



BOARD OF DIRECTORS MEETING

10 May 2019 Meeting Minutes

APPROVED

Board Members Present: Cathy McClain '82, Chair; Bob Lowe '71, Vice Chair; Ginny Caine Tonneson '80, Secretary; Glenn Strebe '87, Treasurer; Hans Mueh '66; Garry Dudley '68; Mark Volcheff '75; Will Gunn '80; Diann Boyle '83; John Vargas '96; Nancy Taylor '01; Emma Przybyslawski '10; Doug Brower '72, President, Class Advisory Senate.

Board Members Absent: Frank Gorenc '79.

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; Michele Bergeman, Vice President, Alumni and Constituent Relations; Jeffrey Holmquist, Director of Communications; Emma Ross, Executive Assistant; Daniel Kuhn, IT Support Specialist; Nick Johannsen, Web Developer.

Members and Guests Present: Lt Gen (Ret) Mike Gould '76, President and CEO, USAFA Endowment; Mike Peterson '87, USAFA/CM; Jack Fry '67; Dick Sexton '60; Jeff Schoefield '67; Roger Hill '70; Tom Berry '71; Dave Hollenbach '87.

I. Call to Order/Chairman's Welcome

Chair McClain called the meeting to order at 8:30 a.m. MDT, Friday, 10 May 2019.

II. Chair's Comments

Chair McClain noted the member absent and asked new Directors, old Directors, and guests to introduce themselves. She thanked CEO Marcolongo and the AOG staff for their outstanding efforts in support of the recent election.

III. Consent Agenda

The consent agenda included the 8 February 2019 Meeting Minutes (Attachment 1) and the 6 March 2019 Special Meeting Minutes (Attachment 2). The consent agenda was unanimously approved.

IV. Agenda

Chair McClain reviewed the agenda and highlighted the fact that we would be filming two short videos to thank the graduate community for their participation in the elections.

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

V. Election of New Board Chair

Director Przybyslawski spoke on behalf of the Nominating Committee and presented Director McClain as the only nominee for Chair. She asked for any other nominees and received no additional names.

MOTION: Director Gunn moved and Director Tonneson seconded to close nominations and to appoint Cathy McClain as AOG Board of Directors' Chair. The motion passed unanimously.

VI. Presentation by Nate Pine, Athletic Director

Mr. Pine began his presentation by stressing the importance of athletics in the development of leaders of character. He highlighted several awards and titles for USAFA teams and individual cadets. He has been interacting with CEO Marcolongo and Lt Gen (Ret) Gould on ways he can be helpful in fund-raising. He believes it is important to find ways to share information and to not get in each other's way. He talked about the Athletic Department's organizational structure and the fact that Athletics is sometimes the first touchpoint for donors. He stressed the importance of timing in requesting donations. Mr. Pine also discussed the challenges they face in trying to engage the Colorado Springs community with USAFA Athletics, how they are looking to make the game day experience better, and ways to use the existing facilities for other events. When asked how the AOG can help graduates feel more connected, Mr. Pine noted that the Athletic Department already has a lot of information that they can share for consistent messaging. When asked for his thoughts on the recent athletic institutional culture study, Mr. Pine pointed out that they are aiming for a culture of no sexual assaults and that he believes the service academies are much more transparent in this regard than other institutions. They are doing well but will continue to work to be better.

VII. Election of Board Officers

Chair McClain nominated Bob Lowe as Vice Chair, Ginny Caine Tonneson as Secretary, and Glenn Strebe as Treasurer. No additional names were forthcoming.

MOTION: Director McClain moved and Director Mueh seconded that the slate of new officers be accepted. The motion passed unanimously.

VIII. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 9:16 a.m. MDT to discuss committee assignments and Appointed Directors.

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

IX. Open Session

The Board went into open session at 9:25 a.m. MDT.

MOTION: Director McClain moved and Director Volcheff seconded the approval of the committee assignments and closure of various task forces (Attachment 3). The motion was unanimously approved.

X. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 9:26 a.m. MDT to discuss Appointed Directors.

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

XI. Open Session

The Board went into open session at 9:58 a.m. MDT.

MOTION: Director Vargas moved and Director Gunn seconded to contact Dennis Dabney '89 and Andrew Hendel '09 to determine their interest in becoming Appointed Directors. The motion was unanimously approved.

XII. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 10:00 a.m. MDT to discuss non-director members of the Heritage and Traditions Committee.

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

XIII. Open Session

The Board went into open session at 10:03 a.m. MDT.

MOTION: Director Dudley moved and Director Mueh seconded to add the following as non-Director voting members of the Heritage and Traditions Committee through April 2021: Andi Biancur '60, Dick Rauschkolb '70, John Weida '78, and Steve Mueller '79. The motion was unanimously approved.

XIV. AOG Update

a. Election Summary/Lessons Learned/Actions Planned

EVP Simon provided a review of the election results (Attachment 4). There were 8,360 votes cast with 5,638 (67.4%) voting to approve the Bylaws change, 2,452 (29.3%) voting against the change, and 270 (3.2%) making no selection in the matter. This was a significant increase over the 5,586 votes cast in 2017. He discussed the voting percentages by class and noted that although the more recent graduating classes had fewer participants than the less recent graduates, they did have more participants than in the 2017 election.

Lessons learned from the *pre-election* included a need for data improvement, intentional outreach to non-members, creating as many expected generic marketing pieces as possible ahead of time, and using materials that “break-through” the noise via other modes of contact. They also needed a better plan for how candidates could explain their platform/position and ways to increase candidates’ reach. Lessons learned *during the election* included the success of class competition, influencers in the class, reminder emails send by the election company, multiple media channels, and course corrections to include pursuing avenues that had the best chance of getting remaining votes. Factors that significantly impacted achieving the quorum included professional, succinct interactions with members who opposed the Bylaws change, as well as the combination of the Board Chair’s emails and AOG electronic election forum video.

EVP Simon then talked about opportunities to engage graduates going forward. The AOG plans to continue increased young alum engagement and to design an engagement plan for the classes in 1984-2004. He noted that the CAS leadership was very involved in getting out the vote as were the Directors and some Chapters. Director Brower added that while the CAS leadership had gotten out the word to all CAS senators to engage, some classes were more engaged than others. In response to a question about how much the election cost, EVP Simon estimated the AOG spent an additional \$10,000 for more frequent reports from SBS. CEO Marcolongo indicated they were still looking at the costs involved in the various methods they used to engage the graduates. Several Directors gave accolades to the AOG for their responsiveness and their creative ways of getting out the vote. A short discussion ensued about how to engage the younger classes, with EVP Simon mentioning that seeking younger classes to serve as Directors could be a lesson learned for the Nominating Committee.

CEO Marcolongo concluded the discussion by noting that future elections could not be viewed as a part-time effort. The AOG Senior Staff met daily to discuss the election progress. He suggested putting the issue of lowering the 25% quorum on the next ballot as it would only get more difficult to achieve a quorum as the number of younger classes increases. He also noted the importance of building relationships with the graduates now so that the first contact was not during the election. The

AOG is still digging into the election data and know that they need to find a way to engage the younger graduates.

b. CEO Review of AOG Performance

CEO Marcolongo discussed the events since the last Board meeting (Attachment 5) to include the Service Academy Career Conference, 10th Annual Scotch Tasting, Founder’s Day, the Distinguished Graduate presentations, and the upcoming Commandant’s quarterly update. Since the last meeting, staff activities included the election and FY 2020 budget preparation. The fiscal year is tracking as expected.

c. CEO Plan to Achieve Strategy in Coming Year

CEO Marcolongo talked about the operations plan for FY 2020. The AOG will continue with their efforts from last year of moving resources and emphasis to areas that are potentially underserved – graduate support and heritage. They also will continue initiatives with the Class of 2019, improve the process for the Class of 2020 Firstie transition, launch an “Engage All Graduates” initiative and revised career platform, use feedback for targeted Young Alum initiatives, and develop programs for the “life-cycle” of graduates.

