



**AFM Board Meeting
Minutes
May 24, 2017**

Place:

AFM Headquarters
Dallas, Texas

Board of Directors:

Mike Browne, Chair (p)
Adrian Iturbide, Vice Chair (p)
Ricardo Vega, Treasurer (p)
Ygnacio Valerio, Director (p)
Gary Caloroso, Director (p)
Ramon Paz, Director (p)
Armando Lopez (ex-officio) (a)
Ron Campbell, Secretary (ex officio) (p)

Officially Present:

Alvaro Luque
Kelly Robertson
Dolora Sillman
Miguel Molina
Kevin Brosch
Mark Garcia
Michael Lemos

Roll Call and Minutes:

Mike Browne called the meeting to order, took the roll call and established a quorum. Kevin Brosch counseled the board on the antitrust policy. Gary Caloroso motioned to approve the minutes from the September meeting and Ramon Paz seconded the motion. Unanimous.

Financials:

Miguel Molina and Dolora Sillman provided an overview of the AFM Financials, Treasurers report and proposed budget for Fiscal year 2017-18.

An overview of the proposed budget includes:

Revenue and Other Support: \$51.47M

- At 1.84B pounds MHAIA would contribute up to \$34.46M from HAB's assessments for the FY 17-18. The MHAIA contribution represents 2/3 of the total expenses of AFM.
- APEAM will contribute \$16.77M to match the agreed 1/3 contribution portion and additional \$233.66K to cover APEAM's Market Reporting requirements. The portion of MHAIA administrative expenses will be directly paid to MHAIA.
- AFM is estimating \$6.0K in interest income for the fiscal period. This income will be allocated 1/3 APEAM and 2/3 MHAIA.

Spending: 51.59M

Marketing and Promotional

- \$43.40M total AFM direct marketing inclusive of consumer marketing program expenses of \$29.68M, trade and retail marketing program of \$13.52M, and crises management of \$200K. Of the total AFM estimated direct marketing expenses \$3.0M will be reserved and not spent until after the 1st quarter of the FY18.
- \$5.59M total marketing administrative expenses includes consumer salaries, taxes and benefits of \$3.64M, retail salaries, taxes and benefits of \$1.82M, MHAIA and AFM Board meeting expenses of \$115K and out of pocket expenses of \$15K
- \$233.6K for APEAM market reporting.

Administrative Expense

- \$2.36M total administrative expenses.

For marketing and general administrative salaries, wages, taxes and benefits assumptions please refer to AFM Administrative Budget packet.

Ramon Paz motioned to approve the Fiscal 17-18 budget which was seconded by Ricardo Vega. The motion passed without objection.

- **Management Projects Update**
 - AFM completed the implemented of the new The Asset Management tool. This application will support AMS and AFM to document all digital assets before they are posted or consumed by the consumer.
 - The new Accounting System, SAP ByDesign, is on track and expected to go live on July 2017.

- **New Initiatives**
 - Miguel M. presented the new Corporate Telephone and Corporate Card policy proposals. New policy was approved by the board and is pending AMS approval.
 - AFM is in the process to implement Skype for Business to improve the internal and external communication, including web conference capabilities.

- **Human Resources**
 - Michael Lemos will introduce a total reward statement for all employees to list the total compensation, including gross salary, benefits and other income protection and retirement programs. The total reward program will be presented during AFM's annual open enrollment (last week June 2017.)
 - AFM will introduce TRAKSTAR, a new electronic web performance review system to automate the current manual process and align employee's goals to AFM's Organizational goals. TRAKSTAR will also support the new Executive Benefit program. The new tool will be fully implemented by August 2017.

- **Culinary Center**
 - AFM completed its office expansion, Phase I.
 - The Culinary Center, Phase II, is expected to be completed by the end of July 2017.
 - Miguel M. presented the total forecasted expenses and AFM is expecting to be \$43K under the \$1.2 million target.

