO Thompson noted that the decision criteria used at the time has been lost. Director Mueller, in closing, said that regardless the Class of '89 had approval and that the committee will have to broach the matter sensitively.

VII. Endowment Update

Gen (Ret) Steve Lorenz '73, Endowment CEO, announced that the Endowment had surpassed \$100M raised for the Academy since its inception in 2007. And the second quarter of 2015 was their best ever; it included \$6M in pledges toward a 'Profession of Arms' Chair endowment from the Johnson Foundation. Added to that was a \$5M anonymous pledge toward updating the football stadium (along with another \$5M verbal pledge made yesterday). The fund raising goal for the stadium rehab is \$30M total. The Air Force Academy Fund added \$1M in pledges as well in the second quarter. Gen Lorenz announced that they had just hired a Director of Research and Prospect Management bringing their total personnel number up to 18. By comparison West Point has 30 on its staff. The Endowment has only three Major Gift Officers; they could use three more as they cannot cover the United States. Chairman Carleton asked if Jennifer Bateman could address the Board at the next meeting and Gen Lorenz agreed.

VIII. Guest Speaker

Col Dale Holland '87, Vice Commandant of Cadets, briefed the Board on the status of BCT and the concept for training the new cadets. He walked the Board through the process of taking a spectrum of young men and women and spinning them into cadets that can be accepted into the Wing. Col Holland pointed out that, while that is the reason for BCT, more important is that the cadre of cadets doing the instructing be well taught, mentored, and guided through their training of the Basics. He pointed out that the preparation of the cadre begins six months before BCT starts. Col Holland

said that attrition for this year's BCT was a bit higher than last year, but not much above the historical norm. He said that the challenge of training to meet Air Force standards (which hasn't changed since he was a cadet) has increased because 'what society produces and hands the Academies at the front end has changed.'

IX. Senate Update

Director Dudley '68 provided an update on the status of the 4 temporary CAS committees established in January 2015:

1. Technology and Social Media: Scott Land '81 has circulated a small survey to help set the direction and boundaries of the effort.
2. CAS Operating Instruction update: Garry Dudley '68 and Bob Muldrow '67 will finalize and, after review by the Executive Committee it will be sent to the Governance Committee for review
3. Class Participation: Larry Bagley '66 will attempt to get a class rep from every class.
4. CAS Rejuvenation: Garry Dudley '68 and Jason Harris '01 and the Executive Committee will integrate the efforts among the other committees. Some initiatives include a review of the "Moving Forward" document, getting a more rounded roster of guest speakers, and a discussion of the mission of the CAS and the AOG.

X. Executive Session

Per the Bylaws Art V Sec 8c and 8d the Board went into executive session to discuss the Bennett Trust and the CEO Incentive Contract.

MOTION: Director Andrews moved, and Director Fry seconded, that the CEO be awarded \$17,050 performance bonus.

The Board, in executive session, discussed the CEO's performance against the bonus criteria following the metrics contained in the CEO Incentive Compensation Agreement for FY 2014-2015. The motion passed unanimously.

MOTION: Chairman Carleton moved, and Director Looney seconded, that a Board Task Force be charged with making a recommendation on the allocation and apportionment of the funds received from the Bennett estate. The Task Force will report to the Board not later than 30 Oct 2015. The Task Force will include the Chair, Vice Chair, Treasurer, CEO, EVP, CFO (advisory), and Directors Torreano, McClain, and Moorhead. The motion passed unanimously.

XI. Unscheduled Business

MOTION: Director Roger Carleton moved, and Director McClain seconded, that the Board approve a modification to the Board schedule to change the date of the 6 May 2016 meeting to 13 May 2016. The motion passed unanimously. The change was proposed to remediate a conflict with the Chair's availability.

XII. Secretary Report

Secretary Munson noted that all scheduled Board tasks had been accomplished and reviewed the Board's 'parking lot' for the next meeting. Chairman Carleton tasked Director Moorhead with reviewing Chap 2 of the Board's Policy Manual and making recommendations for changes at the next Board meeting.

XIII. Adjournment

Chairman Carleton thanked everyone for their work and participation and reminded the Board of the next meeting on 4 December 2015; he adjourned the meeting at 17:08

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

Respectfully submitted,

Emma Ross, Recorder
Bob Munson, Secretary

Attachments:

1. 1 May 2015 Board Minutes
2. 19 July 2015 e-Vote Minutes
3. CEO Review of AOG Performance
4. Quarterly Financial Report
5. Board On-Line Collaboration Tool
6. Management Accounting Financial Information Tool for the Board