

**Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors Meeting held March 14-15, 2008
Marriott Courtyard Hotel, Albuquerque, New Mexico**

Attendance:..Caroline Tower, Jim Herron, Bill Lock, Linda Smith, Craig McMullen, Frank Yockey, Art Nichols, Nan Clark, Bob Ross, Bob Craine, Tim Tennant, Curt Bianchi, Parker Fowler, David Lee, Warren Smalley, Spencer Wilson, Dennis Sterosky, Ed Lowrance and Dan Pyzel.

Absent:..Bob Tully.

Guests:..John Engs, Mike Faith, Spiro Batalica, Ted Smith and Jean Lee, Geof Gordon (March 15), Steve Schroeder (March 15), Les Clark (March 15).

I. Call to Order

Chairman Craine called the meeting to order on Friday, March 14, at 1:13 p.m.

Chairman Craine recognized four outgoing board members who are attending their last board meeting: Art Nichols, Frank Yockey, and Curt Bianchi. In addition, he recognized Bob Tully, who is also retiring from the board and was unable to attend the meeting.

Chairman Craine nominated Roger Briggs for a General Palmer Award for his years of service to the Friends. He has been active in projects since the early 1990s and served on the board for several years.

M/S Craine/Sterosky to award the General Palmer Award to Roger Briggs at the June annual meeting. **Passed unanimously.**

II. Approval of Minutes

Chairman Craine asked for corrections to the minutes of the October 26-27, 2007 Board of Directors meeting, and the Executive Committee meeting minutes of November 19, December 19, January 8, January 17, February 21, and March 9, 2008. There were no corrections.

M/S Fowler/Pyzel to receive and approve the minutes. **Pass unanimously.**

III. President's Report

President Tennant presented his report, the highlights of which included:

- Katharina Root is now spending one day every two weeks in the office. Starting in the second quarter we anticipate a three-day-per-week schedule.
- We have placed an initial order of twentieth anniversary merchandise.
- President Tennant and other board members attended a roundtable discussion with officials of the Atomic Testing Museum in Las Vegas on March 4.
- Invitations have been mailed to Texas and Oklahoma members in preparation for the Saturday, April 19 membership meeting to be held in Wimberly, Texas.

- We received a \$20,000 grant over a two-year period from the McCune Charitable Foundation in Santa Fe.
- President Tennant and members of the Development Committee had a productive conference call with the Ludwick Family Foundation of San Francisco to discuss a \$50,000 grant request for the restoration of RPO 054.
- The 2007 end-of-year appeal brought in \$11,067 to date versus \$58,536 in 2006. President Tennant expressed concern that we must generate unrestricted revenue for our operating budget.
- We have made arrangements for the fall board meeting and banquet to be held at the Strater Hotel in Durango, October 24-25. The Durango & Silverton Narrow Gauge Railroad has also agreed to operate a special charter for us on October 25.
- We have tendered notice to Mark Feitl, Program Specialist with the Institute of Museum and Library Services, that the Friends will be the “official” application organization for the \$300,000 Save America’s Treasures Award for the restoration of locomotive 463.
- The commission and CTSMC agreed to a three-year management contract, with an option for two additional years. CTSMC can earn about \$140,000 over this period, including incentives.
- President Tennant praised the Richard L. Dorman Collection Committee for their excellent progress in cataloging and scanning images.
- Membership stands about 2,300 members. Now that President Tennant is back fulltime, he intends to work toward growing the membership.
- Regarding our Chama rental property, we have drafted a letter that will be sent to the tenant addressing back rent and other issues.
- New Mexico Governor Bill Richardson has signed Senate Bill 471 for issuance of \$1 million of bonds appropriated to the C&TS to upgrade track and roadbed. This funding becomes available July 1, 2008.
- The commission approved the Friends’ 2008 project list pending approvals on the six reimbursable projects for the railroad.

President Tennant reviewed the 2008 budget, which was previously approved by the Executive Committee at its meeting of January 17, 2008. Chairman Craine emphasized that the budget is aggressive and that we must give close oversight to the entire financial process.

Chairman Craine summarized the previous day’s discussion of the strategic plan. We reviewed our long-term strategic plan for the Friends, and concluded that in most respects it was still accurate, though one issue that must be acknowledged is generational change as a major issue affecting the Friends. It was also felt that we need some text that better reflects our role in the overall management of the railroad.

IV. Finance Committee Report

Treasurer Sterosky presented the report. He reviewed the 2007 unaudited financial statements. Net ordinary income for 2007 was \$6,022.17, which is very close to budget. Total net income, including restricted contributions, for 2007 totaled \$276,027.

He noted that starting in 2008 we will account for pledges differently than in the past in order to use evolving standard accounting practices.

Treasurer Sterosky reviewed the 2008 year-to-date financial statements, noting a concern that income is below the budgeted amount, primarily due to a shortfall in membership dues.

The Friends solicited proposals from several firms to conduct our 2007 financial audit, and Treasurer Sterosky negotiated a proposal with the firm Reynolds & Hix. He advised that form 990 has gotten significantly more complicated than in the past and audit fees are rising for all non-profits.