Director Przybyslawski mentioned the different alumni association membership models for Army and Navy and the fact that they have larger percentages of graduate members. She wondered whether the USAFA Endowment could offset the cost of membership. Director Mueh noted that there are legal issues that have stymied our attempts to contact cadets. He suggested that we need to engage cadets as early as possible and have an engagement plan for every year as a cadet. A discussion ensued, with Chair McClain pointing out that membership does not equal engagement. Director Vargas suggested creating a campaign plan to talk about how we engage cadets, new graduates, mid-year officers, transitioning graduates, and retirees with specific efforts targeted at each phase. He pointed out that the AOG has been doing things the same way for a long time and there may be better ways to do things such as *Checkpoints*.

Director McClain noted that the 25% quorum needs to be changed, but that the most important challenge is how to engage our graduates. CEO Marcolongo then discussed the “Engage all Graduates” initiative pointing out that the AOG can provide a value-added to people throughout their life cycle that they are not providing to everyone now. It would be a new way of welcoming people back to the community without having a membership stigma. He noted that the membership paradigm can be changed, but there would be financial, legal, and Bylaws considerations. He talked through a couple of donor scenarios that would allow for 100% membership and the issues that could arise from that. He also noted that the engagement rate was more important than the membership rate. He stressed that with a new Board it could be the right time to change the graduate dynamic and

roadmap. He noted that if they were starting the AOG today, they would want to engage everyone from “cradle to grave.”

CEO Marcolongo then discussed the fact that the AOG was already looking at ways to engage graduates throughout their life cycle to include opportunities while a graduate was still in the service – such as the McConn Public Policy Internship and Olmstead Foundation Scholarship – to civilian opportunities. He pointed out that the AOG does not do a good job of advertising these opportunities. Another discussion ensued about how the AOG could reinvent itself as more of a career stage-life stage organization, the importance of engaging cadets early in their USAFA career, and the importance of finding out what graduates want. Chair McClain commented that the Board is willing to look at a strategic transformation on how we do things as well as the pros/cons and the financial implications. She asked CEO Marcolongo to flesh out the plan for how to engage cadets, find out what graduates want, and look through the pros/cons and the financial implications by the August Board meeting. (Later in the meeting, it was decided that the August Board meeting will be a strategy planning meeting and that CEO Marcolongo would provide the fleshed-out Campaign Plan during the November Board meeting.)

d. Quarterly Financial Update

CFO Parrish provided the quarterly financial update (Attachment 6). Total net assets increased about \$463,500 year-over-year. The net surplus for operations was \$320,900 through the third quarter. Cash and cash equivalents as of 31 March totaled \$449,000. The cash-basis net surplus was approximately \$61,200 from operating activities. CFO Parrish then discussed the year-to-date restricted gifts (\$2,615,744) to/for USAFA by pillar. He concluded by showing a graph on cash-basis subsidies/ grants from the USAFA Endowment in FY 2012-2019 which compared the actual versus budgeted amount. For 2019 year-to-date, both amounts equaled \$600,000.

Former Director Jack Fry provided an update on Board-designated funds, starting with a short tutorial of how to read the statement of financial position and statement of activities (Attachment 7). There is currently \$6.4 million in Unrestricted Available for Operations fund. The Finance and Investment Committee, CFO, and CEO recommend reallocating \$2 million to the Long Blue Line Endowment, which would increase that fund to \$8.6 million. There is an accounting correction of \$290,590 in the Board-designated for Short Term Purposes fund, and they also recommend putting \$150,000 (through June) to support a new fund, the New Graduate Engagement Quasi-Endowment. This will leave over \$4.4 million in the Unrestricted Available for Operations fund. Chair McClain explained that we are taking unrestricted-undesignated money and Board-designating it into particular projects. This shows the membership where we are focusing. We can move these funds around if needed because they are Board-controlled. Director Volcheff asked where the unrestricted, undesignated money originally came from. Col (Ret) Fry

noted that it is primarily from our investments as well as the \$8 million from the Bennett family for Board-directed funds.

