

Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Board Meeting Held March 22, 2003
Friends of the C&TS Railroad Office
6005 Osuna Rd NE, Albuquerque, New Mexico

Board members present: Curt Bianchi, Howard Bunté, Art Nichols, Bill Lock, Jerry Sahnd, Jim Herron, Brian Shoup, Dennis Sterosky, Geof Gordon, Parker Fowler, Bob Tully, Art Randall, Bob Ross, Frank Yockey, Bob Craine, Warren Smalley.

Board Members Absent: Spencer Wilson, Chris Krahling.

Guests: Nan Clark, Les Clark, Vernon Glover, Malcolm Mackey, Terri Shaw, Ed Lowrance, Dan Pyzel, Bill Albert, Bob Witter.

1. Call to Order

Chairman Herron called the meeting to order at 8:30 a.m. MST.

2. Approval of Minutes

Chairman Herron asked for corrections to the minutes of the November 2 board meeting. There were none.

M/S Fowler/Gordon to approve the minutes of the November 2 board meeting. **Passed unanimously.**

Chairman Herron asked for corrections to the minutes of the Executive Committee meetings of November 18, 2002; December 12, 2002; January 13, 2002; and March 1, 2002. There were no corrections.

M/S Fowler/Yockey to collectively approve the Executive Committee meeting minutes. **Passed unanimously.**

3. Treasurer's Report

3.a. 2002 Unaudited Financial Reports

Treasurer Sterosky reviewed the 2002 unaudited financial reports, as well as 2003 year-to-date reports. Net income for 2002 was \$179,819. However, a large portion of this was in the form of Another Century of Narrow Gauge Steam donations. Excepting ACNGS donations, the Friends had an operating loss of approximately \$32,000. Reasons for this included the lack of expected income from charter trains (the Friends 2002 charters were cancelled), grants to RGRPC, and over-budget expenses related to restoration materials, tools and supplies.

3.b. 2003 Year-To-Date Financial Reports

Treasurer Sterosky presented the year-to-date financial statements as of March 20. Income thus far includes \$135,760 in membership dues, and \$20,800 in other donations. Total year-to-date expenses are \$35,120, for a net income of \$121,400.

M/S Fowler/Ross to accept the treasurer's report. **Passed unanimously.**

4. Membership Committee Report

Membership Committee Chairman Bunté reported that membership stands at 1,630 members, versus 1,712 at this time last year. Total dues and contributions are running slightly ahead of last year. Mr. Bunté noted that 88% of members renewed their membership in 2002. In response to a question from Secretary Bianchi, Mr. Bunté estimated that approximately 920 members have provided us with an email address.

5. Development Committee Report

Development Committee Chairman Craine presented the committee's report. While the response to the Another Century of Narrow Gauge Steam campaign has slowed in recent months, the overall state of the campaign is outstanding given the difficulties the railroad had last year. There have been approximately 650 donations and/or pledges, given by an estimated 550-600 members. Mr. Craine reviewed the past disbursements from the campaign, which consist of a \$50,000 grant to RGRPC in April 2002, a \$20,000 loan to RGRPC in June 2002, the purchase of parts for locomotive 484 at a cost of \$10,685, and administrative expenses (primarily related to the ACNGS brochure and mailing) of \$7,589. There is approximately \$150,000 in cash available from the campaign, of which \$132,000 is committed to this year's match of the EDA locomotive grant. Mr. Craine is working with President Shoup on fund development strategies for 2003.

6. 2003 Budget and Business Plan

President Shoup and Treasurer Sterosky presented the 2003 budget, pointing out significant deviations between the 2003 budget and the 2002 actuals. Of note, the budget includes an increase of approximately \$30,000 in additional membership revenue, as well as \$250,000 in restricted funds donations--both of which are key components of the 2003 business plan. After discussion, a motion was made to modify the budget.

