



## **BOARD OF DIRECTORS MEETING**

5 August 2016 Meeting Minutes

APPROVED

**Board Members Present:** Roger Carleton '67, Chair; Vic Andrews '66, Vice Chair; Robert Munson '73 Secretary; Jack Fry '67, Treasurer; Mike Torreano '70; Wally Moorhead '69; Will Gunn '80; Kathleen Rock '98; Larry Fariss '75, Larry New '76; Steve Mueller '79; Drew Miller '80; Tamra Rank '83; William Looney '72; Cathy McClain '82; Garry Dudley '68, President, Class Advisory Senate.

**Board Members Absent:** Mark Rosenow '03.

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

**Members and Guests Present:** Brian Binn '72, USAFA/A8D, Mark Volcheff '75, President, USAFA Endowment; Terry Storm '61; Dick Sexton '60.

### **I. Call to Order/Chairman's Welcome (Roger Carleton '67 Chair)**

Chairman Carleton called the meeting to order at 8:15 a.m. MDT, Friday, 5 Aug 2016. There were no changes offered by the Board to the Chair's agenda.

### **II. Approve Minutes**

**MOTION:** Director Andrews moved and Director Looney seconded that the Board approve the 13 May 2016 meeting minutes. The motion passed unanimously.

**MOTION:** Director Looney moved and Director Andrews seconded that the Board approve the 5 Feb 2016 meeting minutes. The motion passed unanimously.

### **III. AOG Updates**

#### **a. Staff Report (William "T" Thompson '73, CEO)**

CEO Thompson provided the Board with an update of the AOG happenings this past quarter.

#### **i. Dayton Golf Classic.**

The Dayton Golf Classic drew good attendance. Dayton has a great chapter headed by Kent Shin, President.

ii. Joint Services Academy Alumni Executive Conference.

The CEOs from the five service academies along with selected members of their senior staff attend this conference which is held once a year, on a rotational basis. The organizations are all different but the same, dealing with similar issues. Overall a great event.

iii. Service Academy Global Summit – Singapore

This was the second year for this summit, and the first our AOG participated in. CEO Thompson was a guest panelist as were Maj Gen (Ret.) Sharon Dunbar '82, Senior Vice President of General Dynamics and Brig Gen Cory Martin '91. Great show by our grads.

- iv. In processing for the Basic Cadets this year went very well. Some 1,175 appointees processed in through Doolittle Hall. Thanks to our Business Operation teams, we did \$106K of business that week. Director Looney asked, "Are we still prohibited from signing up appointees for AOG membership?" CEO Thompson replied, "We tested a new membership program last year called The Family Plan which was a little different than the WebGuy sign up we had been using in the past. The WebGuy sign up was a Parent Membership which gave them access to WebGuy, a program where AOG staff post pictures online, and the parent could log on to see what their cadet was doing. We also tested what we call the Family Plan which gave parents [web access for the four years their child is a cadet, and lifetime digital Checkpoints] and they could buy their cadet a lifetime membership. We usually run high 70s, mid 80s [percentage] in terms of parent sign ups and about half of the parents, which was 450, chose the Family Plan last year. This year we eliminated the regular sign up with the only option being the Family Plan. As we went along, we were running ahead from last year when we had both options. VP Grubbs inserted "73% are in the LMAG programs." CEO Thompson said the parents are buying long term and as that process plays out, it's going to take care of our membership problem. Looney added "whoever came up with the idea that was good thinking out the box." CEO Thompson replied, "It was a team effort."

v. BCT Heritage Briefs at Doolittle Hall.

Under the Commandant's request, the BCT squadrons came to Doolittle Hall for a two hour block. They received an overall brief from AOG Executive Vice President Howe on heritage, then walked around Doolittle to see the displays, and then the Southeast Asia Pavilion and Plaza of Heroes. This worked out well and received good feedback from the Commandant's side.

vi. Vietnam War Commemoration.

The AOG has become a partner with the Vietnam War Commemoration Commission which is under the Department of Defense. They came to speak with the Superintendent and the AOG was asked to be involved since Doolittle Hall has a display recognizing our

Southeast Asia veterans. The Commission was provided a tour of the SEAP and Plaza of Heroes. VP Grubbs explained that becoming a Commemoration partner does not cost but the AOG would have to go through a vetting process. The AOG agreed to host two events annually for three years in five different areas that recognize those who were part of the Vietnam War. CEO Thompson said the AOG will do this in conjunction with class reunions.

vii. AOG Career Center

The Career Center is up and running. It has been well received, especially the job portion. Grads have been asking for more job opportunities, so now you can go straight to the site.