CEO Marcolongo discussed that we have funds available for our Academy support and heritage mission elements, but none associated with graduate engagement and connection. Creation of the Graduate Engagement Quasi-Endowment will show Board recognition of the importance of the graduate mission element and it will provide the CEO the ability to take advantage of graduate engagement opportunities as they arise, without impacting the approved budget already in place.

MOTION: The Finance and Investment Committee, in consultation with the President and CEO, recommended that the Board of Directors create a Graduate Engagement Quasi-Endowment as submitted, to provide Board emphasis and funding for the graduate portion of the AOG mission. The motion was unanimously approved.

MOTION: The Finance and Investment Committee, in consultation with the President and CEO, recommended that the Board of Directors direct the transfer of \$150,000 to the newly created Graduate Engagement Quasi-Endowment.

Discussion: Director Volcheff asked for clarification on quasi-endowments and true endowment for the new Directors. CFO Parrish and Director Strebe explained the differences. Director Vargas then asked about the rationale behind the amount of \$150,000 and it was explained that this amount was only to get the quasi-endowment started and it only runs through June. The motion was unanimously approved.

MOTION: The Finance and Investment Committee, in consultation with the President and CEO, recommended that the Board of Directors approve the transfer of \$2.0 million of unrestricted-undesignated funds to the Long Blue Line Endowment.

Discussion: Director Gunn asked for the purpose behind making the transfer. Col (Ret) Fry noted that it is to put the money into something that is restricted with 4.5% distribution for AOG Operations, which is about \$280,000. Director Strebe further explained that by putting it into the Long Blue Line Endowment, it better shows how we are using the money. The motion was unanimously approved.

e. CEO Monitoring Reports

CEO Marcolongo reported compliance with the following monitoring reports: 2.1 Treatment of Members and Other Constituents, 2.3 Financial Planning/Budgeting, and 2.9 Board Awareness and Support.

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

Lt Gen (Ret) Mike Gould discussed the USAFA Endowment's fundraising efforts. Last year was their best year ever, with just under \$28 million received in donations relative to a goal of \$19.5 million. The goal for this year is \$32 million. At the end of April, they had raised \$13 million, a success he attributed to his staff. He talked about their organization and the various fundraisers for class giving, annual giving, parent and family giving, planned giving, corporate and foundation giving, and major gift officers. They also have functions for communications and marketing, event planning, stewardship, gift acceptance, gift processing, accounting, and research. They are looking to hire a program manager/construction manager to assist with stewarding projects through the federal acquisition regulations.

Lt Gen (Ret) Gould then talked about the campaign. They have raised \$70 million of the \$265 million goal during the current quiet phase. By the Fall of 2020, they hope to be at the halfway point and launch the public phase of the campaign. The Alumni Participation Rate (percentage of graduates who gave any amount) in 2018 was only 12.3%. He also provided an update on the fundraising for Center for Cyber Innovation and their efforts toward the "Big Idea," as laid out by Dr. Kaminski. Other projects include the Air Warrior Combat Memorial (Class of '71), a total renovation of the Air Gardens (Classes of '72, '75, and '76), and work on Falcon Stadium.

When asked by Director Volcheff about what the AOG could do to help in the USAFA Endowment's efforts, Lt Gen (Ret) Gould commented that if we have donor prospects, the names should be forwarded to the USAFA Endowment. He also noted that they needed a "picture" of the Long Blue Line Endowment to help raise money for it. Chair McClain noted that the AOG and USAFA Endowment are already tightly linked on events. Lt Gen (Ret) Gould concluded by discussing the fact that the USAFA Endowment had given a capstone project to three cadets and discovered that there many people who did not know the difference between the USAFA Endowment and AOG, so there is work to be accomplished in that regard.

