

Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Board Meeting Held October 30, 2004
Embassy Suites Hotel, Colorado Springs, Colorado

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

Guests:...Cliff Young, Lee Ritterbush, Les Clark, Mona Tully, Bill Kepner, Tim Bristow, Dan Pyzel, Roger Briggs, Chuck Halaska, Ted Smith, Linda Smith, Doris Noyer, John Noyer, Hugh Fowler, Kim Flowers, Rich Casford.

1. Call to Order

Chairman Herron called the meeting to order at 8:33 a.m. MST.

2. Welcome and Introductions

Chairman Herron asked the guests to introduce themselves.

3. Approval of Meeting Minutes

Chairman Herron asked for corrections to the June board meeting minutes. It was noted that the vote to approve \$60,000 in ACNGS funds to construct the Antonito CRF was not a unanimous vote. The motion passed 17-1, with Director McDonald opposing.

M/S Tully/Gordon to approve the June board minutes as corrected. **Passed unanimously.**

Chairman Herron asked for corrections to the July Executive Committee meeting minutes.

M/S Craine/Lock to approve the July Executive Committee meeting minutes. **Passed unanimously.**

Chairman Herron asked for corrections to the August Executive Committee meeting minutes. Director Yockey noted that Chuck Heroneme's name was misspelled.

M/S Lock/Yockey to approve the August Executive Committee meeting minutes as corrected. **Passed unanimously.**

Chairman Herron asked for corrections to the September Executive Committee meeting minutes.

M/S Lock/Sterosky to approve the September Executive Committee meeting minutes. **Passed unanimously.**

Chairman Herron asked for corrections to the October Executive Committee meeting minutes.

M/S Craine/Sterosky to approve the October Executive Committee meeting minutes. **Passed unanimously.**

4. Finance Committee Report

Treasurer Sterosky presented the report. He projected a \$22,000 operating deficit by the end of the year. Regarding commission reimbursement of restoration expenses, the budget calls for a \$20,000 reimbursement. We requested \$43,000, which the commission approved but will not pay until next

year. We will book that as a receivable.

Secretary Bianchi asked for the audit report in electronic form so that it can be posted on the Friends web site.

Treasurer Sterosky discussed the first draft of the proposed 2005 budget. It projects a net operating income of \$31,000. He emphasized that that it is imperative that we have an operating profit because we have had an operating deficit for the last three years.

President Shoup noted that the Triad Agreement calls for us to present to the commission an itemization of costs of various projects before they are approved. We have not been able to comply with this because we don't track expenses on a per-project basis. Consequently, to get expense reimbursements from the commission has required a certain amount of good faith between the Friends and the commission. When we negotiate a new Triad Agreement, we should expect this requirement to remain in place and to probably become more visible. We will need to become more sophisticated in our ability to track expenses in order to comply. Chairman Herron asked Director Tully to identify those projects that we would like the commission to fund, with the idea of phasing in cost-tracking over time, starting with those projects that we want reimbursed.

M/S Lock/Craine to approve the financial reports. **Passed unanimously.**

5. Membership Committee Report

Committee Chair Nan Clark presented the report. She discussed some new initiatives intended to build membership. The Friends sponsored a special mailing to 4,100 passengers or families that rode the train from opening day to the middle of August, which them for riding the train and included a Friends membership brochure. The cost of postage was \$1,491. Mailing and printing services in the amount of \$1,550 were donated by Rich Casford of Whittier Mailing Services. So far, we have received 20 new members from the mailing--just short of our break even costs. We are considering another mailing for passengers from mid-August to the end of the season, but we are waiting to see how the first mailing pans out.

We also offered a premium to individuals who signed up on the spot during the operating season. 131 new members where signed up this way, 101 of which were signed up by docents. As part of our work session activity, we should try to have a staffed table in the yard.

The membership database has been upgraded to use QuickBooks so that it is tied in with our bookkeeping system. Director Clark is also working on calculating the cost of a membership.

Beginning September 1, a decision was made to offer the balance of membership for calendar year 2004 at no charge, when accompanied by a paid membership for 2005.

