

**Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Board Meeting held September 21, 2002
Friends of the C&TS Office, Albuquerque, New Mexico**

Board members present: Curt Bianchi, Howard Bunté, Bob Craine, Parker Fowler, Jim Herron, Bill Lock, Phil McDonald, Art Randall, Bob Ross, Jerry Sahn, Terri Shaw, Warren Smalley, Dennis Sterosky, Bob Tully, Frank Yockey.

1. Call to Order

Chairman Herron called the meeting to order at 9:05 a.m.

2. Ratification of Executive Committee Actions

Chairman Herron asked the board to consider and ratify the actions of the Executive Committee telephone conference meetings of July 8, 2002; August 1, 2002; and August 20, 2002.

2.a. July 8 Executive Committee Action

On July 8, the Executive Committee moved, by a vote of 5-1, to rescind the board's previous authorization to spend up to \$20,000 at the Sundown & Southern auction. (Director Lock subsequently raised funds from individual donors to complete the purchase of some items at the auction.)

M/S Craine/Fowler to ratify the July 8 action of the Executive Committee. **Passed unanimously.**

2.b. August 1 Executive Committee Actions

On August 1, the Executive Committee passed two motions. The first was to adopt an Another Century of Narrow Gauge Steam campaign expense policy, giving the president and treasurer the authority to withdraw campaign funds for the purpose of paying campaign expenses as approved by the Development Committee, up to an amount that in the aggregate (including all current and prior expenses) does not exceed five percent of the total amount of cash donations received by the campaign.

The second motion was to give the president and treasurer the authority to negotiate and enter into a line of credit with a local Albuquerque bank, in an amount not to exceed \$35,000, at terms to be negotiated, but with no personal guarantees required.

Director Lock reported that the credit line had been established at First State Bank, at an interest rate of two percent above the interest rate on our Certificate of Deposit at First State. The paperwork has been signed by all of the required officers of the corporation. As of August, no funds have been drawn on the line of credit.

M/S Fowler/Ross to ratify the August 1 actions of the Executive Committee. **Passed unanimously.**

2.c. August 20 Executive Committee Actions

On August 20, the Executive Committee passed the following motion: "To approve the use of the Another Century of Narrow Gauge Steam campaign funds to purchase parts necessary for the completion of locomotive 484, up to an amount not to exceed \$30,000. The parts will be purchased and held by the Friends until the facilities are available and RGRPC (or another competent contractor) can install the parts on locomotive 484. The Friends will seek a grant from the Narrow Gauge Preservation Foundation for the completion of 484 in an amount that includes parts and labor, the exact amount to be determined. We will publicize the use of the ACNGS funds for this purpose, and we will publicize a grant from the NGPF if that should come to pass."

Director Randall advised the board that as yet no parts had been ordered, as he has not received the information regarding the sizes and exact nature of the parts from RGRPC. However, he expects that the parts will cost approximately \$10,000.

Director Shaw reported that she formally requested a grant from the Narrow Gauge Preservation Foundation to complete locomotive 484 and its tender. However, the NGPF had yet to approve or decline the request.

M/S Fowler/Sterosky to ratify the August 20 actions of the Executive Committee. **Passed unanimously.**

3. Treasurer's Report

Treasurer Sterosky reviewed the current financial statements. He noted that a large portion of our income has come in the form of ACNGS donations, and that unrestricted donations are below budget. Therefore, while total income (including ACNGS donations) is over budget, and expenses are below budget, we are just getting by on a cash flow basis. The line of credit will insure that we have adequate cash through the end of the year, but if our loans to RGRPC are not repaid, then we will have to be extremely careful next year.

M/S Fowler/Smalley to receive the report of the treasurer, with thanks. **Passed unanimously.**

4. Development Committee Report

Director Craine presented the report of the Development Committee. Regarding the Another Century of Narrow Gauge Steam campaign, as of August 19, 473 individuals had made a donation and/or pledge for future years. Total cash received by the campaign is \$212,000, with another \$15,000 pledged for this year. Pledges amount to \$62,000 for each of the next four years. Thus, total contributions and pledges stand at approximately \$476,000. We have advanced \$50,000 of the campaign funds to RGRPC, loaned \$20,000 of the campaign funds to RGRPC, and paid expenses of about \$6,500. Ten percent of the total donations have been earmarked for an endowment. Therefore, the total cash available for use stands at approximately \$112,000.

Director Craine noted that the only publicity regarding the campaign has been via the Friends web site, and a single mailing to the membership. He felt that it was time to send the membership another letter, reporting on the campaign progress to date, and urging those who have not contributed to do so. Director Craine expressed optimism that the total pledges and donations would top \$500,000 by the end of the year.

Director Tully asked about our plans, with respect to the campaign, for the rest of the year. Director Craine reiterated the intention of sending a letter to the membership, and that he expected the letter to be mailed within the next few weeks. We also intend to approach other railfan organizations. Director Tully suggested producing a one-page summary of the campaign that could be given to clubs.