viii. AOG Survey

CEO Thompson reported that the survey is out. Emails went out to selected grads, followed by articles in 7258' and ZoomiEnews. 1300 responses were received (3.8%). Within the contract the AOG has the opportunity, as we get the initial results back, to dig deeper in selected areas. When the results are in and fully tabulated they will be shared with the Board. Director Looney said he was concerned about the survey response being low; with this low percentage, he wasn't sure this is worth doing. CEO Thompson thought this was a good point. Secretary Munson elaborated that surveys are prone to multiple biases so caution must be taken with their construct and, more importantly, how the results are interpreted and used. CEO Thompson responded that this company was picked out of consideration of those problems. VP McAllister added that Qualtrics, one of the leading survey companies in the nation are experts and know what to look at in terms of the questions.

ix. AOG USAFA App

CEO Thompson announced the new phone app for the AOG is now live.

x. Heritage Trail Video

The AOG has chosen a vendor to help us with a video we are producing to introduce and/or market the Heritage Trail to the graduate classes during reunion cycle. More to come on this as we are in the production phase.

b. Quarterly Financial Update (Alton Parrish, CFO)

CFO Alton Parrish briefed the Board on the statement of financial position for the AOG as of 30 June 2016 (atch 2)

c. CEO Monitoring Reports

The CEO reported he is compliance with the following items: 2.4 Financial Condition, 2.5 Asset Protection, and 2.6 Investment Management.

d. Slack Alternative Collaboration Software (IT)

Johnny Bollman, Help Desk Specialist, presented Office 365 to the board as a collaborative tool to communicate privately with sensitive issues.

#### IV. Committee Updates

a. Nominating Committee

Director New reported that to date the committee had identified nine candidates for the upcoming Director elections, and provided the Board with brief biographies of each. The Committee will present at least 10 candidates for Board nomination at the December meeting.

b. Heritage and Traditions Committee

i. Director Mueller provided the Board with a rendering of the A26/B26 Invader plaque planned for the SEA Pavilion. There were no objections from the Board.

ii. AOG Hall concept feasibility

CEO Thompson told the Board that the concept had merit if the Endowment continued to need more office space in Doolittle Hall. Doolittle Hall meeting space could be re-purposed to office space, and the additional AOG building would then be the main meeting areas for reunions and social functions. However, the Superintendent's priority list already has more capital projects than is optimum for a Comprehensive Campaign, and there is some push to add the planetarium rebuild as well. CEO Thompson concluded that the time may not be right as the concept has not been fleshed out and it would compete for donor dollars with the Superintendent's priorities. Brian Binn concurred, saying that the AOG Hall concept might not survive as the Academy is considering how the current Visitors Center might be re-purposed if a new one is to be built. Director Mueller offered that graduate donors might respond to the AOG Hall as more relevant to them than the Superintendent's priorities. Director Andrews agreed, and said that the concept should not be discounted by the Endowment. [Secretary Note: discussion of this topic continued with Mark Volchef's presentation]

c. Finance and Investment Committee

i. Review Investment Report: Rod Hennek '75, Chair of the Investment Subcommittee provided the report to the Board. In summary he was disappointed in the performance of the AOG's portfolio in the last year as it lost 8.76% in value against a 'balanced index' benchmark of -1.99%. For the future he was pessimistic about the ability of any investment strategy in the current market to meet/beat 7.18%; that return would be needed for an endowment to maintain its value. The calculation consists of 3.5% withdrawal, management fee of .83%, AOG management fee of .75%, and 2.1% inflation rate.

ii. Class Gift Funds: Treasurer Fry reported that of 36 Class Funds only two were active. Some lack documentation, the intended purpose for others is no longer relevant. Some

funds are small, some are significant. He proposed that the classes be informed, and be provided with an explanation for re-directing their funds to another purpose.

MOTION: Director Andrews moved, and Director Gunn seconded, that the AOG CFO and Board Treasurer develop processes and policies for [inactive] Class Gift funds. Once these are finalized, the AOG CEO contact all classes with information for repurposing these funds. The motion passed unanimously.

d. Governance Committee

i. Bylaw Review TF Recommendations

Director Andrews reported that if the negotiations with the Endowment on a single CEO come to an agreement acceptable to the AOG Board, then about 10-15 changes would be needed to be proposed to the membership. There are about another 10 administrative changes to be considered as well. All these would be proposed to the Board at the December meeting.

ii. Proposed Vision and Mission statements

Director New said that in his discussions that a new vision statement was worth considering, but that he did not recommend changing the mission statements.

MOTION: Whereas this Board plans to propose Bylaws changes to the membership at the upcoming elections, Director New moves, and Director Rank seconds, that the vision statement in the Bylaws be changed to read as follows: "Graduates unified to support the Air Force Academy's highest ideals and legacy."

After a short discussion on whether the mission and vision statements should be a part of the Bylaws, the motion passed unanimously. Secretary note: this will be part of the Bylaws changes that will go to the membership for approval.

**V. Guest Speaker: Brigadier General Kevin Lamberth, outgoing Vice Superintendent**

Brig Gen Lamberth announced that as of today he is awaiting assignment and the new Vice Supt is Col Dave Harris; other incoming personnel are Ms. Kim Teburgge as Chief Communications Officer, Lt Col Allen Herritage as Public Affairs, and Col Mark Anarumo Commandant/Permanent Professor for the CCLD.

