



BOARD OF DIRECTORS MEETING  
13 May 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; Kathleen Rock '98; Larry Fariss '75, Larry New '76; Steve Mueller '79; Will Gunn '80; Drew Miller '80; Tamra Rank '83; Garry Dudley '68, President, Class Advisory Senate.

**Board Members not Present:** William Looney '72; Cathy McClain '82; Mark Rosenow '03.

**AOG Staff Present:** William "T" Thompson '73, President & CEO; Gary Howe '69, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo '88, Senior Vice President for Business; 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:** Maj. Gen.(Ret.) Mark Volcheff '75, President, USAFA Endowment.

I. Call to Order

Chairman Carleton called the meeting to order at 8:30 MDT, Friday, 13 May 2016.

II. Approve Agenda

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

III. Maj Gen (Ret) Randy Jayne '66, Chairman of the Board, USAFA Endowment.

Randy Jayne addressed the AOG Board by speakerphone. He outlined the Endowment's fund raising efforts compared to the sister academies, and pointed out that new CEO Mark Volcheff '75 was working to begin the Comprehensive Campaign. This information was a lead-in to the topic of reaching an agreement on a single CEO for both organizations. He said that the benefits would be to bring the organizations closer together, improve the joint staff, save money through efficiencies, and send an important signal to graduates. He emphasized, as a final comment, that the CEO is not a merger of the two organizations; he didn't believe that goal would be easy and not worth the time and effort. The next step would be a joint working group to create a checklist for making the joint CEO happen.

#### IV. Strategic Planning Hierarchy

Director Larry New walked the Board through the process of reconsidering the AOG Board's Strategic Plan Hierarchy as the Board focuses on what is important to the organization as it considers forming a closer relationship with the USAFA Endowment. Going through this process will be important to 1) help with the Endowment negotiations, 2) help with developing necessary changes to the Bylaws, and 3) more importantly, help clarify our purpose.

The Board is responsible for first developing the Vision of the organization which should succinctly answer the question "why do we exist"? When that is answered clearly, the Board then needs to develop the organization's mission statements which define "what we do". The mission statements are the basis for developing the AOG Board's strategic plan (Secretary comment: The Board's Ends policies) for accomplishing its mission. Under the AOG's governance model, the CEO is then responsible for establishing its operational strategy with the goals and objectives to execute the mission while, in turn defining the requirements (structure and resources) that the organization needs to execute the operational strategy. Director New recommended that the Board go through this same process with the Endowment to define the overlap in vision and mission, and that would lead to how the two organizations should re-organize together.

Director New said the starting point was the AOG's vision statement, which should be short, easy to remember, easy to explain, and inspirational. Director Andrews pointed out that the AOG vision, simply stated, is to support the Academy and support the graduates. Director New responded that he borrowed from the Naval Academy's vision and came up with a 16-word vision that was consistent with this: "Perpetuate Air Force Academy legacy, and bind graduates together in support of the its highest ideals." Director Andrews responded that this vision statement was shorter but did not capture the essential elements of the AOG's purpose. Secretary Munson offered "U.S. Air Force Academy graduates serving their fellow graduates and their Academy." This was followed by a discussion about whether the Board should agree to a new vision and mission before going into discussions with the Endowment. Chairman Carleton said that this presentation was meant to discuss the process to help the negotiators with their task and that, due to time, the Board should continue the discussion of a better vision leading up to the next meeting. In closing, Director New recommended that the negotiators use this process in starting the negotiations, emphasizing that experience shows to do otherwise leads to failure.

Chairman Carleton tasked Director New to draft proposed vision and mission statements with a small Governance Committee team (and anyone else who wants to help) for the next meeting.

#### V. Executive Session

Per the Bylaws Article V, Section 8d, the Board went into Executive Session to discuss bringing the two organizations closer together. The following motion came out of the session:

MOTION: Director Carleton moved, and Director Rank seconded, that the AOG Board direct its negotiating team to seek agreement on a more formal, collaborative relationship with the USAFA Endowment that will benefit the AOG and its membership without compromising the three key elements of the AOG's mission. Any such agreement must include a common set of governing policies as well as establishing joint committees populated by the two Boards that will ensure operational disagreements are resolved quickly and fairly.

