

Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Annual Board Meeting Held June 19, 2004
Vera's Restaurant, Chama, New Mexico

Board members present: Jim Herron, Ed Lowrance, Bob Tully, Spencer Wilson, Bill Lock, Nan Clark, Bob Craine, Bob Ross, Frank Yockey, Phil McDonald, Warren Smalley, Dennis Sterosky, Jerry Sahnd, Art Nichols, Parker Fowler, and Brian Shoup President.

Board members absent: Geof Gordon, Curt Bianchi.

Guests: Hugh Fowler, Dan Pyzel, Gwen Lotz, and Dick Cowles.

1. Call to Order

President Shoup called the meeting to order at 8:10 a.m. MDT. The President appointed Jim Herron as temporary Chairman and Bill Lock as temporary Secretary of the meeting.

2. Election Results

Acting Secretary Bill Lock reported on the results of the Annual Election of Directors. He reported that all of the Directors elected were substantially supported by the membership. Nine new Directors were elected including the following: Curt Bianchi, Bob Craine, Parker Fowler, Phil McDonald, Art Nichols, Bob Ross, Warren Smalley, Bob Tully, and Frank Yockey. The new Directors commenced acting.

3. Election of Officers

Mr. Herron stated that he will only serve one additional year as Chairman of the Board. He recommended that Bob Craine be considered because of Bob's experience and ability in fundraising. Rhetorically, Jim asked the Directors to consider whether the Chairman should choose a slate of officers. He also asked that Bob Ross serve as Chairman of the Nominating Committee with a goal of selecting and having this Board elect a Chairman Elect at the Fall Board Meeting so that there could be a transition into the new Chairman.

M/S Craine/Yockey to elect the following slate of officers: Chairman: Jim Herron; President: Brian Shoup; Vice Chairman: Jerry Sahnd; Secretary: Curt Bianchi; Assistant Secretary: Bill Lock; Treasurer: Dennis Sterosky; Assistant Treasurers: Bill Lock and Spencer Wilson. **Passed unanimously.**

Jim Herron commenced acting as permanent Chairman.

4. Election of Executive Committee

M/S Wilson/Ross to elect the following Executive Committee members: Chairman Jim Herron; Vice Chairman Jerry Sahnd; Colorado Representative Phil McDonald; New Mexico

Representative/Founder Bill Lock; At Large: Curt Bianchi, Bob Craine, and Dennis Sterosky; Ex Officio Brian Shoup.

Director Tully was originally requested to serve as the Colorado Representative on the Executive Committee but due to the press of business on the Projects Committee he requested someone else do that and Phil McDonald agreed to accept this responsibility. **Passed unanimously.**

5. Appointment of Replacement Director

Chairman Herron announced that Director Dick Cowles had resigned as Director. Dick being present explained his resignation. He also mentioned that there would be two-day Commission meetings in Chama on June 29 and June 30, 2004. He reported that there was some confusion about whether the next EDA grant would be a supplemental grant to the first grant or a second grant. Dick said that it would actually be a second grant and the second grant was now in its pre-application status, although no funds would be available until the next federal fiscal year commencing 10/1/04. Dick reminded us of how valuable the assistance from Hugh Fowler had been to have the Colorado House pass a resolution commending the Friends.

Bill Lock reported as Chairman of the Nominating Committee. He stated that the Nominating Committee had not had time to meet to consider filling the vacancy on the Board. President Shoup commented that spinning off the RGRPC will also raise a question of Directors, especially if Bill Albert's suggestion of no shared Directors is followed. Director Lowrance commented that he had heard from others that our board is too large. Chairman Herron suggested that the new Nominating Committee work on the question of filling the vacancy.

M/S Lock/Fowler to accept Dick Cowles' resignation with extreme thanks and defer filling the vacancy at this time. **Passed unanimously.**

6. Appointment of Consulting Directors

Chairman Herron stated that Consulting Directors for the coming year needed to be appointed. President Shoup reminded us that Paragraph 5.13 of the Bylaws say that "all communications" are to be sent to Consulting Directors. Director Craine suggested that maybe we should have a category of "Honorary Directors." Director Lock suggested that instead of all communications, perhaps an amendment to the Bylaws would be appropriate in which the Bylaws would state that Consulting Directors should be provided with "copies of minutes and other appropriate communications." Chairman Herron said that in light of de-coupling there may be changes.

