

Approved Minutes
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – October 24, 2008
Strater Hotel, Durango, CO

Attendance: Nan Clark, Bob Craine, Parker Fowler, Jim Herron, David Lee, Ed Lowrance, Craig McMullen, Jim O'Keefe, Dan Pyzel, Bob Ross, Warren Smalley, Linda Smith, Dennis Sterosky, and Caroline Tower

Absent: Bill Lock, Spencer Wilson

Guests: John Engs, Geoff Gordon, Jean Lee, Elmer Salazar and Ted Smith

I. Call to Order

Chairman Craine called the meeting to order on Friday, October 24, 2008 at 8:30 a.m.

II. Approval of Minutes

Chairman Craine asked for corrections to the minutes of (1) the June 22, 2008 Board of Directors meeting; (2) the Special Executive Committee meeting of July 8; and (3) the regular Executive Committee meetings of July 16, August 20, and September 17, 2008. President Tennant proposed a change to the July 16 EC minutes, page 1, last bullet, from ..."was generally down approximately 3-5% YTD..." to "...was down approximately 3% YTD..." Director Lowrance asked that the spelling of his name be corrected on page 3 of the July 16 EC minutes.

M/S McMullen/Pyzel to approve the June 22, 2008 Board minutes. **Passed unanimously.**
M/S Herron/Lowrance to approve the July 8, July 16, August 20 and September 17, 2008 EC minutes as corrected. **Passed unanimously.**

III. President's Report

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

General

- Since the second quarter of this FY, Katharina Root has been working three days per week which provided excellent support to the Project Committee personnel during the work sessions in tracking material costs.
- To date, the Dorman collection team volunteers have scanned and catalogued 14,000 images. They are currently developing a CD that will serve as a catalog of collection images available for purchase. The CD will be available to interested parties at a reasonable cost, thus providing the opportunity to review the collection before purchase. The image quality on the CD will prohibit reproduction for any meaningful use. The interested party will be instructed to contact the Albuquerque office for desired photo reproductions at an appropriate price.
- The "Regional Membership Meeting" concept introduced in December 2007 continues to be well received by members as evidenced by their attendance at four meetings conducted to date. Meetings were hosted in Denver, CO; Albuquerque, NM (combined

with the spring banquet); Wimberley, TX; and, most recently at the Western Railway Museum in Suisun City, CA. The Denver and Suisun City meetings drew around 50 members each, and approximately 90 members attended the Wimberley, TX gathering. The primary purpose is to update members who cannot attend summer work sessions on the Friends' activities and to seek their continuing support of Friends' projects. Planning is underway to stage similar sessions in LaPorte, IN and somewhere in Southern California during 2009. President Tennant, Chairman Craine, Directors Clark, Ross and Tower and CTSMC Director Elmer Salazar have been actively engaged in these events.

- Sam Furakawa, well known narrow-gauge photographer and author, has written another coffee table book (soon to be published) on the Durango & Silverton Railroad similar to his Cumbres & Toltec edition. President Tennant is working with Bob Hayden to arrange a pre-sale opportunity for Friends' members to be announced in early 2009 by a flyer in the "Dispatch." The Friends will make approximately \$15 on each book sold.

Investment Accounts

President Tennant provided the Board with an overview of the organization's cash investments and an assessment of the safety of these investments in view of the current global financial crisis.

Most of the Friends' investments are with American Funds in money market accounts which are invested in U.S. Treasury securities. While these investments yield a low rate of return, they are also low risk. \$100,000 of the Friends' endowment fund is invested in a 13-month CD at First Community Bank, earning 3.05% interest. Remaining funds are held in a Merrill Lynch money market account and First Community Bank and Bank of America accounts.

CTSMC/Commission

- The C&TS 2008 operating season, which concluded on October 19, reflected an approximate 3-4% increase in ridership in comparison with the 2007 operating season.
- Soni Honegger, newly selected CTSMC General Manager, officially assumes the position on November 1, 2008.
- The Friends has collected \$2,325.65 from the CTSMC for work performed in 2007, and has invoiced another \$7,474.30 for materials and expenses related to work performed on a revenue caboose and concession car. In addition, the Friends has requested CTSMC approval for \$1,243.01 related to approved 2008 railroad projects.
- The next Commission meeting is set for Wednesday, December 10, 2008, at 10 a.m. at Cookin' Books in Chama, NM.