Brig Gen Lamberth outlined the status of the Superintendent's priorities: Visitor's Center, Air Gardens refurbishment, stadium scoreboards, planetarium re-build, and refurbishment of the chapel. He reported that the Cyber Center is active with personnel in place with an IOC of FY17, and that 34 further personnel are in the FY19 and FY20 POMs. The new Center building is planned to be funded with public/private sources.

**Guest Speaker: Brigadier General Stephen Williams '89**

Brig Gen Williams reported on the status of BCT: 1,168 in processed and 44 have departed to date. He gave kudos to in-processing at Doolittle Hall which he reported was the fastest in 20 years. He outlined his emphasis on repeated heritage training done by the upper-class, and said that the tour for Basics of Doolittle Hall and the Heritage trail was terrific.

## **VI. Endowment Update**

Endowment CEO Mark Volcheff thanked the AOG for their commitment to contribute \$75K in support of the Comprehensive Campaign feasibility study and \$1.5M for supporting the campaign itself. They are currently interviewing new hire candidates and plan to bring on 17-22 personnel in the next three years. He added that there is typically a nine dollar return for every dollar spent on development personnel. They are also engaged in the campaign feasibility study and will be interviewing 60-70 donor prospects to identify how large a campaign should they plan for and what projects appeal to donors. CEO Volcheff went on to say that the campaign would start with the 'Leadership' phase next year; the campaign's public launch would be in 2021, and it would end in 2025.

Chairman Carleton, noting that hiring chart showed an 'Athletic Development Officer', asked if AFAAC was paying for that person; CEO Volcheff said that the Endowment was paying for it because they needed an Endowment employee to coordinate those gift asks. To Carleton's follow-on question on whether there was a specific development officer for the AOG, CEO Volcheff said that would be handled by all the development officers as a shared responsibility. Chairman Carleton responded that the AOG expects the Endowment to push AOG priorities; the AOG pledged \$1.5M for the campaign and that 'we expect a return on investment similar to what has been achieved.' Volcheff: "agree 100%".

Director Andrews recommended that the AOG's priorities be included in the feasibility study, and CEO Volcheff agreed that they should. Director Looney said that he would expect that the Endowment's gift priority list would include inputs from the Superintendent, the Endowment, and the AOG and that the Endowment's focus would not be just on the Superintendent's priorities. Volcheff: "it isn't." Director Rock asked if the AOG could have the results of the feasibility study; and Volcheff indicated that that shouldn't be a problem.

To a question on funding support, Brian Binn answered that the Academy agreed to not take their usual 15% distribution from the Air Force Academy Fund for three years to allow more support for the Comprehensive Campaign. And to a complaint about the difficulty in finding the Long Blue Line Endowment on the Endowment donation website, CEO Volcheff said he would work with the AOG to fix that.

## **VII. Class Advisory Senate update**

Director Dudley presented the CAS' summary recommendations "Moving Forward" to the Board (Atch x). He summarized the four parts: recommending the Board move forward on negotiations with the Endowment with cautions, recommending that the AOG email contacts be updated, reporting graduates wanted a method to provide feedback to the Academy (while acknowledging the AOG is not the path), and suggesting that ways be sought to bring the Air Force and the Academy closer together. Secretary Munson noted that the CEO, per Board policy, is prohibited from providing recommendations/opinions to the Academy staff on issues that do not affect the AOG,

and the Board itself has historically avoided doing the same formally/publicly per previous Superintendent's wishes. Chairman Carleton noted that it does happen that senior staff can be provided with input unofficially. Brian Binn agreed, saying that the Superintendent welcomed feedback unofficially; her CAG or Exec will review correspondence from graduates and then a decision will be made as to whether to respond.

### **VIII. Executive Session**

Per Bylaws the AOG Board went into executive session to discuss the ongoing negotiations with the USAFA Endowment, and the CEO evaluation.

MOTION: Director Gunn moves, and Director Moorhead seconds, that the AOG Board provide the full annual bonus of \$5000 in consideration of CEO Thompson's performance in the last year. The motion passed 13-2 (against: Torreano, Farris).

Note: The total bonus was \$19,000 which was based on overall performance; \$14000 was tied to specific metrics which the CEO met and \$5000 was Board discretionary based on overall performance.

### **IX. Other Business**

Director Fariss asked the Directors to set the example to all AOG members by donating to the Academy or the AOG. He pointed out that it is the Board's own policy that encourages Directors to do so, and it is the right thing to do.

### **X. Adjournment**

Chairman Carleton thanked everyone for their work and participation and reminded the Board of the next meeting on December 2, 2016. He adjourned the meeting at 1730.

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

Respectfully submitted,

Emma Ross, Recorder  
Bob Munson, Secretary

Attachments:

1. AOG Budget for 2017
2. AOG 2016 3<sup>rd</sup> Quarter Financial Review
3. Changes to FMIP 1.12 and 1.13
4. CAS, Moving Forward 2016