As of September 30 we have 1,957 members, and we have collected \$194,968 in dues. This represents a \$40,000 increase in dues collected over 2003. She felt that the shareholder concept has proved itself to be very successful, and we will continue to market our memberships that way. There have been 295 non-renewals from 2003, and 390 new members generated in 2004.

Finally, Director Clark raised the idea of a membership directory.

M/S Sterosky/Sahnd to accept the Membership Committee report. **Passed unanimously.**

6. Development Committee Report

Committee Chair Bob Craine presented the report. Regarding the ACNGS campaign, total cash

contributions to date are approximately \$448,500. Total cash contributions and pledges are approximately \$625,000. Pledges outstanding for each year: 2003, \$7,520; 2004, \$30,800; 2005, \$72,700; 2006, \$73,600. Cash available stands at approximately \$150,000, not including the permanent fund. The permanent fund stands at \$44,800. There have been fund earnings of \$2,000 and administrative expenses of \$9,000. The major expenditures of the fund to date: EDA match, \$125,000; 484 parts, \$12,785; Antonito CRF (as of September 30), \$32,000. (We expect another \$20-25,000 in expenditures to complete the first phase of the Antonito CRF.) The fund holds a note receivable from RGRPC in the amount of \$20,000, with a 6.5% interest rate. Due to continuing donations to the fund, it will have about the same amount of cash on hand as when the board approved the use of ACNGS funds for the Antonito CRF. There have been close to 700 contributors, and 1,465 separate transactions.

For 2005, the single biggest factor is bringing in a new president, and we will involve him immediately in fundraising plans. A new grant-writing subcommittee has been established, and we expect to have a volunteer support group in place to assist the new president in this regard. Director Craine suggested a goal of \$150,000 in campaign contributions in 2005. Director Craine also talked about the need for planned and testamentary giving.

Chairman Herron described the need to identify a set of specific projects for which we would write grants or do fundraising. He asked the Development Committee to work to forge a tie to the Projects Committee to create a list of prioritized projects for fundraising purposes, projecting three, five and ten years ahead. He asked Projects Committee Chairman Tully to recommend a few members of the Projects Committee to assist in this planning process with the grant-writing team, as well as Terri Shaw of the Interpretation Committee.

M/S Sterosky/Gordon to accept the Development Committee report. Passed unanimously.

7. Publications Committee Report

Chairman Herron reminded the board that Director Nichols resigned as chair of the committee earlier in the year, and that Director Lowrance was assigned the acting chair. The Publications Committee is currently inactive because we do not have the funds to undertake the printing of new books or other print materials beyond the basic interpretive brochures that we currently publish.

We are currently out of all interpretive printing, and Director Lowrance feels that the budgeted amount for printing will be insufficient to cover the costs of printing these materials. He estimates that we are looking at around \$7,000 in printing expenses. Chairman Herron recommended that this be a separate line item on the budget.

M/S Sterosky/Craine to accept the committee report. Passed unanimously.

8. Interpretation Committee Report

Director Yockey presented the report. We met our goal of having at least one docent on every train this year. The feedback from the guests and the railroad management was good. For 2005 the real challenge will be to recruit and train more docents. The second challenge is to get some relief for Chuck Heronome, who was at the railroad all season.

Director Lowrance discussed the interpretive effort that Terri Shaw and others are working on. He discussed the needs of the section house if it is to become an interpretation center. It needs power and water, for example. This is something that could potentially be funded by the Colorado Historical Society.

Chairman Herron asked the Interpretation Committee to assign two or three people to come up with

long-range ideas for fundraising.

Director McDonald suggested that instead of separate subgroups looking at long-range plans tactically, that there be a single group to look at long-range planning from a tactical view. Chairman Herron suggested that we could create this committee from members of the Interpretation Committee and the Projects Committee.

M/S Craine/Sterosky to accept the committee report. **Passed unanimously.**

9. C&TS Dispatch Report

Dispatch editor Art Nichols presented the report. In accordance with our bylaws, the next issue of the *Dispatch* will include a description of our election procedures. It will also include a report of the June and August work sessions, along with a roster of participants. Deadline for submission of material is November 9.

The winter *Dispatch* also includes another article from England. Director Nichols noted that a little over three percent of our membership comes from overseas. He feels that it is time that we expand what the *Dispatch* presents, and developing a larger readership overseas.