M/S/ Fowler/Sterosky to table. **Passed unanimously.**

7. Discussion of Publications Committee

The question of the Publications Committee was taken up out of order. Director Nichols had resigned as Chair for Publications Committee. Chairman Herron reported that a subcommittee of Curt Bianchi, Ed Lowrance, and Nan Clark had been appointed to look into the Publications Committee. Director Lowrance reported that in light of limited resources, we should not be

publishing any new books. He stated that the Committee should remain as a Standing Committee, but go on inactive status.

M/S Sterosky/Nichols to accept the report by Director Lowrance. **Passed unanimously.**

8. Appointment of Standing Committees

Next a discussion ensued about Standing Committees. Director Clark thinks that grant applications should be a subcommittee under the Development Committee and she and others will work on that. Chairman Herron submitted a slate of Standing Committees, their Chairmen, and their membership.

M/S Smalley/Craigne to approve list as submitted. **Passed unanimously.**

9. Minutes Distribution List

In light of the action on Consulting Directors and in light of the changes regarding the RGRPC, it seemed appropriate to table the distribution list matter.

M/S Craigne/ Sahnd to table the approval of the proposed list of minutes distribution. **Passed unanimously**

10. Master Calendar

Director Lock presented a calendar for next summer and discussion ensued regarding special trains, work sessions, and other meetings.

M/S Tully/Craigne to approve the following calendar:

Fall Board Meeting: October 30, 2004, in Colorado Springs

Spring Board Meeting: March 19, 2005, in Albuquerque

Work Session A: May 9, 2005

Work Session B: May 16, 2005

Work Session C: June 13, 2005

Annual Meeting: Friday June 17, 2005, in Chama

Annual Board Meeting: Saturday June 18, 2005, in Chama

Work Session D: June 20, 2005

Work Session E: August 1, 2005

Work Session F: August 8, 2005

Passed unanimously.

Discussion continued about holding a moonlight train in July or perhaps reacquainting our volunteers and Directors with the fun event in June.

M/S Lock/Sterosky to hold the only Railfan event for 2005, being a Moonlight Train scheduled for Saturday June 18, 2005. **Passed unanimously.**

11. Membership Report

Director Clark reported very positively about our membership. She reported that dues collection through June 18 now comes to \$183, 293.00 as contrasted with \$154,000.00 total during 2003. She said the shareholder campaign was very successful. She also stated that our software for tracking membership is exceedingly poor (Excel is inadequate). She recommended that it be replaced.

M/S Clark/Tully to continue the \$25 minimum membership contribution for 2005. **Passed unanimously.**

M/S Lock/Sterosky to accept the Membership Committee Report. **Passed unanimously.**

12. Development Committee Report

Bob Craine reported on behalf of the Development Committee. He reported that not much money has been received lately and that we still have \$615,000.00 in pledges with approximately \$396,000.00 received, including \$13,000.00 received for calendar year 2004 pledges. He reported that we had paid the second half of EDA Phase 1 to the Railroad Commission in the amount of \$65,000.00, leaving \$140,000.00 in cash available, less \$10,000.00 earmarked for the Antonito CRF. He also reported that there was \$40,000.00 in the Endowment Fund. Bob reported that he and Curt are working on a new brochure for the campaign based on the theme "Return on Investment".

M/S Fowler/Lowrance to accept report. **Passed unanimously.**

13. Financial Report

Treasurer Sterosky made his Treasurer's report, going over the profit and loss statement and balance sheet for May 31, 2004. He also reviewed for the Board the draft of the 2003 Audit Report. Dennis noted that accountants recognized three types of "restricted funds": "unrestricted", "temporarily restricted", and "permanently restricted" or "endowment". Dennis noted that these categories are normally set by the donor and on permanently restricted funds the principal cannot be utilized. Dennis noted that the Friends does not have a truly restricted fund even though the Board has placed endowment terminology on funds from ACNGS. Dennis noted that there are a few changes in the audit, but that it was clean and had no management letter suggestions.

M/S Fowler/Sahnd to receive the Financial Report. **Passed unanimously.**

14. Approval of Minutes

After the break, the Board reviewed Minutes from the March 20, 2004, Board Meeting, the April 28, 2004, Executive Committee Meeting, and the Telephonic Board Meeting of May 11, 2004.