M/S Craine/Fowler to add a line item to reflect the anticipated expenditure of ACNGS funds for the EDA locomotive grant match. **Passed unanimously.**

President Shoup presented the 2003 business plan, which included an organizational chart, key 2003 goals and initiatives, and a summary of critical issues facing the Friends this year and beyond. The organizational chart is primarily intended to reflect President Shoup's understanding of the relationship between the Friends and its controlled organization, RGRPC. As President Shoup explained, the Friends' oversight of RGRPC is focused primarily at the governance level via three mechanisms: 1) the annual election of RGRPC directors by the Friends board, 2) representation on the RGRPC board by Friends directors, and 3) the Friends president serves as an ex-officio, voting member of the RGRPC board in order to ensure coordination of the broad directions of both organizations. President Shoup noted that it has been the Friends' board's practice to give RGRPC a high degree of autonomy. Based on his observations so far, President Shoup felt that this practice is well intended and should continue.

President Shoup discussed the key 2003 goals and initiatives, which are:

1. Achieve \$200,000 in 2003 ACNGS cash donations.
2. Achieve \$150,000 in 2004 ACNGS pledges.
3. Achieve a membership of 2,200 by the end of 2003.
4. Generate \$188,500 in membership income.
5. Present a strategic planning process at the March 2003 board meeting.
6. Propose a strategic plan for approval at the June 2003 board meeting.

Finally, President Shoup brought to the board's attention a list of critical issues that he believes the organization faces. These are summarized as:

1. Economic Development Administration Locomotive Grant. As a co-applicant of the EDA locomotive grant, the Friends must raise \$100,000 to \$130,000 in each of the next three years in order to provide their 10% match.
2. Private Foundation Support. Private foundations are largely unwilling to fund capital projects in which the applicant either does not own the assets in question or lacks custodial standing, as is the case with the Friends.
3. Staffing and Critical Mass. The growth and development of a successful nonprofit corporation such as the Friends rarely proceeds along a smooth ramp. Often its mission and activities can outstrip the capacity of its staff. We find ourselves in that position at this time.

The board discussed the business plan, after which a motion was made.

M/S Fowler/Sterosky to approve the 2003 budget and business plan. **Pass unanimously.**

7. Executive Committee Report

Chairman Herron reviewed the actions of the Executive Committee since the November 2, 2002 board meeting. At that meeting the board vested in the Executive Committee the authority to hire a new President and CEO. The Executive Committee meetings of November 18, 2002; December 12, 2002; and January 13, 2003 all had to do with carrying out this task, and Chairman Herron asked the board to ratify the Executive Committee's actions which led to the hiring of President Shoup.

M/S Fowler/Craine to ratify the Executive Committee action of November 18, which authorized incurring the cost of bringing three candidates for the position of President and CEO of the Friends to Albuquerque for face-to-face interviews. **Passed unanimously.**

M/S Fowler/Lock to ratify the Executive Committee action of December 12, which authorized Chairman Herron and Director Craine to negotiate a contract with Brian Shoup for the position of President and CEO of the Friends, for a maximum of one year, with renewable clauses, contingent on Mr. Shoup passing a background check. **Passed unanimously.**

M/S Gordon/Lock to ratify the Executive Committee action of January 13, which approved the contract and side letter agreements that had been negotiated with Mr. Shoup for the position of President and CEO of the Friends. **Passed unanimously.**

Chairman Herron and President Shoup then reviewed the motion made by the Executive Committee on March 1, which recommended that RGRPC amend its bylaws to allow the Friends board of directors to remove RGRPC directors.

M/S Fowler/Sterosky to ratify the motion made by the EC. **Passed unanimously.**

President Shoup described the current RGRPC board as "excellent," but felt that we should review our procedures to ensure that swift action could be taken, if required, to remove an RGRPC director. He felt that it was good governance to have such a mechanism in place in case it was ever needed. It was proposed that Section 5.11 of the RGRPC bylaws be amended to add a clause (b), with the full text of Section 5.11 reading as follows:

Section 5.11. Removal of Directors. A director of the Corporation may be removed pursuant to the subsection (a) or (b) below:

(a) A director of the Corporation may be removed, with or without cause, at a duly noticed regular or special meeting of the directors by a vote of at least two-thirds (2/3) of the entire Board of Directors

then in office. The notice of the meeting shall indicate that one of the specific purposes of the meeting is the removal of such Director; or

(b) A director of the Corporation may be removed, with or without cause, at a duly noticed regular or special meeting of the supported Board of Directors by a vote of at least two-thirds (2/3) of the entire supported Board of Directors then in office. The notice of the meeting shall indicate that one of the specific purposes of the meeting is the removal of such Director.