XVI. Committee Updates

a. Single CEO Requirements Task Force

Director Tonneson presented the job description and required skills, required attributes, and required/desired experience identified by the task force (Attachment 8). To assist in the development of this, the task force reviewed the attributes identified by the previous Board as well as sample president and CEO job descriptions and duties and a position profile with specifications provided by Heidrick & Struggles two years ago. She noted the importance the task force placed on not being so specific that quality people were eliminated from the outset. The goal was to cast a broad net.

MOTION: The Single CEO Task Force moved to accept the Single CEO job description, required skills, required attributes, and required/desired experience as modified by the Board. The motion was unanimously approved.

Chair McClain then described a notional timeline for the single CEO selection, which included drafting a contract by August 2019, making an offer to the candidate by February 2020, and the CEO beginning work in April 2020 (Attachment 9). She believes we can do the search rather than paying for an executive search company do it for us. She talked about three options that we could consider as we go along: have a search firm do it pro bono, pay a search firm, or do it ourselves. A discussion ensued about the pros and cons of this idea.

b. Heritage and Traditions Committee

Committee Chair Dudley provided background on Lt Col Castro '68 and how he died in a bomb blast at the Philippine Military Academy. The committee unanimously voted for him to be added to the Graduate War Memorial. A short discussion ensued about the incident being combat-related. The committee believes the incident falls under the “direct hostile action” caveat.

MOTION: The Heritage and Traditions Committee moved that Lt Col Armando P. Castro, Philippine Air Force (PAF) and USAF Academy Class of 1968, be added to the Graduate War Memorial. The motion passed unanimously.

c. Finance and Investment Committee

Committee Chair Strebe talked to the group about the FY 2020 budget (Attachment 10). The Finance and Investment Committee has approved it and is asking for the Board to adopt it.

MOTION: The Finance and Investment Committee moved that the Board approve the FY 2020 AOG Operating Budget. The motion was unanimously approved.

Committee Chair Strebe noted that he will review the FMIP in light of a Single CEO. He then discussed the disconnect that exists between the stated number of Directors on the Finance Investments Committee between the FMIP, Bylaws, and Governance Policies.

- FMIP 1.5 reads: “The Committee will be chaired by a Director with at least three members of the Committee being BOD Directors.”
- Bylaws Article VIII (Section 6a, Finance and Investment Committee) reads: “The Finance and Investments Committee composition and size shall be determined by the Board and will include at least two Directors.”
- Governance Policies 4.9c (Finance and Investments, 1.b.) reads: “The members shall be AOG members, including at least one additional Board Director, who are experienced in financial and business management matters. If the Treasurer is not a Director, there will be at least two Board Directors on the Committee.”

MOTION: The Finance and Investment Committee moved to change FMIP 1.5 to read: “The Committee will be chaired by a Director with at least two members of the Committee being BOD Directors and represent a majority.” The motion was unanimously approved.

He then discussed the fact that the FMIP is referenced as the “Financial Management and Investment Plan” and/or the “Financial Management and Investment Policy” in various documents.

- FMIP 1.5 references the FMIP as the “Financial Management and Investment Policy” in the title and throughout the document as well as on the AOG website. However, it is referenced as the “Financial Management and Investment Plan” in the Committee’s duties.
- Bylaws Article VIII (Section 6a, Finance and Investment Committee) refers to the FMIP as the “Financial Management and Investment Plan.”
- Governance Policy 4.9 (Bylaws-Directed Standing Committees c.2.) references a “financial management and investment plan” in paragraph a, but the “Financial Management and Investment Policy” in paragraph c.

MOTION: The Finance and Investment Committee moved to make an administrative change to the Bylaws (no vote necessary) to replace “Plan” with “Policy.” The motion was unanimously approved.

