

Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Board Meeting Held November 8, 2003
Embassy Suites Hotel, Colorado Springs, Colorado

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

Absent: Nan Clark, Ed Lowrance, Spencer Wilson, Dennis Sterosky, Phil McDonald.

Guests: Bill Kepner, Art Randall, Mona Tully, John Engs, Tom Cardin, Rich Casford, Kim Flowers.

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 Board Meeting Minutes

M/S Tully/Gordon to approve the minutes of the June 21 board meeting. **Passed unanimously.**

4. Finance Committee Report

Assistant Treasurer Lock gave the committee report in Treasurer Sterosky's absence. We anticipate an operating deficit of \$20-25,000 for 2003. Year-end expenses are on budget, but unrestricted donations are below budget. In particular, membership dues stand at \$154,000, approximately \$16,000 below budget. In addition, retail sales are not as strong as in the past, and there were no railfan or moonlight excursion trains. Current cash assets are about \$4,000, which is not enough to pay expenses to the end of the year. As a result, we have taken a \$15,000 draw on our line of credit at First State Bank. This should be repaid by the end of the year as income is received for 2004 membership renewals. However, the bottom line is that we ran a deficit this year, and we did not have a surplus from last year.

Regarding the balance sheet, the ACNGS account has a balance of \$181,000. The permanent fund stands at approximately \$36,000, and the CRF fund at \$35,000.

President Shoup has asked the commission to increase its reimburse of restoration expenses over previous years. We have sent the commission \$41,000 in document expenses. He also hopes that the master plan subcontract will net us about \$40,000. The contract with Unit Design Studios will not be executed until the middle of December, so it won't effect 2003 cash flow. However, this will be one of the mechanisms to make up the deficit next year.

President Shoup also reiterated that our primary source of revenue is membership, and that this is where we intend to grow.

Director Craine noted that while the deficit is clearly explainable under the conditions from this year, it obviously cannot continue. He said the Finance Committee would be more proactive in assisting the president with financial reporting.

M/S Gordon/Bianchi to receive the Finance Committee report. **Passed unanimously.**

5. Membership Committee Report

President Shoup gave the committee report in Director Clark's absence. Total membership for 2003 stands at 1,862, compared to 1,943 in 2002. 61% of members gave \$50 or more. In terms of membership dues and contributions to the Flowers and Hipskind fund, it appears that we have received approximately \$153,000, as compared to \$156,000 last year. 327 members did not renew in 2003, a non-renewal rate about on par with previous years.

President Shoup discussed his strategy for building membership by using the concept of "shareholders." We have developed a new membership brochure around this theme. In addition, he is launching a program of recognition for large donors, called the General Palmer Society.

President Shoup expects to get the membership renewal letters out next week. He and Director Clark have been revising the message of our renewal appeal as compared to previous years. He also noted that the date at which new memberships apply to the following year has changed from year to year, and he would like to establish a consistent date.

Director Fowler noted that we need to clarify the difference between General Palmer Society members and ACNGS campaign donations. For instance, does a substantial contribution to ACNGS entitle an individual to be a General Palmer Society member? These fundraising efforts need to be coordinated. Chairman Herron charged Craine, Clark and Shoup to create the language to clarify ACNGS as a capital program, as opposed to a shareholder gift, which is a short-range, year-to-year contribution.

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

6. Development Committee Report

Chairman Craine presented the committee report. The campaign has been underway for about 18 months. Total pledges to the campaign to date stands at approximately \$600,000. Total cash received to date is approximately \$361,000. 738 separate donors have contributed to the campaign, of which about 675 are Friends members. We have not made a concerted effort to reach beyond our membership. Cash available is approximately \$181,000. Administrative expenses are about 2.5%, which is very good. The board has previously set a five percent guideline for administrative expenses.

The Friends made a \$60,000 payment in 2003 as half of our EDA locomotive grant match. We have enough contributions to meet the remainder of our EDA match this year, as well as our EDA match next year.