The effect of this change would allow either the Friends or RGRPC board to remove an RGRPC board member. (The Friends board would continue to have the sole authority to replace a removed RGRPC director.) Director Fowler argued that clause (a) should not be part of the RGRPC bylaws because it permits the RGRPC board to unilaterally override the wishes of the Friends board by removing an RGRPC director elected by the Friends' board. After discussion, a motion was made.

M/S Lock/Sterosky that the Friends board of directors consent to, and approve the proposed change in Section 5.11 of the RGRPC bylaws, to be carried out by the RGRPC board of directors. **Passed, 14 votes in favor, one vote against.**

8. Organizational Communications

Prior to the board meeting, Director Tully raised a concern that Friends members without access to the Internet were not receiving timely news updates from the Friends. He was encouraged to investigate alternatives and/or modifications to the Friends' printed news publication, the *C&TS Dispatch*. After conferring with *Dispatch* editor Art Nichols, Mr. Tully concluded that the *Dispatch* should not be changed, and investigated the possibility of an additional publication. This resulted in a proposal for a second quarterly publication called *News From The Friends*, to be published between issues of the *Dispatch*.

Chairman Herron engaged the board in a discussion of communication to the membership in general, and asked Secretary Bianchi to give his impressions of the Friends' electronic communications. Mr. Bianchi felt that while the Friends is doing a fairly good job of communicating via the Internet, they could do better. He said that it is important that RGRPC communicate through an official outlet in order to make it clear which communications are "official" communications from RGRPC. He suggested that the news page of the Friends web site is the most appropriate place for these communiqués. He has discussed this with RGRPC General Manager Kim Flowers, who agreed that all future communiqués from RGRPC would be made on the news page of the Friends web site. Mr. Bianchi has given Ms. Flowers the instructions to post on the news page, although she has yet to post any updates.

Mr. Bianchi described some additional types of information that he felt could be added to the Friends web site in order to address questions that members might have. He identified the caboose 0579 and maintenance-of-way articles as examples of articles describing our restoration activities, and he hoped that more such articles would be forthcoming. Mr. Bianchi also felt that there was an opportunity for more on-the-spot, informal news. Finally, Mr. Bianchi pointed out that while we are all sensitive to the need to provide as much information as possible, and to make the organization as transparent as possible, we should keep in mind that the Friends publish more news and information electronically than any other similar organization of which Mr. Bianchi is aware.

The board then entered into a general discussion of organizational communication. Suggestions included a telephone tree, and an email buddy system, in which those members with Internet access would print hardcopies of news posted on the Friends web site and mail it to members without Internet access.

Following the discussion, Chairman Herron asked Secretary Bianchi to chair an ad hoc committee including directors Tully, Fowler and Nichols, for the purpose of making recommendations to the board at its June meeting.

9. Nominating Committee Report

Nominating Committee Chairman Ross presented the committee's report to the board. The committee was charged with three tasks: 1) to recommend a slate of nominees for the 2003 board of directors election, 2) to recommend a slate of nominees for the RGRPC board, which is elected annually by the Friends board, and 3) to optionally recommend changes in the size of the Friends board.

With respect to the Friends board, three directors whose terms expire in 2003 will not stand for re-election: Chris Krahling, Art Randall, and Howard Bunté. Thus, the committee conducted a search for candidates to replace them. Approximately 15 individuals were considered. At the conclusion of this process, the committee came to a consensus on a proposed slate of candidates to include incumbent directors Gordon, Herron, Lock, Sahnd, Sterosky, and Wilson, and three candidates to replace those not standing for re-election: Ed Lowrance, Nan Clark, and Dick Cowles. With respect to the RGRPC board, the committee recommended re-electing all incumbent directors. Finally, the committee recommended that no changes be made to the size of the Friends board.

Following the committee report, the board entered into executive session to discuss the slate of nominees for the Friends and RGRPC boards. At the conclusion of executive session, the meeting was recessed for lunch. Upon reconvening, the following motions were made.