M/S Smalley/Sahnd to approve all three sets of minutes as corrected. **Passed unanimously.**

15. Projects Committee

Bob Tully gave a detailed report on the Projects Committee and its activities. Probably due to the large work session attendance in May (Work Session B), there were fewer people who signed up for Work Sessions C and D and several projects actually had to be canceled. Bob pointed out the need for major rethinking of our approach to painting and the quality of our paint. Bob reported that Projects may have overspent its budget by about \$5,000.00, but that the Committee was trying hard to keep control of its expenses. His conclusion was that we definitely need to increase funding to the Projects Committee or decrease the number of volunteers and the number of projects attempted. Bob reported on two new matters:

1. He reported that the Florence & Cripple Creek car had hopefully been sold for the sum of \$6,000.00. He stated that Bill Lock has done the legal paperwork and although payments are to be made over time, the purchaser was to move the car this summer. The contract has been sent to the buyer for signing.
2. Bob reported that Tony Kassin had located four narrow-gauge refrigerator cars in a building in Santa Fe, which building and its contents are about to be demolished. The cars appeared to be in excellent shape (without metal) and Bob recommended that we acquire one or two. Phil recommended that we get as many as possible.

M/S Tully/Lock to expend up to the sum of \$5,000.00 from the ACNGS Capital Fund for the acquisition and moving expenses for as many of these refrigerator cars as appears reasonable to acquire. **Passed unanimously.**

16. Docents

Frank Yockey reported on the docents and in particular the fact that we continue to improve the quality of our docents. This year there is a limit of two docents per train and the docents now all have yellow nametags. Frank reported that there are two brochures that need to be published and recommended that we move forward with their publication even in a year of limited finances. Frank reported that the Cumbres Walking Tour could be published for \$615.00 (5,000 copies) and that the Railroad Trip Map could be published for \$2,799.00 (for 20,000) or \$5,072.00 (for 40,000) (both prices plus freight).

M/S Tully/Sterosky to use the Hipkind Fund to publish 5,000 Cumbres Walking Tour brochures for \$615.00. **Passed unanimously.**

M/S Lock/Smalley to publish 20,000 Railroad Trip Maps for \$2,800.00 plus freight. **Passed unanimously.**

17. Antonito Car Restoration Facility [“CRF”]

Jerry Sahnd gave a report about our work on the Antonito CRF. By sending a \$10,200.00 deposit on Monday June 14, 2004 by overnight mail, we were able to achieve a \$1,876.00 cost savings from an increase in the price of steel. The original building which Jerry ordered was 60x60, 16 feet high with only the foundations completed at this time (Phase 1). Phase 2 would add a 24x16 shop addition, do electrical work and other improvements to the existing building. Chairman Herron noted that we need to advance the money for the CRF, but hopefully it will significantly enhance our fundraising efforts. Director Craine said that the funds forth expenditure are available within our Capital Campaign (ACNGS).

M/S Lock/Smalley to approve up to \$60,000.00 for a 70 foot long building for Phase 1 of the Antonito CRF, with funds coming from the \$10,000.00 Malcom Mackey donation and \$50,000.00 from the ACNGS Fund. **Passed 17-1, all in favor except Director McDonald.**

M/S Sterosky/Sahnd to receive reports of the Projects Committee, Docents, Interpretation Committee, and Antonito CRF Task Force.

18. De-coupling from RGRPC

Director Craine presented his report on the Committee that has been working on de-coupling the relationship between the Friends and RGRPC. Bob reviewed the Agreement which has been approved by the Committee and a week ago by the RGRPC Board of Directors. This Agreement provides that the RGRPC would amend its Articles of Incorporation and Bylaws so that the Friends would no longer control the RGRPC. The Agreement has numerous safeguards and in particular has several conditions that have to be met before the Agreement could be completed, including:

1. RGRPC obtaining IRS approval.
2. The signing by all necessary parties of a new Triad Agreement, perhaps more properly termed “Biad Agreement”.
3. The satisfactory arrangement for the payment of RGRPC debt to the Friends and to Friends members. Bob reported that Rich Casford has agreed to begin payments immediately on the \$20,000.00 promissory note with monthly payments of approximately \$3,900.00 per month at 6.5 percent interest and that at least \$20,000.00 in principal will be paid by October 31, 2004 (the end of the RGRPC fiscal year).