Membership

- Current membership is 2,283, an increase of 154 from the December 31, 2007 level of 2,129.
- The Friends will participate in the *Albuquerque Journal* "brown wrapper" program offered to non-profits in the area free of charge. If selected during a lottery, the Friends would provide the newspaper with a draft of the message to be delivered, including a summary of the history of the organization and an invitation to join the Friends. This wrapper then appears as an insert in the paper.

Fundraising

- President Tennant thanked the Candelaria Foundation (Richard and Caroline Tower) for a \$10,000 challenge grant issued to those who made pledges to the capital campaign (ACNGS II) at the regional membership meetings. The proceeds go to the general operating fund.
- The Bob Tully Memorial Fund now stands at \$18,985, with \$11,985 designated for covered car storage and \$7,000 marked for the RVC project.
- The Carl Turner Memorial Fund includes \$1,825 in contributions, split evenly between the 463 restoration project and general operating funds.
- Member Fred Springer donated \$1,000 as a memorial to his long-time friend, Jim Larson, who passed away on September 2, 2008.

Events – 2009

- Director Spencer Wilson and member Vern Glover will give a presentation on the Dorman photo collection at the New Mexico History Conference in Santa Fe on April 30-May 2, 2009.
- The Spring Board meeting and banquet will be held March 12-13-14, 2009 at the Rio Rancho Inn, in Rio Rancho, NM. The banquet is scheduled for the evening of March 13 at the Prairie Star Restaurant on the Santa Ana Pueblo. On March 14th, a group train ride will be available on the New Mexico Rail runner to Santa Fe where the group will have lunch at Tomasita's (the old Rio Grande Depot) and then return.

Collections Committee

President Tennant opened Board discussion on the establishment of an accession/de-accession (collections) committee, stating that as the Friends continue to mature and fulfill their role as the museum arm of the C&TSRR, the need for such a committee becomes increasingly important. The purpose of the committee is to oversee collections management, including the selective acquisition and de-accessioning of artifacts based on established organizational policies. President Tennant recommended that the committee include five members, including (1) representatives from the Friends' Project and Interpretation Committees; (2) the CTSMC General Manager; (3) the Friends' President/CEO; and (4) a member at large.

After a brief discussion which included the suggestion that the committee be named the Collections Committee, President Tennant asked for the Board's approval to establish the committee with the membership group representation as discussed. The Committee's first responsibility would be to develop a charter and a draft collections policy to present to the Board at the spring meeting.

M/S Smalley/Tower to approve the establishment of a Collections Committee, to include recommended membership categories, which will further develop a charter and collections policy for the Board's review/approval at its Spring 2009 meeting. **Passed unanimously.**

IV. Progress Report – Commission and CTSMC

C&TSMC Director Elmer Salazar provided the Board with an update on the current activities of the Commission and its operating entity, the C&TSMC.

He stressed the importance of the Friends' organization to the successful operation of the railroad, and stated that the Commission and operator clearly recognize that value. In summary, the Friends' organization is a "solid piece of the mission we share together." Despite the economic downturn, the C&TSRR experienced a slight increase in ridership during the 2008 operating season. Much of that success is attributed to a strong marketing campaign which was focused on the regional markets and "one-day" travelers.

With respect to the 2009 operating season, Director Salazar stated that the current management team remains committed to the mission. Newly selected General Manager Soni Honegger has been well received by the shop staff, and will assume his role on November 1, 2008. The C&TSMC management team is evaluating a number of options to increase revenues, including possibly more theme trains, such as the successful Cinder Bear express. They are also considering the reconfiguration of passenger coaches to accommodate another class of service (something in between coach and parlor).

He concluded his report by again thanking the Friends for their efforts, and stating that the Commission and operator are pleased to have the organization as partners.

V. Finance Committee Report

Acting Treasurer Sterosky presented the report.

The Profit and Loss (Budget vs. Actual) report for January – September 2008 reflects a net income of \$159,394 which is \$15,252 less than the budgeted amount for that period. Income from donations of \$66,344 is significantly higher than the budgeted projection of \$29,275; however, there was a one-time bequest of \$53,551 (general operating fund – unrestricted) which was not anticipated. While grants awarded exceeded budget projections, Treasurer Sterosky pointed out that, pursuant to Board approval and the budget, \$40,000 was moved from ACNGS I to operating funds to cover materials for restoration projects. Member dues, program fees and reimbursements were all less than anticipated for the projected period.

From an expense category standpoint, the Friends' organization spent less than was budgeted. Actual expenses were \$362,144, some \$3,753 less than the budgeted \$365,897. While the Friends' photo train made a profit, there were small losses on the Maintenance-of-Way and Moonlight Train charters, probably because they were scheduled during Chama Days, making it difficult to obtain reservations.