The person who has been helping Mr. Nichols to produce the *Dispatch* for the past ten years has informed him that she will no longer be able to do so. Another person from Los Alamos, Chris Matheson, has agreed to step in immediately, and Art expects it to be a smooth transition.

Director Nichols state that it has become impossible for him to continue devoting the amount of time necessary to produce the *Dispatch*, and he would like to enlist the aid of someone to assist him in the identification and the production of article manuscripts. Like the organization itself, the *Dispatch* has become much more complex, and he thinks that 20 pages per issue would be quite feasible, leaving aside the issue of cost. (The difference in cost between 16 pages and 20 pages would be about \$300-400 per issue.)

M/S Sterosky/Sahnd to accept the *Dispatch* report. **Passed unanimously.**

10. Nominations Committee Report

Chairman Herron asked Dan Pyzel to chair an ad hoc committee to count ballots at next year's election of directors. Mr. Pyzel agreed to do so.

At the June board meeting, Chairman Herron expressed his intention to step down as chairman of the board, and asked the Nominations Committee to recommend a chairman elect for 2005. Subsequently, Nominations Committee Chairman Ross polled all of the board members as to candidates for chairman, and whether the chairman should be able to appoint his own officers. Eleven of 17 board members recommended Bob Craine as chairman elect.

M/S Ross/Sterosky that Bob Craine be designated chairman elect, to be elected the next chairman of the Friends at the June 2005 board meeting.

All guests and Director Craine left the meeting and the board entered into executive session. When the board re-entered open session, Director Ross withdrew his motion to nominate Bob Craine as chairman elect.

M/S Sterosky/Bianchi to accept the Nominations Committee report. **Passed unanimously.**

M/S Lock/Sterosky to form a Transition Committee. **Passed unanimously.**

Chairman Herron appointed Director Craine to chair the Transition Committee.

The bylaws state that the board must elect the slate of officers, but the bylaws do not state how the slate is proposed. In an informal poll, the board was split as to whether the chair should appoint a slate, or if the slate should come from the board. After discussion, the board felt that there was no need to change our current policy in this regard.

Director Ross noted that there is currently one board vacancy. Eight board members are up for re-election, and he asked for an indication from these board members by the end of the weekend if they do not intend to run for re-election.

11. Search Committee Report

The board entered in executive session to receive and discuss the Search Committee report. After discussion, the board returned to open session.

M/S Craine/Lock to ratify and affirm the action of the Search and Executive Committees in extending an offer to Tim Tennant for the position of president and chief executive officer, per the terms distributed in executive session, subject to completion of reference and background checks; and to authorize Director Craine and the Executive Committee to complete the negotiations with Mr. Tennant. **Passed unanimously.**

12. RGRPC Report

Director Craine briefly discussed the separation agreement dissolving the corporate ties between the Friends and RGRPC. The agreement has been signed by both parties. Several of the items necessary to complete the dissolution have been completed, but some items still remain to be completed.

RGRPC General Manager Kim Smith and Treasurer Rich Casford presented a report on behalf of RGRPC. (Their report is summarized in a news item posted on Nov. 1 on the Friends web page.)

In response to a question from Director Lock, Ms. Smith said that she could not make a commitment on a 2005 moonlight charter train unless a third locomotive is available. If a third locomotive becomes available, she would be willing to make the commitment. Ms. Flowers noted that with a third engine, RGRPC is considering adding another train on Mondays and Tuesday, and operating two trains a day everyday except Fridays for the fall color season.

Ms. Smith said that the railroad would not be eligible for additional EDA grants until fiscal year 2007. She praised the docent program and reiterated the positive feedback that she has received from passengers.

M/S Tully/Craine to thank Ms. Smith and Mr. Casford for coming to the meeting and to accept their reports. **Passed unanimously.**

13. Railfan Committee Report

Committee Chairman Lock reminded the board that it approved a moonlight train to operate on June 18, 2005 in conjunction with the June work sessions. Director Lock also broached the possibility of a preseason train out of Antonito.