Our preliminary goal for 2004 is to bring in approximately \$150,000 in cash. In order to go beyond our membership, we need more resources, whether it be volunteers or paid staff. It is critical that we start publicizing our successes, and when the first locomotive is completed with EDA funding, we need to publicize this and give credit to the campaign donors.

Director Tully asked about plans to go outside the membership. Director Craine said that we should approach other historical societies and museums.

M/S Lock/Smalley to accept the Development Committee report. **Passed unanimously.**

7. Publications Committee Report

Chairman Nichols gave the committee report. The committee will be meeting sometime in early 2004. He presented a dummy draft of the upcoming *Dispatch*. He sees the *Dispatch* as a vehicle for creating

new members, and asked for feedback about the *Dispatch*, both in terms of content and as an aid in building membership.

Director Nichols would also like to create a group of contributing editors who could take an article idea and develop it over time. To that end, the next *Dispatch* will include an appeal for articles. The *Dispatch* does a good job of documentation, but he would like it to have a little more pizzazz. He thinks we have reached a bit of a crossroads with the *Dispatch*. Director Fowler suggested that each director consider writing something of interest for the *Dispatch*.

Director Lock also pointed out that we have reached the end of our supply of the Zuni Mountain Railroads book. In deciding whether to reprint it, we should give consideration to a new manuscript by Joe Hereford on the same subject, which we might be able to print for not substantially more in cost than the other book.

M/S Fowler/Smalley to accept the report. **Passed unanimously.**

8. Docent Committee Report

Committee Chairman Yockey presented the committee report. 23 individuals participated, contributing 31,000 hours of service. Five new docents were added this year. This is the first year in which there was a docent on every train. We also had docents in the Chama yard nearly every day. He wants to continue improving the program, and has done a survey of the docents to find out what worked well, and what did not. Of note, bus transportation was sometimes a problem, and the train PA system often did not work.

Director Cowles praised the docent program for the transformation in terms of professionalism that has occurred over the past few years.

M/S Fowler/Craigne to accept the Docent Committee report. **Passed unanimously.**

9. Railfan Committee Report

Committee Chairman Lock presented the report. He has reserved the date of June 19 for the railfan train, and July 31 for the moonlight train. Their operation will depend on whether the railroad is in a position to operate them.

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

10. Appointment of Nominations Committee

Chairman Herron proposed that the Nominations Committee consist of Directors Lock (chair), Sahnd, Clark, and Cowles, as well as President Shoup as an ex officio member.

M/S Gordon/Yockey to appoint the members of the Nominations Committee as proposed by Chairman Herron. **Passed unanimously.**

Since the Friends bylaws do not specify how RGRPC directors are nominated, Chairman Herron proposed that the Executive Committee nominate the slate of RGRPC directors and report to the board in March.

M/S Craigne/Sahnd to delegate to the Executive Committee the nomination of RGRPC directors. **Passed unanimously.**

11. Master Plan Report

President Shoup reported on the master plan process. The bulk of the funding is coming from the Colorado Historical Society, which will provide \$180,000. The commission has earmarked an additional \$60,000 to the project from the EDA track grant. There is a proposal that New Mexico provide funding for additional work, but since the master plan is being done to fulfill Colorado requirements, it may be difficult to get money from New Mexico.

Shoup noted that a master plan is not a strategic plan, but is in essence a vehicle. It is a somewhat limited process that will evaluate the physical property to determine the state of the infrastructure and to determine the needs in the future. A master plan is an essential prerequisite for making available Colorado gaming money in future years. For that reason alone, it has a lot of importance to the commission and to the railroad.

A selection panel consisting of Joseph Bell of CHS, Commissioner Wayne Quinlan, and Shoup, was established to review applicants for the master plan contract. They selected Unit Design Studios (UDS) to carry out the master plan.

Shoup has negotiated a subcontract for the Friends in the amount of \$70,000. The contract calls for the Friends to conduct an assessment of railroad structures in New Mexico, perform archeological surveys of New Mexico railroad property, and make available our records and information assets. Terri Shaw has agreed to act as a subcontractor to the Friends, organizing the information and making it available to UDS.