Treasurer Sterosky commended Director Lowrance, Chair of the Project Committee, and the Friends' accountant, Katharina Root, for their excellent system of tracking purchase orders during the summer work sessions. This was instrumental in maintaining expenditures within budget limits. Chairman Craine also commended Director Lowrance and the Project Committee for their discipline and control in managing project funds during the 2008 work sessions.

Projections for the net income for the CY (January-December) should be proportionately comparable to that reflected in the current P&L, reflecting a profit of somewhere between \$30-\$40K, depending upon the results of the year-end appeal to members.

With respect to the balance sheet, Treasurer Sterosky pointed out that most of the funding is in restricted categories. Net total assets equal \$1.2M. . He also noted that the Friends' capital equipment should be evaluated to determine its real value rather than the listed book value. Valuations are now based upon what the Friends' organization paid for those assets. Chairman Craine suggested establishing a "valuation reserve" approach rather than an item-by-item assessment.

Treasurer Sterosky also reported that the search continues for a Friends' CFO. An advertisement will be placed in the "Dispatch" newsletter.

An in-house investment review was conducted by the Treasurer and President, resulting in the conclusion that the current policy of investing in Treasury Notes, mutual funds that invest in government securities or FDIC insured bank accounts and CD's provides a low-risk approach that is appropriate for the current economic environment.

A budget for Calendar Year 2009 was presented to the Board and briefly discussed (Attachment 1). President Tenant reported that a C&TSRR employee, Michele Martin, had expressed interest in the Friends' rental, now in disrepair, and would help fix it up for a reduced rental price. The Board generally expressed its approval for renting the property to Ms. Martin if it's economically feasible to do so. An ad-hoc committee of Directors Lock, Lowrance and Ross will examine the current situation and make a recommendation to the Executive Committee. President Craine urged the President and Directors to closely examine the projected budget and recommend reductions where feasible which is especially important in the current economic climate. President Tennant said that he is in the process of making recommendations for cost savings. The Board discussed the following possible cost reductions/revenue enhancements:

- Contacting members to determine who would like to receive the newsletter via e-mail. (Director Lee stated he will find out if there's a cost savings.)
- Possibly changing telephone providers.
- Reducing travel by 25%.
- Examining charters to determine if they are under-priced.
- Exploring the possibility of an increase in dues and work session fees, although the current economic situation makes that problematic.
- Focusing on enhancing merchandise sales which was a significant revenue source during the 2008 work sessions.
- Mailings-deliveries: try to reduce costs by combining mailings and using Dispatch.

Chairman Craine requested that the Board review the proposed budget and provide any comments or recommendations to President Tennant within the next week or so. The final budget draft will be presented to the Executive Committee for action at its next meeting.

A draft Corporate Resolution to change signators on the corporate checking account at the Bank of America to include President Tennant and Directors Lowrance and Ross was presented to the Board for their approval (Attachment 3).

M/S Parker/McMullen to approve the Financial Report as presented. **Passed unanimously.**
M/S Tower/Smith to approve the Corporate Resolution as described. **Passed unanimously.**

VI. Development Committee/Docent Report

ACNGS II

Director Ross presented the Development Committee report. There are \$890,799 in pledges and \$122,028 in donations, for a total of \$1,012,827. Delinquent pledges are currently being reviewed and reminders are being sent for overdue pledges. Overall, campaign expenses are less than 2% of donations which is significantly below generally accepted standards for non-profits engaged in capital campaigns.

Director Ross also reported that the Committee has established an approach for reaching the overall ACNGS II campaign goal of \$2M. Next steps include the development of a comprehensive list of target organizations, including railroad corporations and foundations. Educational outreach activities will be highlighted to leverage funding requests. He also stated that the EC has approved an “addendum campaign” to the ACNGS-II aimed specifically at raising funds for the Railroad visitor Center (RVC) project. The approved use of funds for ACNGS II will now include the RVC project.

A planned giving program has been established, and will be advertised in the *Dispatch* as well as in membership correspondence and possibly on the Friends’ Web site.

In late November, work will begin on the restoration of Engine 463, funded by the Save America’s Treasures grant and two supporting private foundation grants. The engine has been transported to Chama, as most of the boiler work will be accomplished in the Chama shops. The tender remains in Antonito to be worked on by the Antonito shop crews.

Recent promotional activities have included a Friends’ sponsored chamber of Commerce train in September; a presentation to the Chama Valley Rotary club; radio interviews in Chama; and an educational outreach pilot project in October, in partnership with the Chama Valley School District. This included educational yard activities (an art contest) and a train ride.