M/S Ross/Yockey to accept the slate of candidates for both the Friends and RGRPC boards, as recommended by the Nominating Committee. **Passed unanimously.**

M/S Lock/Craigne to install Terri Shaw as a consulting director of the Friends. **Passed unanimously.**

M/S Lock/Craigne to nominate Dan Ranger for the Burton Award, in recognition of his strong support of the Friends' purposes and efforts at historic preservation. **Passed unanimously.**

M/S Lock/Sterosky that only current, dues paying members of the Friends be eligible to serve as a consulting director. **Passed unanimously.**

11. RGRPC Report

RGRPC President Bill Albert summarized the current state of affairs. RGRPC has a contract with the commission at least through December 31, 2003. The contract has been signed by representatives of both the commission and RGRPC, and is now under review by the Attorneys General of both states. RGRPC staff is now transitioning back onto the property. He described the salient differences between the new agreement as compared to previous leases, noting that RGRPC now has a management contract with the commission that vests RGRPC with the responsibility for hiring staff, paying bills, and generally managing the operation. The commission will reimburse RGRPC weekly, and pay RGRPC a 9% management fee. The commission will contract for insurance, concessions, and meal service. Weekly meetings will be held between the commission and the RGRPC staff and directors. Ticket revenues will go directly to the commission, who will advance RGRPC \$100,000 for operating expenses.

RGRPC expects to begin the season on June 14 with a single operational locomotive, necessitating a reduced schedule of four through trains per week. One train will operate from Chama to Antonito on Saturdays and Tuesdays, and one train will operate from Antonito to Chama on Sundays and Wednesdays. Diesel locomotive 19 will probably be stationed midway along the line in case the steam locomotive suffers a breakdown.

On behalf of the Friends board, Chairman Herron thanked the RGRPC directors for their efforts.

12. Strategic Planning

Chairman Herron created an ad hoc committee to work on a strategic planning process, consisting of President Shoup acting as de facto chair, directors Lock, Fowler, Smalley and Gordon, and Dick Cowles.

President Shoup presented his analysis of critical issues facing the Friends over the next three years. He identified several barriers that he believes will increasingly thwart the organization's ability to fulfill its expanded mission of developing the C&TS into a national class living museum:

1. Because the Friends does not have ownership or virtual ownership of the artifacts, access to significant foundation funding will prove elusive. Funding-raising is hampered as well.
2. Governance over the railroad is shared by three entities: the Friends, its affiliate (RGRPC) and the commission. This encumbers the decision-making process, preventing achievement of greater efficiencies in staffing and greater overall effectiveness.
3. Lack of ownership or shared ownership necessitates commission approval be sought for many of the planning initiatives undertaken by the Friends.

President Shoup outlined a vision of single-organizational governance for the railroad that would place the Friends in a position of either control or ownership. It would entail a public-private partnership that would preserve a diverse funding stream of private and public monies.

President Shoup also discussed the Commission's \$180,000 grant award from the Colorado Historical Society (CHS) to develop a master plan for the railroad. Unfortunately, the use of the funds is restricted to Colorado sites. There are not matching funds from New Mexico.

Director Yockey distinguished between the master planning called for by the CHS grant and the broader concept of a master plan, which he defined as essentially answering the question, "What do we want the railroad to look like in five years?" Mr. Yockey spoke to the need for a broader master plan that would describe this vision and provide a roadmap for getting there.

Director Craine asked if perhaps the master plan ought to be in place before we could determine the governance structure best suited to manage it the railroad. President Shoup replied that in his experience, organizational growth and development rarely happened in that sequence. Mr. Cowles reported that discussion has already begun within New Mexico state government about restructuring the governance of the C&TS. He suggested that the Friends needs to place itself at the forefront of such discussions if it is to retain a leadership position. Director Smalley suggested a work group be formed to explore the issue of a public-private model of governance.

Chairman Herron appointed a task force consisting of Dick Cowles, Warren Smalley, Geof Gordon, and Brian Shoup, to develop recommendations in this area. *[Note: Cowles was originally appointed as chair. However, after post-board meeting discussion between Herron, Shoup, and Cowles, it was decided that it was more appropriate for Shoup to chair the task force.]*

13. Projects Committee Report

Projects Committee Co-Chair Sahnd reviewed the 2003 work session projects. All of the projects are recurring, except for the following new projects:

1. New cab for locomotive 488.
2. Construction of picnic tables and benches for Antonito, Chama, and Osier.
3. Reconfigure a five-car pipe train with two flat cars and three gondolas loaded with pipe.