M/S Tully/Craigne to receive the Master Plan report. **Passed unanimously.**

12. Government Liason Reports

Director Cowles presented his report regarding the political process and appropriations requests in New Mexico. The following motion was made to enter into executive session:

M/S Fowler/Lock to enter into executive session, with Mona Tully, Rich Casford, Kim Flowers and Hugh Fowler in attendance. **Passed unanimously.**

The board returned to open session.

13. RGRPC Report

RGRPC Treasurer Rich Casford presented the first portion of the RGRPC report. To accommodate the commission and the new management contract, RGRPC's fiscal year has been changed to end on October 31, resulting in a nine-month 2003 fiscal year. Unaudited figures show that 2003 RGRPC income consisted of management fees of \$100,592, equipment rentals of \$13,190, and a \$100,000 donation. Expenses totaled \$113,515. Therefore, without the donation, RGRPC made a slight operating profit, compared to a loss of \$28,000 in 2002. Also, through aggressive actions of management, RGRPC was able to sell \$51,691 in assets, resulting in net income of about \$151,000.

Casford reported that RGRPC's credit line with Community Bank was reduced from over \$300,000 to \$100,000. RGRPC has also reduced the personal guarantees from seven individuals to three individuals. The outstanding loan balances since inception are \$100,000 at Community Bank, and Friends loans of \$95,000, both of which are being paid interest. Individuals have loaned the corporation \$262,580. Of that, \$140,000 is a no interest loan with no payback date, while the remainder has a 6% interest rate, also with no payback date.

RGRPC has negotiated with the commission to close the Chama depot during the winter, moving operations to RGRPC's office on Terrace Ave. The commission has agreed to pay half of RGRPC's office operation during the winter months.

RGRPC's contract will be reviewed the week of November 17. The current contract is a one-year contract, with one-year extensions by agreement by both parties.

Kim Flowers then presented the operational report. The railroad carried 16,879 passengers in 2003, an average of about 200 passengers per day, versus about 180 per day in a normal season. One train was annulled, on August 31, because of a derailment the previous day and heavy rains. Flowers described it as "miraculous" that the railroad was able to run the entire season with one locomotive, and she praised the shop and engine crews for their excellent work. She reported that the Forest Service and FRA were very supportive of the railroad, and that the FRA is pleased with the track work on the railroad.

The 2004 season will open on May 29, running through October 17. Trains will operate six days a week, with one train running on weekdays, and two trains running on Saturdays and Sundays. It is the goal of the commission and RGRPC to have three operational locomotives at the start of next season.

Ms. Flowers thanked Bob Tully and Jerry Sahnd on behalf of the Projects Committee. She also praised the docent program and the impressive turnaround that has occurred.

Director Cowles commended RGRPC, and Ms. Flowers particularly, for their innovation this season. It was out of necessity, he noted, but it was remarkable to see.

Director Craine reiterated the thanks of the board for all of the efforts of the RGRPC board and staff.

14. Projects Committee Report

Projects Committee Chairman Bob Tully present the committee report.

A member requested to establish a junior volunteer program under the direct supervision of a guardian. The committee deferred action on this to the board because of potential liability issues. The committee itself has no direct recommendation.

The committee has determined that Friends volunteers will not operate flanged wheel equipment on the railroad. Operation of other equipment, such as backhoes and forklifts, will require that individuals undergo a training program in order to be certified to operate such equipment.

Director Tully reviewed a strategic planning document, which he handed out to board members. He noted that while the commission's master plan deals with a five-year period, many members of the Projects Committee support strategic planning on a longer term basis.

The committee would like to put up a temporary car shelter to protect historic caboose 0503 during restoration.

Director Tully handed out a draft for a collections management policy, and asked for input from the board.

Regarding specific projects for 2004, the committee is considering approximately 50 to 60 projects that would accommodate some 300 volunteers over six work sessions, with a budget of approximately \$45,000.