Board members were requested to actively engage in seeking support from their network of friends and associates, including providing presentations to fraternal groups. Chairman Craine challenged Board members to raise at least \$1,000 from individuals other than themselves.

Grant Writing Group

Director Clark reported on the grants submitted, or under development, since the last Board meeting. These include a request to the Candelaria Foundation for RVC museum planning and business/operations plan support in the amount of \$13,900. In addition, a proposal is being prepared for submission to the Federal Institute for Museum and Library Services in the amount of \$118,000 for exhibit design work associated with the RVC. And finally, a proposal was submitted to the Brindle Foundation in the amount of \$5,000. During the first quarter of CY 2009, the GWG plans to submit grant proposals to the National Endowment for the Humanities, the Edwards Family Foundation, and the Smithsonian.

Development Coordinator Position

Discussions are underway with Commissioner Randy Randall and CTSMC Director Elmer Salazar and the Friends to establish a shared position for coordinating the grants program and other fundraising and developing grant requests for both the Friends' organization and the Commission. This position would be located at the Friends' office in Albuquerque, NM and supervised by President Tennant. The Commission and the Friends would share equally the expenses for the position... A draft position description has been prepared, and if approved by the Board, will be presented to the Commission for its approval at the December 10 meeting.

The Board discussed the advantages of having such a position as well as possible sources of funding. If the Board approves the concept, the EC will work through the details after the Commission approves.

M/S Tower/Smith to approve the general approach of partnering with the Commission to establish this position. **Passed unanimously.**

Docent Report

Director Ross reported on a particularly successful docent volunteer effort during the 2008 operating season. Docents were assigned to every regularly scheduled train and, in addition, covered special trains (including the "Cinder Bear" and popular Sunday special theme trains.) Overall, this totaled 298 regular trains and 11 special trains. Thirty-six docents have contributed 4,760 hours of serve on the regular trains and 55 hours on the special trains. Including the 1,256 administrative volunteer hours donated by Bob Ross and Bob Hey, the docent activity has donated approximately 6,070 hours.

Director Tower emphasized the importance of docents to the Friends' volunteer efforts and expressed the need to highlight their work. She stated that "it is an incredible contribution and display of professionalism" and asked the Board to think of how we might recognize these efforts, both individually and as a group.

VII. Dispatch Report

Director Lee reported that the next issue of the "Dispatch" is now at the printer. There will be a major feature, remembering the contributions of Carl Turner. Work has begun on the winter issue.

Director Lee will investigate the possible cost savings associated with increasing e-mail distribution of the Dispatch. He is also working on a source for more professional photographs.

President Tennant stated that all member surveys show that the Dispatch is viewed as a "top member benefit" and commended Director Lee for his work.

VIII. Strategic and Operating Plan Review

Chairman Craine led the discussion focused on the organization's progress over the past few years, within the framework of the current Strategic Plan, updated in June 2008. His written evaluation is shown as Attachment 4. Significant progress has been made in meeting most of the eight strategic objectives, and the Board's discussion focused on strategies to continue progress toward those goals in 2009. Chairman Craine noted that the operating environment has changed drastically, mostly in a positive vein, citing the "vastly improved operating agreement." The Friends have also made significant advances in project management,

planning and fund-raising for the RVC, and supporting the railroad's operations. The Friends' volunteer efforts continue to be the foundation for its success, and the envy of the non-profit community.

Chairman Craine asked the Directors to review the Strategic Plan Summary on a continuing basis and provide input to the EC on improving our performance in all strategic areas.

IX. Nominating and Governance Committee Discussion

Director Herron, Chairman of the Nominating and Governance Committee, led the discussion on Board size, term limits and related governance issues.

With respect to the size of the Board of Directors, the advantages and disadvantages of increasing or decreasing the size of the Board was discussed. Director Sterosky stated that the size and mix of the Board depends on its role. Since the inception of the organization, the Board has been an active, "hands-on" Board which is now moving toward more of a policy oversight body. If the primary function of the board is oversight and fund-raising, a larger Board with more developmental capability may be necessary. He sees the Board as about halfway through the journey from "hands-on" to "policy-fundraising" model. Director Clark offered the view that the "hands-on" is very important, as it is the traditional core of the Friends' organization and its strength. The volunteer effort has been essential in the evolution of the organization given the lack of resources for paid staff. Director Herron commented that it is important to have more full-time paid staff before the Board can move to the "policy-oversight" model.