Director Mueller moved, and Director Miller seconded, that the motion be amended with the following: The AOG Board directs the negotiating team to bring the following top considerations, in order of priority highest to lowest, to the negotiations:

- 1 CEO, 1 Board, 1 set of Bylaws, integrated staff (West Point model)
- 1 CEO, 2 Boards, 1 set of Bylaws, 1 integrated staff, MOU and Operational Support Contract (OSC) TBD
- 1 CEO, 2 Boards, 2 sets of Bylaws, 1 integrated staff, MOU and OSC TBD, detailed operating instructions (Annapolis model)

The amendment was approved unanimously; and the amended motion was then approved unanimously.

## VI. Committee Updates

### 1. Nominating Committee

Nominating Committee Chairman New offered the following motion:

MOTION: The Nominating Committee moves that the AOG Board charge the Nominating Committee to seek candidates for election with the following characteristics:

- a. Executive experience (Business Executive, Wing Command) - rationale: experience with the difference in strategy and execution, and the conduct of both
- b. Financial experience - rationale: experience with the prioritization and distribution of assets in pursuit of strategy
- c. Diversity (graduating class, gender, ethnic, racial, geographic) - representative of the AOG customer sets and not susceptible to a non-representative perception
- d. Committed to attend meetings in accordance with the bylaws: "being able and willing to afford the travel to and from Colorado Springs at least four (4) times each year and able to afford the time away from his/her profession to attend these meetings and for related work"

Director New pointed out there will be five director positions open and the Board will have to ensure there are at least ten candidates on the ballot. The motion was approved unanimously.

## 2. Heritage and Traditions Committee

### a. Heritage Initiatives and Preservation Fund

MOTION: HTC moves that the 4 Feb motion on the Heritage Initiatives Fund be replaced with the following: The AOG Board accepts the recommendation from the Heritage Committee to establish a source of funding to support new heritage programs. The Board accepts the Treasurer's and Finance Committee's recommendations that the AOG take the following actions to expand support of AOG Heritage programs:

- (a) Rename the Board-designated Heritage Preservation Fund to the Board-designated "Heritage Initiatives and Preservation Fund" (HIPF).
- (b) Re-purpose the Board-designated Heritage Initiatives and Preservation Fund as follows: to be used at the direction of the AOG CEO to
  - (i) Provide for maintenance of completed AOG Heritage projects
  - (ii) Fund strategic and near-term planning needed for future heritage programs
  - (iii) Support potential donor initiatives up to and including advance funding to be repaid out of the funds raised, and grants, at the discretion of the CEO
- (c) The new Board-designated Heritage Initiatives and Preservation Fund will be established 1 June 2016 with the entire combined funds of the previously Board-designated Heritage Preservation Fund and \$200,000 from AOG Unrestricted funds available for operations.
- (d) The CEO will promote the HIPF to the graduate community and may use these funds as needed in support of these Heritage needs without prior budget approval.

This motion was the outcome of discussions between the Heritage and Traditions, Governance, and Finance committees as well as the AOG staff members. The motion passed unanimously.

### b. Proposal for AOG Reunion Hall

Director Mueller asked the Board to consider a committee proposal for the Board to direct the AOG staff to look into the feasibility of an "AOG Reunion Hall" and have that concept presented to the Endowment for fund raising.

MOTION: The Heritage and Traditions Committee moves that the Board direct the AOG staff to move forward with determining the feasibility of the concept (see attached paper) of constructing an AOG Hall as part of the comprehensive campaign.

