



BOARD OF DIRECTORS MEETING

8 February 2019 Meeting Minutes

APPROVED

Board Members Present: Cathy McClain '82, Chair; Wally Moorhead '69, Vice Chair; Jack Fry '67, Treasurer; Ginny Caine Tonneson '80, Secretary; Hans Mueh '66; Larry New '76; Frank Gorenc '79; Steve Mueller '79; Will Gunn '80; Glenn Strebe '87.

Board Members Present Via Telecon: John Vargas '96; Kathleen Rock '98; Mark Rosenow '03; Doug Brower '72, President, Class Advisory Senate.

Board Members Absent: Emma Przybyslawski '10.

AOG Staff Present: Marty Marcolongo '88, President and CEO; Steve Simon '77, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Corrie Grubbs, Senior Vice President, Operations; Jeffrey Holmquist, Director of Communications; Emma Ross, Executive Assistant; Daniel Kuhn, IT Support Specialist; Toby Lortz, Director of IT.

Members and Guests Present: Lt Gen (Ret) Mike Gould '76, President/CEO, USAFA Endowment; Col Houston Cantwell, Vice Superintendent; Garry Dudley '68, Senator, Class of 1968; Mark Volcheff '75, Back-up Senator, Class of 1975; Mike Peterson '87, USAFA/CM Major Javier Rodriguez, USAFA/DSX; Dick Rauschkolb '70.

I. Call to Order/Chairman's Welcome

Chair McClain called the meeting to order at 8:30 a.m. MST, Friday, 8 February 2019.

II. Chair's Comments

Chair McClain thanked CEO Marcolongo and the AOG staff for all the hours that went into preparing for the election. She also thanked the other Directors for the support since the last meeting. She introduced the guests and mentioned the Directors who were attending via teleconference or who were absent.

III. Consent Agenda

The consent agenda included the 9 November 2018 Meeting Minutes (Attachment 1) and the 30 December 2018, 4 January 2019, 12 January 2019, and 31 January 2019 Special Meeting Minutes (Attachments 2-5). The consent agenda was unanimously approved.

IV. Agenda

Chair McClain went over the agenda.

MOTION: Director Tonneson moved and Director Gunn seconded to approve the agenda as is. The motion was unanimously approved.

V. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 8:34 a.m. MST to discuss committee assignments, single CEO attributes, and the CEO executive search.

MOTION: Director Tonneson moved and Director Moorhead seconded to come out of executive session. The motion was unanimously approved.

VI. Open Session

The Board went into open session at 9:30 a.m. MST. The sense of the Board was unanimous in supporting the following statement: Our Board supports hiring the best qualified leader who is capable of impartially and vigorously pursuing the missions of both organizations.

VII. AOG Update

a. CEO Review of AOG Performance

CEO Marcolongo discussed the joint AOG-USAFA Endowment pre-game events in Las Vegas and Boston and how the events drew a higher percentage of younger graduates. The AOG held their first and second quarterly conferences for the chapter presidents and the election forum via Zoom video teleconferencing. They are considering using this or similar technology to host an electronic graduate forum with the USAFA leadership in the future. The AOG has also recently initiated the Young Alumni Ambassadors Program. The AOG staff will meet with members of the graduating class in March and hopes to gather information to help connect them to recent graduates in various parts of the county as a way to assist them with questions about their initial assignments. Additionally, AOG chapters seem to be encouraging younger graduates to take over various leadership roles and to hold young alum events. There is also interest in forming new chapters with young alum events from graduates in the classes of 2002, 2005, and 2006, which may portend a change in chapter demographics.

b. Quarterly Financial Update

CFO Parrish provided the quarterly financial update (Attachment 6). Total net assets decreased by \$627,600 year-over year. The net deficit for operations was \$1.77

million through the second quarter. The net increase in cash and cash equivalents from the beginning of the year was approximately \$1.20 million. There was a cash-basis net surplus of approximately \$302,800 from operating activities. He then provided a breakout of the \$1,204,666 (year-to-date) restricted gifts to/for USAFA by pillar and presented a chart of the cash-basis subsidies/grants from the USAFA Endowment since 2012. Investments for the second quarter had a weighted loss of almost 10.6% due to the turmoil in the market, but Director Fry pointed out that our investments are now up \$2.5 million from where they were in December.

