



The Roofing Industry **ALLIANCE** for Progress

November 17, 2015

Meeting Report

**Joint Alliance Board of Trustees and Full Roofing Industry Alliance for Progress Meeting**

Oct. 23, 2015

8 am – noon

The Washington Court Hotel, Washington, D.C.

1. Call to Order

Alliance President Ken Farrish called the meeting to order at 8 a.m. and welcomed everyone in attendance. He explained that this was a joint meeting of the Alliance Board of Trustees and full Alliance members. He then asked that everyone introduce themselves.

**Alliance Board Members present:** Jim Barr, Dane Bradford, Bob Daly, Naomi Dupre, Ken Farrish (Alliance President), Josh Kelly, Jim MacKimm, Paul Mitchell, James Patterson (Alliance Vice President), Rod Petrick, Tom Walker, and David Workman.

**Alliance Board Members absent:** Bob Bechtholdt, Nelson Braddy, Tom Saeli and Chris Schmidt

**Alliance Members present:** John Altmeyer, Carlisle SynTec Systems; Greg Bloom, Allied Building Products Corp.; Tim Blue, Blue's Roofing Co.; Chad Collins, Bone Dry Roofing Co.; Tupac De La Cruz, Roofing Solutions, LLC; Piers Dormeyer, EagleView Technologies, Inc.; John Geary, Firestone Building Products Co. LLC; Reed Gooding, GSM Roofing; Greg Hausz, Firestone Building Products Co. LLC; Dave Lawlor, Roxul, Inc.; Brian Levoguer, Roxul, Inc.; Bill Mabry, Owens Corning; Rob McReynolds, D & D Roofing Inc.; Bob Morgan, Upstate Roofing & Painting Inc.; Rich Nugent, Nations Roof LLC; Rob Ruff, Ruff Roofers, Inc.; Lindy Ryan, Tecta America Southeast LLC – Sanford; Chris Salazar, Karnak Corp.; Brynne Smith, Flynn; Rob Therrien, The Melanson Co. Inc.; Kyle Thomas, Thomas Roofing Co. Inc.; Dale Tyler, National Roofing Partners; Kelly Van Winkle, King of Texas Roofing Company LP; Bob Wamboldt, Johns Manville Roofing Systems; Brian Whelan, Sika Sarnafil Inc.; Jeff Willis, Roofing Supply Group

**Others present:** Paul Deeley, Beacon Pointe Advisors; Bob Delaney, Louis T. Ollesheimer & Son; Heidi Ellsworth, HJE Consulting Group; John Embow, Grove Roofing; Bill Good, NRCA; Mark Graham, NRCA; Karen Heifferon, Beacon Pointe Advisors; Greg Hudson, Georgia Pacific Gypsum LLC; Bennett Judson, Alliance (and recorder); Mostafa Khattab, Colorado State University; Jack Krapf, Merrill Lynch; Alison, LaValley, NRCA; Tony Mallinger, Metal-Era Inc.; Daryl Maronic, Dataforma Inc. John Massarelli, Beacon Roofing Supply Inc.; John Miller, Acme Roofing and Sheet Metal Co. Inc.; Geoff Mitchell, Mid-South Roof Systems; Duane Musser, NRCA; Dan Nielson, Association Development Solutions; Jessica Priske, Alliance; John Schehl, NRCA; Anne Schroeder, NRCA Bob Seeley, RS Growth LLC; Lisa Sprick, Sprick Roofing Co. Inc.; Amy Staska, NRCA; Jim Sullivan, University of Florida

President Farrish extended a special welcome to the following guests: John Embow, Greg Hudson, Tony Mallinger, Daryl Maronic, John Miller, Geoff Mitchell and Lisa Sprick.

2. Minutes

**A motion was made, seconded and unanimously passed to approve the minutes from the April 16, 2015 Alliance Board of Trustees meeting in San Francisco, CA.**

3. Previous Board Approvals by Electronic Votes

President Farrish reported that the Alliance Board of Trustees previously approved the following by electronic votes: the Independent Auditor's Report for the Year Ended May 31, 2015 and two proposals – 1)a proposal by Association Development Solutions (ADS) to help reinstate the Alliance's Planned Giving Program. (Dan Nielsen with ADS will give a report later in our meeting.) and 2)a request for the Alliance to become a Silver Sponsor in the CM Cares Program at Colorado State. These approved items were presented as a matter of record, there was no action required. The audit and proposals were included in the meeting notebooks (*Section I*) which Alliance members had access to prior to the meeting.

At this point in the meeting, Mostafa Khattab from Colorado State University gave a brief overview of the CM Cares program and thanked the Alliance members for their financial support. He explained that the CM Cares program is the first of its kind among construction management schools. And he shared that the program had received positive recognition from the American Council for Construction Education, "The work done provides real and lasting meaning and makes a difference to all those being served as well as those who are serving."