This prompted a discussion involving most of the Board; the important points follow. The benefits are that graduates would have a larger and more accommodating meeting place for reunions and other events; it could serve other purposes such as an Academy museum; it would allow more office space in Doolittle Hall; the Academy Air Base Wing could use it as well; and such a project would be attractive to donors. On the other hand, it was pointed out that reunions generally do their socials in hotels, current security constraints have limited the use of Doolittle Hall and would constrain the new building, the Academy is currently planning to put a new visitors center outside the gate; the Academy and Superintendent would have to buy into the concept; and finally, the Board and the Endowment have not yet voiced a need for more space. This final point was emphasized by CEO Thompson who said that the Academy would have to see a compelling need for a building before they would approve it. The Endowment's plan for growth may create the need for more space if they wish that their added staff be located in Doolittle Hall. The CEO said he would discuss this with the Endowment CEO. There was discussion that the term "Reunion" Hall was not appropriate and the Chair re-read the motion without that word.

The motion passed unanimously.

c. Concept design for aircraft plaques for the SEA Pavilion

MOTION: The Heritage and Traditions Committee moves that the Board approve the concept design for plaques depicting/memorializing the mission and the aircrew flying the C-130 and B-52 in the SEA conflict.

Director Mueller told the Board that there would be plaques depicting aircraft flown by graduates in the SEA conflict. He provided a description, a color rendering, and the format of the plaques' design.

The motion was approved unanimously.

3. Finance and Investment Committee

Director Fry briefed the Board on recommendations on Financial Management and Investment Policy (FMIP) changes secondary to the audit report that would make sections 1.12 and 1.13 clearer as well. In summary the changes would require the Board to review the status of funds every three years.

MOTION: The Governance Committee moves that sections 1.12 and 1.13 be changed as depicted in Atch 3.

The motion passed unanimously.

4. Board Governance Committee: Policy Chap 3 Discussion/Recommendations

a. Director Fariss briefly reported that his review showed that just a few word changes should be considered in Chap 3 and offered the following motion:

MOTION: Director Fariss moves, and Director Andrews seconds, that the following changes be made to the Policy Manual:

1. Change Policy 3.0 to replace "AOG Strategy" with "AOG Operational Plan" throughout the policy (3.3C, 3.4, 3.4A, 3.4B, 3.4E)
2. Change Policy 3.2 to read "The CEO is the Board's only link to the AOG's operational achievement and conduct....."

The motion passed 12 Directors for, and one abstention (Miller).

- b. Bylaws Review Task Force Recommendations: the Bylaws discussion took place in executive session as the most significant changes would be factors in discussions with the Endowment.

## VII. CAS Update

CAS President/Director Dudley reported that their committee under Tom Fleming '69 put together the next "Moving Forward" document has surveyed the class senators and is drafting a paper for the CAS Executive Committee to review. The Class Participation committee under Bruce Mitchell '75 has sent out emails to all contacts for classes lacking representatives. The Technology and Social Media Committee under Scott Land '81 is working with the AOG SVP for Communications to look at possibilities for improving the senate processes.

## VIII. Staff Report

### A. Approve Budget

Director Fry sent out the budget to the Board members for review prior to the meeting, but wanted to highlight a few items before asking for approval.

"Our projections up & down from last year. We were fairly close. We had an overall reduction of 12% of our net assets. A large portion of that splits 50/50 is a transfer from Moeller Funds (\$4MIL) that we carried as an asset until we sent it over to the Academy. "It's also better than 4 MIL in investment losses that are accruable to the operations. The current budget has a slight increase in both operations and expenses. The portion that we are potentially taking from investment earnings is back up to over \$800K which is how it been for several years except for last year when we allocated \$400K from Bennett Trust. This budget is better than 4% projection in growth. Whether that will happen or not, that is the basis of the budget going in, but we have \$2MIL reserve for those type of things."

CFO Parrish added, "We know that the markets are contracting. Last year we budgeted a 4.3% return on a larger portfolio and this year 4.2% on a smaller portfolio due to the things that you mentioned. Largely, other than a few things identified in the Executive Summary, which precedes the budget, we do a write up on those 5 areas from the 'ends' statement that the Board set up many years ago. We try to identify what we are doing in

those. For the most part, with the exception of a few things, they're pretty standard. The budget is pretty much set and we will continue to do what we do".