CFO Parrish then provided the FY 2019 review of restricted funds (Attachment 7). Eighty-four donor-restricted, quasi-endowment and true endowment funds held \$30,781,840 on 30 June 2018. Thirty-seven of those funds awarded/gifted a total of \$2,375,593 (\$576,457 Moller) during FY 2018 and 40 funds have awarded/gifted a total of \$1,803,727 year-to-date in FY 2019.

Stewardship reports were sent to donor/representatives after the annual audit was accepted by the Audit Committee. Thirteen donors/representatives received mailed letters, but eight quasi-endowments or true endowments have either no contract or no contact information. A short discussion ensued as to how the AOG is going about cleaning up these eight and if/how these funds are being used. There is a process to go through to redirect the money if it cannot be used for the specified purpose.

c. CEO Monitoring Reports

CEO Marcolongo reported compliance with the following monitoring reports: 2.2 Treatment of Staff, 2.7 Emergency Executive Succession, 2.11 Membership Dues and Fees, and 2.14 Annual Audit Report.

d. Conflict of Interest Statement

EVP Simon discussed his review of the current conflict of interest statement which is based on the Financial Management and Investment Policy (FMIP) and Uniform Prudent Management of Institutional Funds Act (UPMIFA). He recommended that the conflict of interest form be based on what is already in the Bylaws, 6 May 2011, Article XI. He suggested that the conflict of interest statement should apply to anyone doing business on behalf of the AOG including Directors, officers, committee and subcommittee members, and all volunteers. Chair McClain noted that this change could cover the gap where we could potentially have committee and subcommittee members with a conflict of interest.

MOTION: Director New moved and Director Mueh seconded to replace the current conflict of interest form with the new one that is based on the Bylaws language.

Discussion: Director New wondered about the practicality of having all committee and subcommittee members sign the form, as well as whether there was any reason

for them to sign it if their committee did not have anything to do with finances. Chair McClain stated that anyone who is doing work on behalf of the AOG should sign it so that they understand what is expected of them.

The motion was unanimously approved and will be implemented with the new Board.

e. Election Update

EVP Simon provided an update on the election. The AOG is very pleased with Survey and Ballot Systems (SBS), the firm conducting the election. There have been around 40 graduates who have contacted the AOG or SBS about not receiving a ballot, but the AOG staff has resolved all of those issues. As graduates contact the AOG, they are updating contact information. They are tracking the numbers daily. As of 7 February 2019 (three days into the election), 1,717 graduates had voted (5.81%). Director Mueller asked whether we were confident that we had sent ballots to all AOG members. There are 5,700 individuals who have either opted out of AOG emails or have not provided an accurate email. The AOG sent postcards to those individuals prior to the election saying that they would be receiving a letter from SBS to vote. SBS will send a reminder email to those who have not yet voted. In addition, the AOG is specifically trying to target younger graduates via Facebook, Twitter, and Instagram. EVP Simon indicated we are not using text messaging; however, voting can be done on a phone using email.

VIII. Committee Updates

a. Nominating Committee

Committee Chair New reviewed post-election procedures. Immediately following the election, it will be the Chair's responsibility to call the individuals who were elected. The Nominating Committee will contact those who were not elected and will send an email to the Directors who will attend the May Board meeting informing them that the first item on the agenda will be to select a Board Chair. The committee will solicit nominations and if they get more than one, they will ask the nominees to coordinate with each other to set an agenda for the May meeting. If they only receive one nomination, that person will set the agenda.

b. Distinguished Graduate Award Committee

Committee Chair Gunn indicated there will be four Distinguished Graduates this year: Gen (Ret) Mark A. Welch III '76, Maj Gen (Ret) Edward R. Jayne II '66, Brig Gen (Ret) John C. Inglis '76, and Col (Ret) H. Michael Lambert '70. There were three criteria used in the selection: 1) outstanding performance by the nominee that demonstrates a lifetime of service to the nation, 2) contributions by the nominee to favorably promote the Air Force Academy and its graduates to external audiences, and 3) contributions by the nominee to promote and increase awareness of graduate heritage among Academy alumni and cadets. There were 16 nominees of whom

only five were being nominated for the first time. The others were carry-overs. The committee discussed the idea of only having two Distinguished Graduates, but they voted unanimously to go with the four for several reasons, including the fact that our sister service academies routinely select more and our graduate pools are about the same size, the quality of the pool, and the overall closeness in votes of the top four nominees. Chair McClain mentioned that the Distinguished Graduates will receive their awards at Founder's Day on 5 April.

c. Audit Committee

Committee Chair Strebe reported that the committee reviewed the IRS Form 990 and had no issues with it. It will be filed by 15 February. No Board action is required.