Director McDonald wondered if there has been any outreach to corporations. Director Craine indicated there had not been much, noting that it is partly a matter of time and resources, and that the uncertainty of the railroad's future has made him reluctant to approach corporations.

Director Bianchi wondered if the timing of the upcoming ACNGS solicitation letter and the membership renewal letter was becoming too close. It was generally agreed that they should be separate letters, but that timing is becoming an issue.

Director Fowler urged that when soliciting individuals for a long-term pledge, we reassure them of our long-term commitment. Director Craine agreed that this is the message we have been trying to convey. Director Fowler added that we need to remind people that three years ago we created an operating company that has the same commitment that the Friends have. People may not realize that we have already demonstrated our commitment by creating RGRPC in the first place. Director Bianchi said that

one of the difficulties of our message has been confusion about RGRPC's termination of the lease, causing some people to think that we are walking away from the railroad. Director Bunté urged that we clearly communicate that we are not quitting on the railroad. The Friends will be here regardless of whomever runs the railroad.

5. RGRPC Report

RGRPC Treasurer Richard Casford joined the meeting by telephone, and provided the following report about RGRPC.

- a) All accounts payable are current with all vendors and suppliers. All ticket refunds stemming from the FRA and Forest Service closures have been handled. RGRPC is current with its credit line interest payments.
- b) Year-to-date ridership is 14,323, compared to 43,691 at this time last year. RGRPC was hoping to achieve 30,000 passengers by the end of the season, but has recently revised that figure down to 21,000-25,000.
- c) RGRPC has sent the commission a letter to operate the railroad per the force majeure clause at 57% of the contract, adjusted to final ridership figures. There has been no reply from the commission.
- d) Per the commission's request, RGRPC has recently completed an audit of locomotive contract billing, particularly with respect to the use of insurance funds. The auditor, selected by commission Executive Director Bob Johnson, found only one minor error in the amount of \$40 over the course of a very thorough two-day audit. The auditor requested payroll records, as well as canceled checks and invoices for materials. All of the records for 2001 and 2002 were located, and the auditor left with a positive audit report regarding the documentation and recording keeping.
- e) RGRPC will have an insurance adjuster visit the property next week to review records and progress related to locomotive 484. This should help resolve a pending bill in the amount of \$20,000, which was submitted to the commission in late July.
- f) RGRPC continues to look for additional funding for possible operations next year. RGRPC is looking at five areas of funding for winter work. First is the United States Department of Agriculture Rural Development Loan Guarantee program. There may be a dual request with USDA New Mexico and USDA Colorado, although Colorado may not be able to help because RGRPC is incorporated only in New Mexico. A second possibility is a rural electrical incubator loan, which is being pursued through the NORA coop in Chama. Third, RGRPC is pursuing community block grants. Fourth, RGRPC is aware of the Friends' Another Century of Narrow Gauge Steam funds, but recognizes that the bulk of the currently available funds may be committed to the EDA locomotive grant. Fifth, RGRPC is pursuing other grants. With respect to the EDA locomotive grant, Mr. Casford expressed the hope that the Friends would continue to support the grant, feeling that it is necessary in order to have a 2003 season, regardless of who operates the railroad next year.
- g) The second EDA trackwork contract is also in place, though it was not released to RGRPC in its entirety. There is nearly \$600,000 available. One problem this year is that funds did not become available to RGRPC until after July 1. Therefore, an opportunity to perform a lot of trackwork while the railroad was closed was missed because the commission did not make the funds available.
- h) Beginning in the middle of July, RGRPC has continued to attempt to renegotiate the operating contract with the commission, but the commission has failed to respond to RGRPC's written requests. However, next week Mr. Casford and other representatives of RGRPC will meet informally with commission Executive Director Johnson and Commissioner Carol Salisbury, and Mr. Casford expressed the hope that there will be some meaningful dialog regarding the commission's intentions and RGRPC's options.
- i) The FRA will visit the railroad in the week of October 14. They have notified the commission that they want to have a meeting to understand why things were not accomplished as the FRA expected. RGRPC

Acting General Manager Kim Flowers, Chief Mechanical Officer Steven Butler, and Office Manager Kelly Butler attended an FRA workshop in Oklahoma City, and the FRA representatives expressed great pleasure in seeing the C&TS management team attend the workshop.

The directors then questioned Mr. Casford about various points. Director Fowler wondered if RGRPC could be incorporated in Colorado as well as New Mexico. Mr. Casford said that this has been discussed among the RGRPC board, including the possibility of creating a for-profit corporation to become eligible for SBA loans.

Director Craine asked for Mr. Casford's opinion regarding the importance of the Friends being in a controlling position with respect to RGRPC. Mr. Casford stated that while RGRPC is clearly controlled by the Friends, the Friends have granted RGRPC great autonomy in conducting its affairs.

Mr. Casford was asked about the attitude of the merchants with respect to RGRPC. He said that while there is a small, vocal group of merchants opposed to RGRPC, a number of merchants have recently written letters to the commission expressing the view that retaining RGRPC is the best hope for the railroad.