MOTION: Director Fry recommended that the Board approve the budget for FY17. The motion passed unanimously.

#### B. Disposition of Restricted Funds

CFO Parrish provided a summary of discussions from February about certain Restricted Funds that were evaluated and it was determined that they are no longer active. With that review, there were certain dispositions that were recommended. They were discussed with the Academy representative, Brian Binn and his group and came to a final disposition that was approved by this Board in February.

With the exception of three items, those that were identified with recommended dispositions were taken care of. A year ago, money was received back from the treasury that we had gifted to the Academy; the Olmstead ROTC Cultural Immersion Program \$34K. They didn't use it after a certain amount of time, so they have to return it to the donor, and they did. Now that the Endowment receives the Olmstead Annual distribution, the AOG has to decide what to do with the \$34K, etc. Another one is the Quasi Endowment from the Class of '65 that was primarily established by Bart Holaday and others many years ago to support character and heritage. We have not had discussion with the Class members represented by Terry Drabant and with the Academy. The third one is a true endowment, the 305th BGMA Endowment that was established in the 1980's.

Jack Fry stated, "Bottom line is 25 of the 28 recommendation have been completed. The three remaining: The Olmstead Foundation is still under discussion. The '65 Character/Heritage is a CMA action to work on, and the 305th is an endowment to support leadership, has been changed and not used in the past, but has had the restriction removed. That one will remain with no action. It's there for the Academy to support leadership activities. In 2 1/2 years it will be reviewed again. Having done this clean up, I think we have a good look at whether funds have been distributed or are being used and have an opportunity to provide stewardship to those funds in the future".

Mike Torreano asked why the Quasi Endowment for Class '65 is being outsourced to CMA and not being worked in house. CFO Parrish explained that CMA needs to get involved to identify where their need is. That's really what that comment is supposed to mean; in consultation with the Academy to identify a need, then Terry and Bart would be consulted.

#### C. Quarterly Financial Update

Senior Vice President for Finance and CFO Alton Parrish presented the quarterly financial report from March 31, 2016 (Atch 2).

#### D. Career Services/Mentor Program

Director Miller asked when the Mentoring program will begin. SVP Marcolongo replied, “The four other academies are involved in the career services platform. As I briefed last time, they wanted to get through the D.C. SACC; they did that Friday, so they are prepping the final communications plan. We should see something coming from the system in two to three weeks when they close the door on SACC. Because they used the platform for processing the D.C. SACC this time, which was the largest they had with 800 candidates and 100 companies. You should see that coming through email addresses giving you the log-in so that you can start doing your mentoring program or for the entire grad community, the career services if people are looking for jobs.”

Director Miller asked if we are going to be promoting this through the web or Checkpoints. SVP Marcolongo replied, “Because it will come out after the June Checkpoints, the first thing you will see is through email and also newsletters. Then you will see something come out with each phase. Part of the messaging is Career Services because we want people to know they shouldn’t be waiting until the last minute; you get people who show up at these career conferences who are getting out of the service in 30 days. So we are trying to say that it’s a two-year, 18-month, or 12-month process before they get out. You will see two types of messaging coming out, Career Services and Mentoring. That’s to ensure that if someone sees ‘Career Services’ in the title, and they are not looking for a job, they will delete it and not see the mentoring piece; therefore, we will also email with a ‘Mentoring’ subject line as well.”

#### E. CEO Monitoring Report: Policies 2.1, 2.3, and 2.9

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

#### IX. Secretary Report and Tasks Secretary Report

Secretary Munson asked the Board for its input on the use of “Confluence” and “Slack”. Overall the Board did not like the Slack program and opinion was mixed on Confluence. The consensus was to continue the use of Confluence, while the IT staff will look for an alternative to Slack.

#### X. Adjournment

Chairman Carleton thanked everyone for their work and participation and reminded the Board of the next meeting on August 5, 2016. He advised everyone to be prepared for the possibility of two- day meetings in August depending on AOG/UE discussions. 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 Quarterly Financial Review
3. Changes to FMIP 1.12 and 1.13