M/S Craine/Sahnd to accept the Railfan Committee report. **Passed unanimously.**

14. Projects Committee Report

Committee Chairman Tully presented the report. We had a very successful season in terms of what we accomplished. A total 346 different individuals participated, contributing 498 volunteer-weeks of labor. We worked on a number of projects to assist the railroad (in addition to historic preservation projects), from creating signage in the parking lot to the vegetation control project in work session B. Additional vegetation control work, such as chipping and hauling debris, continued through work session F. We had to cancel six planned projects. Art Randall has completed assembling the project reports, which he received from the team leaders.

For 2005, the committee has thus far considered on-going projects as well as those projects that were canceled in 2004. The committee will meet to discuss new projects at its meeting on Oct. 31. The committee plans to provide a list of planned projects by Nov. 5.

Mr. Tully related to the board that the Orange Empire Railway Museum (OERM) has approached the Friends regarding the use of a brake shoe mold that we own. The museum would like to use the mold to make castings, and Mr. Tully asked the board for a policy regarding the trading of parts, and the use of molds or other parts among different entities. He noted that the Colorado Railroad Museum is willing to provide nearly anything they have for us to make a mold of, the condition being that we make one example for them.

Regarding the OERM request, the Friends own the pattern for the brake shoes that they desire. There are a number of options, among them:

- We could sell part or all of the brake shoes we have already cast
- We could loan OERM the mold (possibly for a fee) so that they could cast brake shoes for themselves and possibly us
- We could have new brake shoes cast and sell them to the museum.

Director Tully recommended that we make castings for the museum, and possibly make some for ourselves.

Director Lock suggested that as a matter of policy we not loan our molds, and that if we choose to use them to make castings for other organizations, we charge an appropriate fee to cover our expenses associated with this.

Director Smalley stated that if we were to get into the business of making parts and selling them, then we would have product liability exposure, for which we could obtain insurance if desired. Director Sahnd reported that it was the foundry's opinion that the liability associated with castings made at the foundry resides with the foundry. While Director Smalley agreed with this, he pointed out that we could still be sued and in that case we would have to defend ourselves.

Chairman Herron summarized that we would like to help other railroads to the extent possible, but there is some concern about liability issues. Director Tully suggested that we avoid selling parts made with our castings, but instead allow another organization to purchase the castings directly from the foundry, so our only possible liability would be in the use of a mold owned by us.

President Shoup suggested that Director Smalley investigate the costs of insurance. Director McDonald recommended that the Projects Committee draft a policy and present it to the Executive Committee for approval.

Director Lowrance reported on the Antonito Car Repair Facility. The building is finished, but he has not formally accepted it because he doesn't have a key to the building yet. Antonito Mayor Gallegos was very helpful in getting the CRF project through the various town agencies. Director Lowrance would like to continue getting information and documentation in order to go forward with an appropriate

electrical installation. In addition, the building still needs a floor, and ultimately water and restroom facilities.

Since this is our first bricks and mortar project, Director Lowrance wondered if we should name it. He also noted that the building could attract graffiti vandals, and he would like the board to approve a mural project depicting locomotive 463 and the San Luis Valley. We could fund this as a school project and we would get a tremendous amount of good will and public relations value from it. He would like the mural on the side of the building that faces the parking lot. An informal poll showed that the board was generally in favor of such a project.

Regarding power service, we need enough service to move the Ft. Knox power tools into the CRF. This would require 220-volt, three-phase electricity, the installation of which is estimated to cost around \$8,000. We would save perhaps \$1500 by going with single-phase versus three-phase.

Regarding track, it is thought that we could lay track during the May work sessions. President Shoup reported that Rich Casford has offered to cover the costs and make an inquiry to Centennial Engineering in order to construct the tracks into the CRF. Because we are connecting to the commission's track, the commission will have to approve the plan. Mr. Casford said that Centennial is already working on an engineering drawing, and he anticipated it being completed by the end of November.

Director Tully purchased a Fairmont speeder chassis, and it is on its way to California. Member John Cole and his students will restore it, and it is their intent that it will go to the railroad for their use. Dave Ferro is also working on another speeder. These speeders have four-cylinder engines and are capable of hauling trailers.

Director Tully said that the Projects Committee is going to again spend time on an acquisitions policy. He reminded us that the D&SNG is going to have more cars to sell. They have two cars that were part of the rotary OM train, and they have expressed the desire to see us have them. There are other car bodies and parts in the San Luis Valley that might be acquired. We need a methodology and a program to take advantage of these opportunities. Chairman Herron would like the Projects Committee to finish describing its policy, and the grant-writing subcommittee to address this.