M/S Sterosky/Lock to ratify the hiring of Reynolds & Hix to perform the Friends' 2007 financial audit at a cost of \$9,000. **Passed unanimously.**

Treasurer Sterosky noted that the Executive Committee recommends the hiring of a Chief Financial Officer, even if on a part-time basis, to provide firsthand financial oversight to the organization.

M/S Fowler/Lowrance to receive the report of the treasurer. **Passed unanimously.**

V. C&TS Dispatch Report

Director Lee presented the report. The spring issue of the *Dispatch* has been mailed. The mission statement for the *Dispatch* was reviewed, as well as the editorial and advertising policy, and the remaining 2008 schedule.

VI. Docent Report

Director Yockey presented the report. Chuck Heronome will be unable to serve as the docent on-site coordinator in 2008. Director Yockey acknowledged the significant contributes that Chuck has made to the railroad through his docent-related activities. To fill his absence, some senior docents will jointly cover the position. We have been scrambling to find a sufficient number of docents to cover every train this year.

With his retirement from the board, Director Yockey recommended that Director Ross serve as the liaison between the docent program and the board of directors.

VII. Development Committee Report

Director Ross presented the report. Total pledges and donations for ACNGS II stand at \$688,451.03. Total cash stands at \$270,671.64. The total endowment from ACNGS I and II stands at \$102,344.04. 26 percent of the Friends membership has contributed. 54 non-members have committed to the campaign.

Director Ross described the membership meetings being held in various parts of the country. He also presented a proposed flyer describing a planned giving program.

Director Clark reviewed our progress regarding grants, including funds received and outstanding requests to private foundations and corporations. We have recently received funding from the following organizations:

- Save America's Treasures (\$300,000 for locomotive 463)
- McCune Charitable Foundation (\$10,000 on a \$20,000 award)
- Gorham Family Foundation (\$5,000)
- Red Rock Foundation (\$5,000)
- The Gumbo Foundation (\$1,000)
- Community Banks of Colorado (\$1,000)

Several other grant requests are pending.

President Tennant described our new policy regarding capital projects. Requests need to be submitted to President Tennant, who will prioritize them and review them with Director Ross, who is the Development Committee chair, to determine which requests are funded.

Director Ross described how museum accreditation could help our fundraising efforts. Director Smith has agreed to undertake a review of the organization relative to the requirements of accreditation, building on work previously done by Director Clark.

VII. Nominating Committee Report

Director Herron, serving as temporary Nominating Committee Chairman, presented the report, reviewing the recommendations of the committee.

1. Number of Directors. The bylaws specify a board consisting of 14 to 20 directors. After consulting with President Tennant, the committee recommends a slate of 16 board members for 2008. With four directors retiring from the board this year, this would require nominating one person in addition to the four directors standing for re-election. The Executive Committee approved this recommendation on March 9, 2008.

M/S Tower/McMullen to approve the Nominating Committee recommendation to set the size of the board for 2008 to 16 members. **Passed unanimously.**

2. Term Limits. The Nominating Committee proposed instituting a term limit of ten consecutive years for directors, and four consecutive years for officers. In addition, the committee recommended a new advisory position of "Director Emeritus" to help preserve institutional memory as directors retire from the board. The Executive Committee approved both recommendation on March 9, 2008. The board discussed the proposal but took no action.

3. Executive Committee. The Nominating Committee proposed changing Section 9.1 of the bylaws, which describes the Executive Committee. The changes call for an Executive Committee consisting of five to seven members, including the chairman, vice chairman and such other directors as elected by the board of directors. A salient difference between the current bylaws and the proposed change is that it would not require a Colorado and New Mexico representative on the committee, nor would it require that the secretary and treasurer be

members of the committee. Because board members must be notified of proposed bylaws changes 15 days before voting on them, the board was unable to take action, but intends to do so at its June board meeting.

4. Slate of Directors. The board entered into executive session to discuss the proposed slate of directors for 2008.

M/S Lock/Yockey to nominate for election to the board of directors Bob Craine, Parker Fowler, Jim O'Keefe, Bob Ross and Warren Smalley. **Passed unanimously.**

The board returned to regular session and adjourned at 3:30 p.m.

The board reconvened on Saturday, March 15 at 8:40 p.m.

VIII. Railfan Committee Report

Director Lock presented the report. Two special charters are proposed. The annual Moonlight Train is scheduled for July 19, and a photo freight train is set for June 21. The Railfan Committee is also considering a demonstration train including pile driver OB on August 9.

John Eng brought the board up-to-date regarding pile driver OB. We have contracted to move OB from Colorado Springs to Antonito during the week of May 5. Once in Antonito, OB will be prepped and rigged for operation during work sessions A and B. The intent is to have OB operational by work session B. In addition, tender car 6008 will need to be moved to Antonito and painted. Both OB and 6008 will also need to be lettered. If all comes off as planned, OB will be demonstrated in Antonito during work session C.