President Tennant stated that he believes the current number and mix of Directors is "right-sized" for where we are now as an organization. He also commented that the organization has added diversity and depth during the past two years, especially in the development arena.

Director Tower suggested that the Board look at the current mix, and identify unmet needs. The Board identified fund-raising, curatorial, higher level engineering, and marketing expertise as desirable attributes for future Board members.

Director Herron reported that the Nominating and Governance Committee has agreed that term limits are not appropriate at this time.

The Board also discussed the need to recruit new, younger volunteers, and discussed various approaches, such as devising creative projects to attract young families who cannot attend full work sessions; building partnerships with Scout organizations; expanding educational outreach activities; and developing special events, such as "Family Friendly Weekends."

X. Railroad Visitor Center and Interpretive Committee Report

Director Clark provided a written report from the RVC "Visioning Workshop," conducted by Merriell & Associates, exhibit design firm, for the Board's review. She briefly summarized the conceptual design of the "exhibit flow" in the RVC. A subsequent "facilities workshop," also facilitated by Merriell & Associates, was held in August, which confirmed earlier conceptual design assumptions for the building in terms of exhibit and administrative support space. A published report is available for review by interested parties.

Director Clark also reported on the August visit to Chama by representatives of the New Mexico State Historical Preservation Office (SHPO) to physically review the proposed RVC site. There is still no official word as to whether the site is acceptable, although there have been requests for additional information. The decision as to the appropriateness of the site will be made by Katharine Slick, the State Historical Preservation Officer. If the site is approved, the Friends will initiate action to seek a permit for a cultural resources survey and develop an approach for an environmental assessment.

Director Clark is currently developing an RVC business plan which will address concepts for operating the RVC, including staffing, museum store products, and marketing approaches. It will also provide pricing options. When the draft is completed, it will be made available to the Board for review and comments.

A brochure to assist in fund-raising for the RVC is being created. It will provide a variety of funding approaches, including naming opportunities.

XI. Project Committee Report

Director Lowrance provided an update on some 23 major projects planned for the 2009 work sessions.

He also discussed an opportunity for the Friends to participate in work sessions for the Alder Gulch Short Line Railroad, located in Virginia City, MT, an historical site operated by the Montana Historical Commission (MHC). The proposal, brought to the Friends' attention by two Montana members and volunteers, is for the Friends to conduct three "special two-week work sessions" each year for three years, thus earning six narrow-frame tank car trucks. The estimated worth of each car truck is \$15,000 for a total value of \$90,000. The work sessions are proposed for August 24 and August 31, 2009. Volunteers from the MHC would work under the leadership of Friends' team leaders who would provide guidance and mentoring, thus strengthening the volunteer efforts of the MHC. The MHC would provide materials and supplies for the work projects. It is estimated that transport of materials and supplies to the Montana work site would cost approximately \$3,500.

After Board discussions, it was generally agreed that Director Lowrance should continue negotiations to establish a reasonable working agreement with MHC for the off-site work, but only if the newly created Collections Committee concurs that the car trucks are a necessary and worthwhile acquisition for the Friends. Director Lowrance was also asked to examine the potential liability issues involved in this off-site work, in close coordination with President Tennant. Chairman Craine emphasized that the quality and productivity of these efforts must be up to the high standards of the Friends, and the work should not in any way diminish the efforts of the planned work sessions at Chama, NM and Antonito, CO.

Director Lowrance also briefed the Board on the costs associated with relocation of the Colorado Spring's work site, estimated at \$7,500. Director McMullen and Team Leader John Engs are working with County officials to reduce the costs.

Discussions are underway with the New Mexico SHPO on providing some wood storage options near the existing carpenter shop. Director Lowrance would like to identify some potential grant funding for this project.

At the close of the work sessions, a group of volunteers led by Spero Bettalico took a "hard inventory" of everything in Chama. Mr. Bettalico is now creating a database that will allow Team Leaders to access and identify current inventories of materials and supplies. That should be available during the first quarter of CY 2009.

XII. New Business

Director McMullen reported that two historic Rio Grande coaches located near Alamosa River Valley are being researched. The owner resides in Bucyrus, KS. The coaches appear to be unique historically, although there are no trucks with the coaches. The Board agreed that Director McMullen should work closely with the Collections Committee to review the potential acquisition of these coaches, and make recommendations on their further disposition to the EC.

XIII. Adjournment

The meeting was adjourned at 3:40 p.m.

Respectfully submitted,

/s/ Linda M. Smith

Linda Smith, Secretary

Attachments

1. Final 2009 Budget
2. Evaluation-Strategic Plan