The board considered setting aside money in order to react to opportunities, but Chairman Herron stressed that he would like the acquisitions policy in place before considering setting aside money for this purpose.

Director Tully presented a proposal brought forth by a group of members to construct a structure of the same size and form, and in the same location, as the former sheep sheering house in Chama. The purpose of the building would be to restore speeders and provide covered storage. Several board members expressed concern that such a proposal was premature in light of our current effort to establish a strategic plan.

M/S Sterosky/Lock that we table the proposal for a structure similar to the former sheep sheering structure and defer it to the Strategic Planning Committee. **Passed unanimously.**

M/S Sterosky/Smalley to accept the report of the Projects Committee. **Passed unanimously.**

15. Restated Triad Agreement

Chairman Herron led the board in a discussion of the restated Triad Agreement. Earlier this year he discussed this with Commissioner Malnar, and President Shoup sent a letter to the commission expressing our desire to set up a meeting next month. Commissioners Carol Salisbury and Carl Turner were appointed by the commission to deal directly with us on this matter.

Director Lock provided background about the old Triad Agreement. In the early 1990s, the Friends, the commission, and the operator met to formalize the Friends' role as the official volunteer support group of the railroad, resulting in the Triad Agreement. It was revised in 2000, after RGRPC was incorporated. Now we need to revise it again to reflect both RGRPC's new role as a management company, as well as RGRPC's corporate separation from the Friends.

President Shoup discussed a white paper that he wrote about forging a new partnership between the Friends and the commission. He noted that the landscape has changed for us. We are now refocusing on our traditional mission of historic preservation. How can we seize the opportunity to advance our mission? This is well-timed, as we are in the throes of strategic planning. He feels that we have several opportunities before us, and he suggested not just a tweaking or reworking of the existing agreement, but to create a new level of partnership with the commission. He described three opportunities:

1. As part of our preservation mission, that we negotiate some type of long-term custodial agreement of the historic assets. It would allow us a higher level of stewardship that might provide us a policy role in terms of the historic rolling stock and structures. The Friends would assume higher levels of responsibility, but also increased authority.
2. He feels that we should be the museum *arm*, not merely the museum support group. As the museum arm, we *are* the museum.
3. The Friends provide private sector fundraising services for the Commission.

President Shoup has explored some of these concepts in a broad way with Commissioner Turner, and he was receptive. President Shoup closed his remarks by saying that we have an opportunity to advance our mission in a way that will mesh with some of the visionary things that were expressed at yesterday's strategic planning session.

Chairman Herron asked Mr. Casford and Ms. Flowers for comment. Mr. Casford noted that the RGRPC board has not taken an official position with regard to the proposal from the Friends, but he did undertake a slight modification of the current agreement by replacing the "lease" language with "management" language. Mr. Casford said that when he joined the RGRPC board, all three entities didn't follow the Triad Agreement, and there was some distrust during the difficult years. He suggested that fundamental changes in the agreement might require a lot of time to develop. He felt that it was important that all three entities start meeting and communicating on a regular basis in "Triad meetings," and he hoped that the Friends would appoint someone to be its Triad Agreement representative.

Director Ross reminded the board that the commission agrees that the Friends are responsible for the museum aspect of the railroad. Somehow we need to coordinate our efforts when communicating the strategic plan to the commission.

Director Craine reminded the board to be exceedingly careful when talking about fundraising capabilities, as we are just learning to walk. He would not want to see us undertake an obligation before we are ready. Director McDonald strongly agreed with the point that we need to become custodians of the historic assets. He also felt that we need language that we are the museum arm.

16. Old Business

There was no new business.

17. New Business

Director Lock described how he was involved in obtaining an \$11,000 donation recently, and reminded the board that we all know someone who could make a major gift to the railroad. Treasurer Sterosky

recommended that we write up this story for the *Dispatch*.

Director Lock also acknowledged Fred Gibson's donation of two Gramps tank car bodies.

18. Adjournment

The meeting adjourned at 5:13 p.m.

Respectfully submitted,

Curt Bianchi, Secretary