In terms of work session changes, Director Sahnd noted that the cost of registration and lunches will increase to \$40 per work session in order to cover our expenses. In addition, a new purchase order system will be in effect in an attempt to avoid last year's cost overruns.

Director Fowler presented a proposal that the Friends develop a program in which older members of the Boy Scouts (Venture Scouts, ages 17-18) participate in work sessions to experience historic preservation work. The board discussed the implementation of such a program, including the number of scouts that could be hosted, insurance and liability issues, and management of the scouts during work sessions.

M/S/ Lock/Ross to pursue hosting Venture Scouts on the property for one week, participating at a work session. **Passed unanimously.**

Director Sahnd recapped the situation with respect to the \$180,000 master planning grant authorized by the Colorado Historical Society in 2002. The commission has not taken any action with respect to this grant, which must be used by December 2003 (although Mr. Sahnd feels that an extension can be obtained if the funds are not used by then). The use of the funds does not require a match from New Mexico, but it can only be used for historic structures and artifacts located in Colorado. This can include rolling stock if it is moved to Antonito. President Shoup suggested that the Friends consider creating a master plan for their ideas for the railroad, with the Projects Committee and the to-be-established Interpretation Committee taking the lead.

Finally, Mr. Sahnd urged that the Friends define collections acquisition guidelines, which should be added to the collections policy that Director Wilson is developing.

14. Legislative Report

Dick Cowles reported that the New Mexico legislature would today propose approximately \$700,000 in current bills to be sent to Governor Richardson for his signature. It is the first time a request has been made without an equal match from the state of Colorado. Gov. Richardson has 20 days to sign the capitol outlay bills, and Mr. Cowles is optimistic that he will sign it all. The board expressed its appreciation for the lobbying work of Carl Turner and Mr. Cowles that made this possible.

With respect to the EDA locomotive grant, Mr. Cowles related that First Lady Laura Bush is pushing a new "Preserve America" initiative to promote more efforts to fund cultural and historic resources, and our EDA application fits in with this theme very nicely. As such, it is attracting the interest of the EDA at the highest levels, according to Barbara Deaux, the local EDA representative.

15. Historic Interpretation Committee

Prior to the board meeting, Chairman Herron asked Ms. Shaw to present a concept for a standing committee for education and interpretation, which she presented to the board. She proposed the following responsibilities for such a committee:

- Manage projects relating to the Friends' mission to interpret the railroad and its history to visitors at the railroad property.
- In conjunction with Restoration Committee, develop policies and guidelines for carrying out interpretation projects.
- Coordinate planning and installation of interpretation projects with the Friends' Restoration Committee, RGRPC and the Commission.
- Work with the Commission re the interpretation component of their master planning.

Proposed activities to be managed by the committee would include:

- Interpretation plans for Chama, Cumbres, Osier, Sublette, Antonito and locations where historic structures have been removed (Big Horn, Toltec).
- Planning interpretive use for historic cars that will not be in charter service.
- Exhibits.
- Yard and Train Host program.
- Walking tour and other interpretive brochures.
- Interpretive signs.
- Books.
- Curricula for school programs.

After discussion, a motion was made.

M/S Tully/Smalley to establish a standing committee for education and interpretation, as described by Ms. Shaw. **Passed unanimously.**

16. Other Business

Director Lock passed out a nicely produced map/brochure of the Durango & Silverton Narrow Gauge Railroad, which they sell to passengers for \$6.95. He has been in contact with the company that produced the map, and asked the board to consider whether the Friends should produce a similar item for the C&TS. Mr. Lock has figures for the cost of producing such a piece, and was told by the publisher that about 2% of the D&SNG passengers purchased the map/brochure. President Shoup suggested that there could be several uses for such an item, and it was decided to study the possibility of having such an item produced for the C&TS.

17. Adjournment

The meeting adjourned at 5:15 p.m.

Respectfully submitted,

Curt Bianchi, Secretary