• <u>Alvaro Luque</u>	4%	• <u>Maggie Bezar</u>	3%
• <u>Stephanie Bazan</u>	5%	• <u>Maggie Ting</u>	4%
• <u>Alejandro Duran</u>	3%	• <u>Oscar Garcia</u>	3%
• <u>Dianne Le</u>	4%	• <u>Ryan Fukuda</u>	3%
• <u>Mark Garcia</u>	3%	• <u>Erick Coronado</u>	3%
• <u>Stephanie Browder</u>	5%	• <u>Tanya Edwards</u>	4%
• <u>Ivonne Kinser</u>	4%	• <u>Anna Kirsch</u>	3%
• <u>Anna Mertz</u>	4%	• <u>Dunia Salguero</u>	5%
• <u>Miguel Molina</u>	5%	• <u>Esmeralda Blanco</u>	3%
		• <u>Michael Lemos</u>	5%

- Alvaro and Miguel presented the rent costs associated to the new office expansion (Total effect \$96,000) and the cost increase in our Medical, Dental & Vision program based on general market trends (Total effect \$107,000)
- Miguel presented some general adjustments that are necessary based on the Mercer analysis:
 - Salary adjustments: only two adjustments proposed, Kevin Hamilton +21% and Grisel Perez +39% to take them to the 50th percentile. Both positions will not have COLA increases (Total effect \$54,000)
 - Move our 401K company match from a 4% to a 6% to be more competitive in the market. The new 6% will be a dollar to dollar match by January 2018. (Total effect \$81,000)
 - Include a deferred compensation program for the President to recuperate the 401K match that has been down @\$24,000 in the last two years. Will use a 457 Plan for this purpose. (Total effect \$19,000)
 - New expanded company Life Insurance plan to 2X annual salary and a supplemental Life Insurance program for executive employees with salaries over \$150,000 that will max out the \$300,000 maximum insured amount. (Total effect \$10,000)
 - New supplemental Long Term Disability plan to cover at least 60% of the employee's compensation and be more competitive in this benefit. (Total effect \$29,000)
- Michael Lemos presented all proposed new "soft" benefits under the AFM Life concept that will be launched to all employees, where the objective is not only to implement Mercer's best practices suggestions, but also setup a better

work-life-balance practice as an additional tool to retain and attract talent in a very competitive environment. New soft benefits offered are: (No additional cost effect for the company)

- **PTO:** Offer one extra PTO day (8-hours) per service year, retroactive to hiring date. Benefit will max out at 6 weeks after 15 years of service.
 - **Sick Days:** not included in regular PTO. Employees will accrue 4 hours per month for a total of 6 days per year. These hours can be roll over to the following fiscal year up to 10 business. Additional sick days will have to come from regular PTO.
 - **Personal Days:** Each employee will receive the benefit of three personal days per year. This benefit cannot be accrued and will not roll over if un-used.
 - **Paid Leave:** Mothers keep the total 6-week leave but we will increase paid leave to 4 weeks. Their first two weeks back to work could be remote. Fathers can receive 2 weeks of leave, both of which will be paid.
 - **Holidays:** add two new holidays, Martin Luther King Day to celebrate diversity and a floating holiday between the Wednesday before Thanksgiving and January 2nd. This holiday benefit cannot be accrued and will not roll over if un-used.
 - **Flexible Time:** Offer every other Friday as a telecommute option. Employee will have to be fully connected from home through Skype Business. HR will develop an annual calendar of telecommute Fridays and a regulatory policy. These days cannot be swapped for other business days.
- Alvaro presented the details of the Executive Retention Program for its key executives, including, AFM's President, CFO, Trade VP and four Area Directors.
 - **The 457 (f) plan** is net of the 457 (b) program and the deferred compensation 457(f) plan is a four-year program retention program not vested until the fourth year. Employees need to stay the full four years as a “golden handcuff” to qualify and “collect” the balance accrued. AFM will use TRAKSTAR to measure key executive performance. (Total effect \$465,000)

- **The 162-executive program** will be and additional retention program with a 7-year vesting program and an attractive whole life insurance cash value program. (Total effect \$73,000)
- **Mercer 50th percentile:** When implementing all new proposed benefits and the executive retention programs, AFM will be bringing all its executive team members within the 50% percentile total compensation rates that Mercer's analysis presented.

Ramon motioned to approve the new benefit package, including the Executive Retention program and the motion was seconded by Mike Browne. The motion passed without objection.

- Board asked to slow down the pace of new hiring to control the weight of our admin cost in the up coming future.
- Alvaro, also mentioned that MHAIA's board need to consider extending all this benefits to MHAIA.

There being no other new business, Adrian Iturbide motioned to adjourn which was seconded by Gary Caloroso. All were in favor.

Respectfully Submitted

Ron Campbell
Secretary, AFM