A major condition for de-coupling is the fact that the IRS must agree that the RGRPC will continue to be a nonprofit corporation. Director Smalley commented that reasons to de-couple include the reduction in liability and the elimination of the element of interference that having the responsibility for RGRPC has had from the Friend’s mission.

M/S Sterosky/Yockey to approve the restructuring agreement as presented by Director Craine and previously approved by the RGRPC Board. **Passed Unanimously.**

19. Restatement of Triad Agreement

Chairman Herron reported on the need to have a new Triad Agreement between the Friends and the Commission. He said that the RGRPC may not need to be a party. He also reported that last Monday several Friends' Directors met with Railroad Commission Chairman Steve Malnor and that he had asked Bill Lock to work with Steve to draft a new agreement. Bill added that it was our intention to use the old agreement as much as possible, but to update it for the current situation. President Shoup stated that we should take the contract very seriously in order to as he put it "take our seat at the table". He said that the question we needed to ask is whether we were just a support group for the railroad or a partner in the museum function of the property. Brian stated that he believed that the Triad Agreement could set our future course, especially since he does not think that we presently are the museum partner since we have no control over the artifacts. He mentioned that our lack of control on some of the artifacts had resulted in wasted work. He rhetorically asked that if we were the museum partner how can we have a policy-making role, which might come in the form of a long term lease of historic assets, what he also described as a "custodial agreement". He believes that once we have such a role, it would be easier for us to raise money for the restoration of the railroad. Director Clark added that we should be talking about the railroad as a national historic site. Treasurer Sterosky commented that it was okay for a donor to make contributions to the Railroad Commission which would be tax deductible. Former Director Dick Cowles commented that both the New Mexico and Colorado state legislatures have passed resolutions commending the Friends for saving the Railroad. Therefore, a Task Force was appointed by Chairman Herron called the Triad Restatement Task Force consisting of Lock, Chair, Craine, Sterosky, Wilson, and Shoup. The Task Force was charged to report to Commissioner Malnor as well as to our Board by the end of August.

20. Executive Director Task Force

Chairman Herron reported that he had appointed Nan Clark and Bob Craine to be a Task Force concerning the appointment of a new Executive Director. Bob Craine presented their report and went over the "priority responsibilities" in the report. Chairman Herron reported that Directors Clark, Lowrance, and McDonald agreed to work on updating the strategic plan, which is an important factor in considering our new Executive Director. Director Craine reported that the Task Force's preferred recommendation is to hire a half-time Executive Director located in Albuquerque and add administrative staff with the savings in salary over a fulltime Executive Director. Director Clark suggested that we need a "get it done" type person and suggested that we use the Myers-Briggs test as a part of the screening process for the next Executive Director.

M/S Sterosky/Yockey to receive the report of the Executive Director Task Force. **Passed unanimously.**

21. Closing comments by President Shoup

President Shoup made remarks with regard to his position. He said that the real questions in his mind had to do with the title of the position. To him, the title “Chief Executive Officer” has enormous implications and there is an inconsistency between what he believes the Board is looking for and what he perceived his job responsibilities to be when he accepted the position. He stated that we are looking for a person to administer the workflow of the Board since we have a proactive Board, noting that his previous experience was with Boards that are not as active as ours. His opinion was that RGRPC did not take away his time and that the real problem was that he did not have a great influence upon the RGRPC and its decisions. In his opinion our Board should not be action oriented, but just for governance of the organization.

22. Executive Session

The Board went into Executive Session to discuss our Executive Director position vacancy, and no action was taken. After coming back into regular session

M/S Lock/Sahnd to constitute a search committee for the new Executive Director consisting of Craine Chair, Clark, Yockey, Sterosky, and Ross. **Passed unanimously.**

The Committee will hopefully prepare a job description by July 15 and move forward with the process.

22. EDA Grant

Chairman Shoup reported that Commission Executive Director Richard Gomez has possibly obtained a supplemental EDA grant for \$500,000.00 and has requested the Friends to be a co-applicant on the grant (as we were previously). This would require a 50% \$50,000.00 match from the Friends (with the same amount coming from the Commission).

M/S Craine/Yockey to reaffirm our commitment for 10% matching grants to EDA funds. **Passed unanimously.**

23. Adjournment

M/S Craine/Sahnd to adjourn. **Passed unanimously.**

Lunch at Vera’s followed.

Respectfully Submitted,

William J. Lock, Secretary of the Meeting