M/S Sterosky/Fowler to accept the Railfan Committee report. **Passed unanimously.**

IX. Commission Operating Agreement

Chairman Craine reviewed the status of the commission agreement, formerly known as the Triad Agreement. The Friends and the commission negotiated a new Triad Agreement in 2005, utilizing the services of the Colorado Attorney General. However, it wasn't ratified, and the commissioners that were in place at the time have subsequently been replaced. More recently, commission Executive Director Leo Schmitz presented a draft of a document he calls a general operating agreement, which would replace the old Triad Agreement and would define the relationship between the Friends and the commission. In drafting the new agreement, the commission utilized the services of the New Mexico Attorney General office. While the essential elements of the previous Triad Agreement draft remain in place, the new agreement includes provisions required of non-profit groups working with New Mexico state agencies. For example, this would require us to provide to the commission copies of our bylaws and our donor records. A question was whether it was appropriate for the commission to act as a New Mexico state agency for this purpose, when in fact it is not. Chairman Craine will continue to discuss this with the commission.

X. Interpretation Committee Report

Director Yockey, acting as interim Interpretation Committee chair, reported on recent activities of the Interpretation Committee. The Chama depot telegraph booth and the Cumbres

interpretive kiosk projects continue to progress. In addition, progress continues on the exhibit boxcar, and Director McMullen has indicated his interest in moving the exhibit boxcar and the Hinman coach projects forward.

President Tennant addressed the need for long-term leadership of the committee. He has discussed the position with Dave Ferro, who indicated his willingness to serve once he retires and returns to New Mexico in about three years. In the meantime, Director Clark will assume the position as chair of the committee.

XI. Railroad Visitor Center Status Report

Director Clark presented the report, reviewing the general progress of the RVC project. She discussed a letter received from Robin Powell of the New RVC. Director Clark will be meeting with Ms. Powell and members of the commission in May to review firsthand the selected site as well as alternatives. The north yard site is still supported by the commission, and Director Clark does not anticipate that the site will change.

Assuming the site remains the north yard, an interpretive plan will need to be completed and Keith Hayes' architectural plans potentially revised. It is possible that we could begin requesting permits in November and break ground in 2009.

XII. Projects Committee Report

Director Lowrance presented the report. The highlights included:

- We have planned 89 projects this year, encompassing all of the major sites along the railroad. Team leaders are in place for all of the projects.
- Two special sessions have been scheduled for this year. A special session in May will be for the purpose of building an end of track retaining wall and ramp in Antonito where railroad equipment can be unloaded from trucks onto tracks. A special session in the fall will be dedicated to conducting a complete inventory of tools and supplies in Antonito and Chama.
- A new form has been created for tracking projects undertaken on behalf of the commission in order to track reimbursable expenses.
- The heavy snowfall in Chama may necessitate work in Chama to help rehabilitate the grounds.
- Director Lowrance addressed the need for utilizing high quality materials in our restoration efforts. He noted that poor quality materials have dramatically shortened the life of some past work, and we should not continue this practice.
- With the anticipated completion of pile driver OB this spring, we need to decide whether to continue maintaining the Colorado Springs work site. Director Lowrance has asked Director Herron to chair a task force to explore the issues related to satellite work sites, and to make recommendations at the June board meeting.

- The Projects Committee has created a new purchase order process in order to control project expenses. Purchase order signing authority is limited to Don Bayer (Chama), Jim O'Keefe (Antonito), Don Metzler and John Engs (Colorado Springs).
- Dan Pyzel has identified a source of rail and switches that are available to the railroad for the cost of moving it. On January 17, the Executive Committee approved the expenditure of up to \$2,400 to move this track and rail.
- We will need to have safety training meetings with our team leaders, most likely on the Sunday before each work session.

Chairman Craine presented the new safety manual. While safety starts with each individual volunteer, team leaders are responsible for the safety of their work site. Director Lowrance explained that the safety manual codifies in writing the policies that we should already be following. John Engs pointed out that by adopting a written policy, it is also incumbent on the organization to provide the necessary safety gear and training in order to comply with our safety requirements. Director Herron suggested that we need a safety compliance officer at each of our work sites.

Chairman Craine asked the board to adopt a resolution that safety is the number one priority at work sessions.

M/S Smalley/Lowrance that the board resolves that safety is the number one priority at work sessions. **Passed unanimously.**

XIII. New Business

Director Tennant reported that he received a letter from the Narrow Gauge Preservation Foundation advising that the foundation is favorably inclined to accept our grant request in the amount of \$300,000 to help fund the restoration of locomotive 463. The foundation will release funds on a five-to-one split basis; that is, the Friends will need to raise an additional \$60,000 in order to receive the entire \$300,000 from the foundation. The foundation would also like to explore the idea of marketing replicas or models of locomotive 463. The board expressed its thanks to the Narrow Gauge Preservation Foundation for its support of the Friends.

XIV. New Business

Director Lowrance reported that there is a project this summer to lay the foundation for a three-bay car barn in Antonito that could cover as many as twelve cars.

XV. Adjournment

The meeting was adjourned at 11:43 a.m.

Respectfully submitted,

Curt Bianchi, Secretary