At this point, Mr. Casford was excused from the meeting. The board continued to discuss RGRPC's situation, but no motions were made. It was agreed that the Friends owe a debt of gratitude to the RGRPC staff and directors. In particular, Director Smalley emphasized that we owe much to Mr. Casford and RGRPC President Bill Albert for their business and engineering acumen.

6. Membership Committee Report

Director Bunté presented the report. We have 1903 members, as compared to 1722 at the same time last year. Contributions total \$153,668 in annual dues, \$10,090 to the Flowers Fund, \$805 to the Hipkind Fund, \$197,073 to the Another Century of Narrow Gauge Steam campaign, and \$14,375 in miscellaneous contributions.

7. EDA Locomotive Grant Preapplication

President Shaw described the process thus far. Two preapplications have been submitted jointly by the Friends and the commission. One preapplication describes the overall project. The other preapplication encompasses the work needed to prepare locomotives for the 2003 season. President Shaw distributed a draft memorandum of intent between the Friends and the commission, which has been requested by EDA. EDA also wants a memo from the SHPO's indicating that historic preservation issues have been addressed. The board reviewed the memo of intent. Director Lock noted that the specific monetary amounts seemed incorrect and should be double-checked. Chairman Herron noted that Dick Cowles advises that the EDA funding will not be made available until the spring. However, we could begin spending our matching funds once EDA accepts the preapplications, and have those funds count as part of our match.

M/S Smalley/Sterosky to give President Shaw the authority to sign the memorandum of intent, subject to minor correction, and enter into agreement with the commission on the EDA locomotive grant, and to commit ACNGS funds for our match, up to \$132,000. **Passed unanimously.**

8. Sundown & Southern Auction Shipping Expenditure

Director Lock presented a memo with respect to the Sundown & Southern auction, and asked the board to authorize the expenditure of \$1,230, either from ACNGS funds or the general fund, to pay for the shipment of purchased items to the railroad. In the meantime, Director Lock will continue his efforts to raise donations specifically to cover this expense.

M/S Fowler/Sterosky to pay the shipping expenditure of \$1,230 from the Friends general fund. **Passed unanimously.**

9. President/CEO Vacancy

Chairman Herron led the board in a discussion of President Shaw's pending retirement, and the process for replacing her. It is President Shaw's desire to retire by the end of the year, though she could stay on longer if a new president has not been hired by then.

Chairman Herron asked the board to approve his choice of Director Yockey as chairman of a search committee to locate candidates for the President/CEO position.

M/S Ross/Sahnd to appoint Director Yockey as the chairman of the search committee to locate a new President and CEO. **Passed unanimously.**

The board discussed the scope of the job, and the type of person that should be sought to replace President Shaw. Chairman Herron noted that a task force has been working on a job description for the President/CEO position, intended for review at the fall board meeting. Chairman Herron asked President Shaw for her thoughts about the position and the organization.

President Shaw distributed a memo to the directors, describing her recommendations for a replacement, which included:

- Maintain a large enough office so that all functions can operation out of it.
- Carry out a search for an experienced executive.
- Hire someone who will approach the job as a preservation professional.
- Look for someone with executive experience, preferably with a non-profit, hopefully with some museum or other preservation experience.
- Conduct the search locally and nationally.

She foresaw the eventual need for a fund development staff person, as well as a program director. She added that a large part of her job has been to act as a focal point for communication among the various individuals and entities associated with managing and operating the railroad.

Chairman Herron asked Director Bunté, who will be retiring from the board at the end of his term, for his thoughts. He agreed with President Shaw that the Friends should continue to push towards a professional organization. He felt that the Friends should seek an executive with museum experience.

The board entered into a comprehensive discussion of the Friends' mission and goals, and how they relate to the kind of chief executive we should hire. An important aspect of this is whether the Friends' mission will continue to include the operation of the railroad via RGRPC. This most likely will not be known until after the season concludes, and will depend on the actions taken by the commission with respect to RGRPC. In addition, the board discussed the extent to which the board should spend its time on matters related to running the railroad, in addition to its core mission of preservation and interpretation.

At this time, President Shaw and Director Bunté were excused from the meeting, and the board entered executive session. The following motions were made during executive session:

M/S Lock/Sterosky to establish a search committee for a new President/CEO, chaired by Frank Yockey, and including directors Bianchi, Ross, Sterosky, and Gordon, and Friends members Steve Schroeder and Nan Clark. **Passed unanimously.**

M/S Lock/Sahnd to budget \$2,500 to the search committee for expenses. **Passed unanimously.**

M/S Lock/Yockey that the board accept President Shaw's resignation with the greatest of thanks, effective December 31. Shaw agrees to continue on an interim basis at the board's request. **Passed unanimously.**

The board emerged from executive session.

16. Adjournment

M/S Lock/Bianchi to adjourn. Meeting adjourned at 5:11 p.m.

Respectfully submitted,

Curt Bianchi, Secretary