4. Alliance Board of Trustee Vacancy Recommendation

President Farrish explained that there are two open Board of Trustee positions whose terms expire May 31, 2017 and that Naomi Dupre with Kirby Fiberglass, Pueblo West, CO and Paul Mitchell with Tremco Roofing and Building Maintenance, Beachwood, OH are being recommended to fill the two positions.

**A motion was made, seconded and unanimously passed to approve Naomi Dupre and Paul Mitchell to fill the two open Board of Trustee positions whose terms expire May 31, 2017.**

5. Finance and Financial Development Committee Report

Jim Barr, chairman of the Alliance Finance and Financial Development committee, gave a brief report on the meeting held the previous day. He explained that there are no action items being recommended by the Finance and Financial Development committee. He pointed out that the financials were included in the meeting notebooks (*Section II*) which Alliance members had access to prior to the meeting.

President Farrish then introduced Jack Krapf, Paul Deeley and Karen Heifferon who reported on the status of the investment funds and gave their economic overviews. Following are highlights from their reports.

Highlights from Jack Krapf's report.

1. Equity Market Correction- What's the cause

a. Credit Yields widening

b. Is economy slowing- is **Global Economic Growth Slowing? Recession in our future?**

c. Sovereign funds liquidating equities

d. Central Banks selling fixed investments held on balance sheet?

e. Interest rates. Will the Fed raise rates?

f. Hedge Funds vs. Money Managers- BATTLE IT OUT!!!

2. Why are the markets so volatile and will volatility be with us for the long run?

a. The answer is yes, because government policies matter.

b. When bad news happens, access to liquidity can act as a shock absorber. If liquidity is not available increase downside volatility in asset values occur.

c. Dodd Frank- Good vs. Bad

1. Banks hold more Capital to Buffer Risks

2. Banks have to hold enough cash reserve to meet 30 days potential withdrawals in a financial crisis.
3. Banks terminating proprietary trading platforms. What does this mean?
4. Less profits and reduction in market makers than will hold assets.
5. What does a market maker do?
6. Current market makers less willing to purchase and hold assets in inventory to sell later.
7. Technology allowing larger blocks purchased or sold in seconds.
8. This will create greater volatility for markets. **BOTH SIDES Move higher and lower**
3. Ultimately the economy and earnings will determine higher valuations or lower valuations.
4. Labor market seems to be improving- Is data correct?
  - a. U3 as of Sept. 30 2015 is 5.1%
  - b. U6 is 10% as of 9-30-2015 seasonally adjusted
5. Energy- Goldman calls worst case scenario in \$20's- My expectation is \$60-\$70 in next 18 months.
6. Expect Retail Sales to have modest gains in September from August.
7. Construction data:
  - a. Residential spending has led the recent gains, adding 1.3% mom in August and 16.4% yoy. Nonresidential spending inched up 0.3% mom, but is up 12.3% yoy.
  - b. Private spending increased 0.7% mom and 16.5% yoy, while public spending added 0.5% mom and 7.0% yoy.
  - c. Government spending, which accounts for 27.5% of the total, increased on a monthly basis, with federal spending up 0.6% mom and state & local spending up 0.5% mom.
8. ISM manufacturing was reported at 50.2 for September, down from 51.1 in August and below the expected 50.6. Most of the components declined, but most of the components stayed above the 50-breakeven level. Given the weakness in the regional manufacturing surveys and the decline in new orders, we do think there is reason for caution in the coming months for manufacturing. Here are more details from the report:
  - a. The new orders index fell to 50.1 from 51.7. The production index declined to 51.8 from 53.6.
  - b. The employment index lowered to 50.5 from 51.2.
  - c. The supplier deliveries index declined to 50.2 from 50.7. The inventories index remained unchanged at 48.5.
  - d. Chairman Holcomb noted that respondents cited uncertainty about the Fed and global concerns, particularly, China.
9. Vehicle sales up 11.20% YTD
10. It's not a monetary issue but a Fiscal issue!
  - a. Taxes
  - b. Regulations.
  - c. Health Care
  - d. Banking Regulators.
  - e. Global demand issue not a supply issue

Karen Heifferon, Beacon Pointe Advisors gave an update on Beacon Pointe and shared her perspective on the economy.

1. Beacon Pointe Update:

- a. Firm is continuing to grow and gain assets, especially from endowments and foundations, insurance companies and a particular strength is the private client practice
- b. Review of the personnel currently assigned to the alliance, with Lead Relationship Manager Paul Deeley continuing as heretofore.
- c. Strength of firm in scale, research and personnel

2. Economy:

- a. Economy anticipated to continue to grow slowly with a moderate positive outlook
- b. Employment gains and modest wage growth expected to fuel consumer spending power
- c. In equity markets, anticipate more volatility

- d. Underlying data is encouraging and supporting more improvement in equity markets
- e. Anticipate rising fixed income interest rates by year end.

6. Alliance Fundraising Task Force and Membership Development Updates

Dane Bradford began with a report on fundraising efforts to date.