d. Heritage and Traditions Committee

Committee Chair Mueller thanked CEO Marcolongo and SVP Simon for their extra level of effort on heritage projects including the Heritage Minute videos on the AOG website. He highlighted the committee's accomplishments in 2018 to include the approval of the Southeast Asia plaques, a sense of how to move forward on the Shea Memorial, a review of the criteria for the Graduate War Memorial and policy for inscriptions, and multiple Graduate War Memorial reviews and recommendations. In addition, the Academy has approved having touch screens in the Cadet Area associated with the Southeast Asia Memorial Pavilion. It will be up to the Class of '70 to raise money for them. He also talked about the cadre of trained docents who are providing Heritage Trail support and will be a resource for the AOG.

There are also several projects in progress for 2019, including establishing a research plan regarding whether to place two international USAFA graduates (Armando Castro '68 and Max Manning '64, from the Philippines and Israel, respectively) on the Graduate War Memorial. They are also working on a USAF MOU on graduate death information. In addition, the committee is continuing to work on various aspects of the Heritage Trail such as ways to virtually visit the trail, the River Rats plaque for the Southeast Asia unit wall, as well as more advertising for the Heritage Trail, including signage to direct USAFA visitors to the trail. Committee Chair Mueller expressed the importance of having a fresh set of names for the new Board to consider for the committee.

e. Finance and Investment Committee

Committee Chair Fry thanked the AOG staff for their efforts with the restricted funds. The Finance and Investment Committee has no changes to the FMIP, but they will review it again based on the outcome of the election vis-a-vis the Single CEO. They will review the financials and the budget prior to the May Board meeting.

f. Awards and Recognition Committee

Committee Chair Rock thanked SVP Grubbs for her efforts dealing with awards. The Young Alumni Excellence Award is up and running. The candidates have gotten stronger and stronger. SVP Grubbs gave a summary of this year's winners. There were 15 nominees from the classes of 2003-2015 of whom 14 are still on active duty. Two of the nominees are involved in the Young Alumni Ambassador program. Four winners were selected: Nathan Preuss '03, George Cannon III '05, Katherine Higdon '11, and Karl Grosselin '12. They will be recognized on the AOG website, in media outlets, and by their local chapters.

The committee is continuing to work with Chesley "Sully" Sullenberger '73 on the award for a singular exemplary act. SVP Grubbs has worked on the USAFA Instruction, which has been staffed through the committee and Sullenberger. The committee and Sullenberger have agreed on the name of the award ("Sullenberger Award for Courage") and have discussed Sullenberger's role in the selection of the winners. The next step is final approval of the USAFA Instruction and implementation.

g. Single CEO Selection Task Force

Task Force Chair Moorhead noted that once we get the results from the election, they will work on the attributes for the CEO. Chair McClain added that Heidrick and Struggles has agreed to do the executive search pro bono.

h. Bylaws Review Task Force

Task Force Chair Gorenc had nothing to report.

i. Parental Opportunities Task Force

Chair McClain indicated that Task Force Chair Przybyslawski had nothing to report.

j. Governance Committee

Committee Chair Moorhead noted that the Governance Policies document was updated in August 2018, but apparently a line dropped out. The AOG has corrected this administrative issue.

In relation to CEO Evaluation and Compensation Committee procedures, CEO Marcolongo mentioned that they will need a figure to put into the budget for the Single CEO compensation, and the amount from the USAFA Endowment for half the salary. Chair McClain will work on the issue.

Director Rosenow then addressed his review of the Governance Policy Chapter 4.4. There were a few formatting and typographical changes, but nothing significant. He

noted that this chapter will need to be re-examined sooner than it normally would if the Bylaws change goes through.

Chair McClain reviewed Chapter 4, Table 2, Board Agenda Calendar. She clarified some of the wording, but the only substantive change had to do with the August entry of “CAS Change Discussion/Recommendations.” She recommended removing this entry as the CAS follows the same Bylaws procedures as the AOG, so there is no need for them to be reviewed separately.

MOTION: Director Rosenow moved and Director Moorhead seconded to approve the review of Governance Policy 4.4 and Table 2. The motion was unanimously approved.

Subsequent to the initial discussion on the Board Agenda Calendar, Chair McClain noted that the calendar should also have reflected that the CEO Evaluation Task Force Report should take place each July (after the end of the fiscal year), rather than in May (Attachment 8).

MOTION: Chair McClain moved and Director Mueller seconded to approve the corrected version of Governance Policy 4.4, Table 2 that moves the CEO Evaluation Task Force Report to July. The motion was unanimously approved.