MOTION: The Finance and Investment Committee moved to make references to “FMIP” consistent in all related documents as the “Financial Management and Investment Policy.” The motion was unanimously approved.

d. Governance Committee

Chair McClain discussed the fact that Governance Policy Category 1 (Ends) relates to the discussion CEO Marcolongo led earlier about the focus of the AOG. Rather than assign the Category 1 review during this meeting as planned, she proposed using the August Board meeting for strategy planning and delaying the Category 1 review until after that meeting. After the Board decides the Ends at the August Board meeting, CEO Marcolongo will be able to flesh out a campaign plan for the November Board meeting. Chair McClain assigned Director Lowe to review Governance Policy Category 4 in light of a Single CEO.

Chair McClain then discussed the disconnect that exists between Governance Policy 4.10 a.1. and Governance Policy Attachment 4, Distinguished Graduates Procedures, as far as who chooses the second Director for the Distinguished Graduate Award Committee.

- Governance Policy 4.10 a. 1. states: “a. The Board shall appoint a Chairman” and “b. The AOG identifies the other Committee members in conjunction with USAFA.”

- Attachment 4 states: “The Chairman, AOG Board of Directors, chooses a member of the Board to serve as Chair, Distinguished Graduate Award Nominating Committee, and a second Director to serve on the Committee.”

MOTION: The Governance Committee moved that that Governance Policy 4.10 a. 1. a. be changed to read: “The Board shall appoint a Chair and a second Director.” The motion was unanimously approved.

e. Awards and Recognition Committee

Director Przybyslawski explained the Sullenberger Award (one-time significant achievement) to the new Directors. She noted that the USAFA Instruction for the Sullenberger Award has been approved and it is now with Sullenberger’s team.

f. Audit Committee

Committee Chair Strebe reported that they will be using SKR for the annual audit.

g. Distinguished Graduate Award Committee

Committee Chair Gunn talked through the Distinguished Graduate Award selection for this year. The committee thought the revised process worked well. Previously, the committee had recognized two winners, but CEO Marcolongo did some research and discovered our sister services academies had been recognizing four distinguished graduates for many years. Because our graduate community is approaching the size of our sister service academies, the committee unanimously voted to go with the four awardees, who were recognized at the April Founder’s Day dinner. The only difference the committee would make for the upcoming year is to be more aggressive with the timeline. He commented that there is no difficulty in finding graduates who have had distinguished careers, but the award criteria also require that the nominees have made contributions back to the Academy during their career, which has turned out to be a discriminator among the candidates.

XVII. Class Advisory Senate Update

Director Brower talked about the CAS meeting on 9 April. The guest speakers, the Command Chief for USAFA and the Cadet Wing Command Chief, talked about the Academy Military Trainers (AMTs) who interact with the cadets. We now have two AMTs per squadron. In addition, the CAS has formed a Participation Committee, chaired by a Class of ’11 graduate with representatives from each decade, to look at the broad spectrum of issues related to the lack of involvement from the younger graduates.

XVIII. Chair’s Comments

Chair McClain reminded the Directors to sign the Conflict of Interest forms and where to find the upcoming Board meeting schedule. Director Lowe suggested that during our

August Board meeting we have a facilitator lead the strategy session to help it be more productive.

XIX. Adjournment

Chair McClain adjourned the meeting at 2:56 p.m. MDT.

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

Respectfully submitted,
Virginia Caine Tonneson, Secretary

Atch:

1. 8 February 2019 Approved Meeting Minutes
2. 6 March 2019 Approved Special Meeting Minutes
3. Committee Assignments
4. 2019 Election Results
5. CEO Brief to the Board of Directors
6. Quarterly Financial Update
7. Board-designated Funds Review
8. Single CEO Requirements
9. Notional Single CEO Timeline
10. Highlights of the FY 2020 AOG Operating Budget