**Melvin Kruger Endowed Scholarship Campaign**

- campaign goal is to raise \$700,000 in gifts to fulfill the overall goal of a \$2 million endowment in order to distribute 25 \$5,000 scholarships annually.
- two promotions went out this month to all domestic NRCA members; two are scheduled for October and November; and two email campaigns also are scheduled.
- named scholarships are available for a commitment of \$50,000 (Thank you to OMG and Beacon for establishing named scholarships)
- we can now accept credit cards on the Alliance website.

**Planned Giving Program**

In April 2015, staff was asked to look into planned giving consultants who could help us develop a proactive program in which Alliance members and other industry supporters can get involved. After researching and interviewing several companies specializing in planned giving, staff recommended Association Development Solutions (ADS).

At the July meeting, ADS representatives presented a proposal to resurrect the Alliance's planned giving program. The proposal was accepted and funding approved. The first step was to survey Alliance members and a select group of non-Alliance (industry leaders) members to determine the level of awareness of the Alliance's current planned giving program; whether any members have considered including the Alliance in their estate planning; and whether the benefits of making a deferred gift are clearly understood.

Dan Nielsen with ADS will report the results of the survey and explain next steps later in the meeting.

**Capital Campaign**

The Alliance is still considering the idea of launching a year-end Capital Campaign whereby current Alliance members will have the opportunity to donate additional funds towards research and/or project work to benefit the industry. We plan to keep in mind that the scholarship ask is also going on; we'll talk more at the staff level following this meeting about the timing and messaging.

Rob Therrien gave a **membership development update**.

He reported that the Alliance currently has 145 members (106 contractors; 35 associates, three individuals; and one supporting). He extended a special welcome to the prospective members at the meeting who had come to learn more about the great work of the Alliance first-hand.

Mr. Therrien then asked the members to direct their attention to the newly released Alliance highlight video, which will be posted on the Alliance website and used to educate the industry about all of the good work the Alliance is doing.

7. Program/Project Updates

President Farrish directed the members to the written program/project updates that were included in their meeting notebooks (*Section III*). He advised that Mark Graham, NRCA's Vice President of Technical Services was available at the meeting if there were any questions on the Air Movement Retarding Testing, 2015 Update to EnergyWise Roof Calculator Online Application or Florida International University's Wall of Wind Updates.

Richardo Gonzalez, president of Bilingual America, presented the findings of his work with 13 Alliance contractors and one national distributor during the past year to improve cultural and leadership issues with

an increasingly **Latino workforce**. His new report includes key findings and a list of eight specific recommendations for the industry to follow. *(All Alliance members will receive a copy of the report in the near future.)*

Kyle Thomas, Chairman of the Alliance Construction Management Student gave a status report on the **2016 Alliance Construction Management Student Competition**. A total of 11 schools were invited to Participate. This year's project is the West Hall of the Orange County Convention Center – which is the portion of the convention center we'll be in for the IRE events in February. The written proposals will be due in late December. The judges will select 4 finalist teams to come to Orlando and give their oral presentations on **Thursday morning, Feb. 18** at the convention center. The winning team will be announced Thursday evening at NRCA's Industry Awards Ceremony.

Mr. Thomas encouraged Alliance members to show their support by attending a meet and greet with the students at the beginning of the Alliance member reception on Tuesday evening, Feb. 16 and by attending the oral presentations on Thursday morning.

James Sullivan from the University of Florida's M.E. Rinker Sr. School of Construction Management shared the results of a study of best practices for roofing contractors who want to become more engaged with **internships with construction management students**. *(All Alliance members will receive a copy of the report in the near future.)*

Dan Nielsen with Association Development Solutions gave a recap of the **planned giving** awareness survey that was sent to Alliance members and a select group of non-Alliance industry professionals. The survey results showed that there is an awareness of the Alliance's planned giving program but there is a need to share more details and explain the benefits of the giving options. Staff and the fundraising task force will work with the materials prepared by ADS in an effort to more aggressively promote the planned program.

8. Conflict of Interest Policy

A conflict of interest policy was included in the meeting notebooks. President Farrish explained that each Board of Trustee is to review, complete and return the signature page to staff.

9. Wrap-Up

President Farrish reminded members that there will be an Alliance member reception during the IRE in Orlando on Tues., Feb. 16, 2016 at the Rosen Centre.

He encouraged members to attend the Alliance Construction Management Student Competition meet and greet held at the beginning of the Alliance Member Reception and the oral presentations which will be held on Thurs., Feb. 18, 2016 from 7:45 to 11:15 a.m. at the Orange County Convention Center.

The dates for the next Alliance meeting are April 14-16, 2016 at The Ritz-Carlton Golf Resort in Naples, FL. He asked members to let him or staff know of any topic or speaker ideas they may have for the April meeting.

10. Adjournment

There being no further business, the meeting concluded at 11:30 a.m.