Director Tully reported that Director Clark has done a tremendous amount of work to coordinate support for the right-of-way project scheduled for May 2004. Various treatments will be effective only during certain times of the growing season. Therefore, it will be an ongoing program in addition to the focused effort in May. Regarding the cutting and trimming of vegetation, removal of material will be dependent on rail transportation in many areas.

The Friends have been approached by the city of Antonito to help rehabilitate the historic D&RGW Antonito depot (not the C&TS Antonito depot). The Projects Committee recommends that we offer some clean up of the interior of the depot. The committee would also like to install on a loan basis the train order signal tower that we purchased from the Sundown & Southern.

Regarding the tank cars, we need to consider the complete removal of all paint and rust, followed by a complete coverage of rust inhibitor on all metal surfaces. It is a major project that Director Tully feels needs to be discussed with the SHPO offices.

The Projects Committee believes that the Friends should move forward with a car restoration facility constructed on Friends property in Antonito. The committee suggests a covered pole-barn structure on two tracks, long enough for narrow gauge passenger cars with ability to expand. We should relocate the existing shop facilities to a new building on Friends property to allow the railroad to take over Ft. Knox. This effort will be coordinated with the commission and the master plan.

President Shoup reported that an individual donor is willing to gift \$10,000 toward a car restoration facility in Antonito. In order to take advantage of this, the board needs to take some sort of action. The board briefly discussed erecting some kind of structure on the Friends' property adjacent to the railroad in Antonito.

M/S Lock/Tully to establish and build a shelter on Friends property in Antonito for the purpose of car restoration. **Passed unanimously.**

Director Fowler stated his opinion that we should not continue to restore rolling stock without providing shelter for them, and made the following motion:

M Fowler that whenever a piece of rolling stock is proposed for preservation and restoration, that a part of the plan include where it will be parked and how it will be protected from the elements. Chairman Herron recommended that this issue be deferred to the Projects Committee. Director Cowles suggested that it be considered as part of the collections policy. Director Fowler removed his motion.

M/S Lock/Smalley to accept the Projects Committee report. **Passed 13-1.**

15. 2004 Business Plan

President Shoup presented the 2004 business plan. He described three revenue generation assumptions for 2004:

1. Membership: Increase membership to 1,950 members, with member revenue of \$171,600.
2. Retail Sales: Achieve gross profit on sales of books and merchandise of \$17,000 (a return to 2002 levels).
3. Special Projects: The master plan subcontract is expected to net \$30,000.

These are conservative assumptions, and should not be confused with incentive performance goals. The prudent thing to do in budgeting is to use a conservative set of figures for planning purposes. Given these assumptions, membership and retail sales could support operations, while revenue from special projects could be used in different ways, such as building up a reserve to reduce the possibility

of running a deficit next year. This represents a status quo budget, if you will, to continue our programs as-is.

Director Fowler wondered how we expected to generate more members this year than in the previous year, considering that we suffered a membership loss in 2003. President Shoup indicated that he felt we were better prepared—and have better tools—going into the renewal season, whereas last year he didn't assume his role as president until February, at which time the 2003 membership drive was nearly completed.

Director Gordon reiterated something that Director Nichols spoke of, which is to use the *Dispatch* as a recruiting vehicle. Director Yockey noted that we have a much greater exposure in the yard, as well as on the train, in which to use the *Dispatch* as a promotional tool.

Director Smalley wondered if we could appeal to former members that have dropped off in previous years. President Shoup said that this was something he intended to do.

M/S Smalley/Craine to enter into executive session. **Passed unanimously.**

The board entered into executive session. After the board returned to normal session, the following motion was made.

M/S Smalley/Nichols to accept the compensation package for Brian Shoup for 2004 as discussed in Executive Session. **Passed unanimously**

15. Other Business

There was no new business.

16. Adjournment

M/S Fowler/Smalley to adjourn the meeting. **Passed unanimously**

The meeting adjourned at 5:44 p.m.

Respectfully submitted,

Curt Bianchi, Secretary