IX. Class Advisory Senate Update

Director Brower talked about the excellent work from former CAS President Garry Dudley. The new CAS Vice President is Randy Helms '79 and the new Secretary is Andi Vinyard '96. At the January CAS meeting, they received an update from the Commandant as well as Lt Gen (Ret) Mike Gould, CEO Marcolongo, and Chair McClain. Much of the meeting focused on the Single CEO issue. The Class of '73 Senator represented the views of those opposed to the Single CEO. The discussion helped bring forth the importance of getting involved in this decision. They also talked about the communication between the Board and the CAS and that the CAS can make the Directors aware of what their class is thinking. Director Gorenc brought up the idea of inviting three or four CAS Senators to each Board meeting so that they could talk about what is going on with their class. Chair McClain thought this was an excellent idea. Director Brower will take this for action.

X. Presentation by the President and CEO, USAFA Endowment, Lt Gen (Ret) Gould '76

Lt Gen (Ret) Mike Gould provided an update on the USAFA Endowment's 2018 fundraising results which included \$27.9 million in new gifts and commitments, \$17.98 million in cash-receipts, and 59 donors with gift commitments of \$50,000 or more. He discussed their 2019 goals and showed a chart on cumulative gifts and commitments. He then walked through the campaign wing command structure and timeline and discussed the campaign priorities under Heritage, Character Development/Military Training, Academics, Athletics, and Other. He also talked about how the USAFA

Endowment can raise money to support the programs for which the supporting foundations need money.

Director Fry was concerned that there was very little that came to the AOG programs which the USAFA Endowment holds for us. Lt Gen Gould pointed out that \$800,000 of unrestricted funds came to the AOG this past year and that donors have 100% of the vote as to where their money goes. They can donate it toward a specific program/project or they can make it unrestricted. As the USAFA Endowment's unrestricted funds grow, it will be distributed to the family of supporting foundations for the programs for which they need money. Director Strebe raised a question about the Visitor's Center. Lt Gen Gould responded that they want the Visitor's Center to succeed, but it is complicated and involves legal issues. Chair McClain pointed out that it is incumbent upon the AOG to be very clear and excited about what we need so that the USAFA Endowment can get donors motivated toward meeting those needs.

XI. Presentation by the Vice Superintendent, Colonel Houston Cantwell

Col Houston Cantwell provided an update on the Superintendent's focus areas for 2019, including STEM, an operational mindset, cyber, and space. Well over 600 cadets are going into operational career fields. They are looking to promote diversity in accessions and in operational assignments, as well as moving toward a board process for the different AFSCs. He talked about infrastructure reinvestments, CyberWorx, and the Sijan Hall renovations. Col Cantwell also discussed their work on reinforcing the culture and climate, particularly as it related to the Honor System. He spent a good deal of time talking about the recent DoD's Sexual Harassment and Violence report, related training, and the challenges USAFA faces with this issue. An extensive discussion about these issues ensued. Col Cantwell concluded by commenting on the new senior staff members and the success of various cadets, teams, and programs.

XII. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 2:13 p.m. MST to discuss the establishment of a task force to work on CEO attributes.

MOTION: Director Tonneson moved and Director Fry seconded to come out of executive session. The motion was unanimously approved.

XIII. Open Session

The Board went into open session at 2:15 p.m. MST.

MOTION: Chair McClain moved and Director Mueller seconded to form a Single CEO Requirements Task Force to include Directors Moorhead (chair), Glenn, and Tonneson. The motion was unanimously approved. (See Attachment 9 for updated committee assignments.)

XIV. Chair's Comments

Chair McClain thanked Directors Fry, New, Moorhead, Mueller, Gunn, Rosenow, and Rock for their work on the Board and gave them a small token of appreciation. Director New commended Chair McClain on her outstanding work as Board Chair.

XV. Adjournment

Chair McClain adjourned the meeting at 2:17 p.m. MST.

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

Respectfully submitted,
Virginia Caine Tonneson, Secretary

Atch:

1. 9 November 2018 Approved Meeting Minutes
2. 30 December 2018 Approved Special Meeting Minutes
3. 4 January 2019 Approved Special Meeting Minutes
4. 12 January 2019 Approved Special Meeting Minutes
5. 31 January 2019 Approved Special Meeting Minutes
6. Quarterly Financial Update
7. FY19 Restricted Funds Review
8. Board Agenda Calendar
9. Committees of the Board