

FINAL DRAFT
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 22, 2008
Cookin' Books Restaurant, Chama, NM

Attendance: Nan Clark, Bob Craine, Parker Fowler, Jim Herron, Bill Lock, Ed Lowrance, Craig McMullen, Jim O'Keefe, Dan Pyzel, Bob Ross, Warren Smalley, Linda Smith, Dennis Sterosky, and Caroline Tower

Absent: Dave Lee

Guests: Spero Bettalico, John Engs, Craig Kumler, Dave Priddle, and Ted Smith

I. Call to Order

Chairman Craine called the meeting to order on Sunday, June 22, at 8:41 a.m. He announced that the current issue of "Steam Railway" magazine features an article and photos by former Director Art Nichols on the C&TSRR entitled "How the West Was Won" (page 62) providing outstanding recognition of the C&TSRR and the Friends' organization.

II. Approval of Minutes

Chairman Craine asked for corrections to the minutes of (1) the March 14-15, 2008 Board of Directors meeting, (2) the Long Range Planning Meeting held March 13, 2008, and (3) the Executive Committee meetings of April 16 and May 21, 2008.

Director Sterosky proposed a change to the Long Range Planning Meeting minutes of March 13, 2008, showing him present, not absent. Director Smith proposed a correction to the March 14-15 Board Meeting minutes as follows: under Para. II, Approval of Minutes, change the dates of the EC minutes as follows:

"...and the Executive Committee meeting minutes of November 19 and December 19, 2007; and January 8, January 17, February 21 and March 9, 2008."

M/S Parker/Pyzel to approve the minutes as corrected. **Passed unanimously.**

III. Board and Officer Elections and Committee Appointments

1. Director Election Results

Chairman Craine recognized the many accomplishments of four outgoing Board members: Curt Bianchi, Art Nichols, Bob Tully and Frank Yockey. All have made contributions to the Friends' organization over the years that have had a significant and lasting positive impact on the organization. Director Smith will prepare a Board resolution recognizing those individuals.

The slate of Director nominees for 2008 (approved at the March 14-15 Board meeting) was elected by the membership with the number of votes ranging from 795-805. The slate included sitting Directors Bob Craine, Parker Fowler, Bob Ross and Warren Smalley; and a new Director, Jim O'Keefe. Chairman Craine welcomed Jim O'Keefe, who is the Project Committee's site representative for Antonito.

2. Election of Officers of the Corporation

Director Jim Herron presented the Nominating and Governance Committee's (NGC) proposed slate of officers for 2008, noting that Dennis Sterosky, Treasurer, has agreed to serve as Acting Treasurer until a suitable and qualified candidate can be found to replace him. This search is currently underway, led by Director Sterosky. The NGC has unanimously approved the proposed slate, as follows:

Chair – Bob Craine
President – Tim Tennant
Vice Chair – Craig McMullen
Secretary – Linda Smith
Treasurer – Dennis Sterosky
Assistant Secretary – Bill Lock and Warren Smalley
Assistant Treasurers – Bill Lock and Warren Smalley

M/S Herron/Dan Pyzel to approve the proposed slate of officers. **Passed unanimously.**

3. Appointment of Executive Committee Members

Chairman Craine presented the NGC's proposed slate of six Executive Committee (EC) members for 2008 (per the new bylaw provision which allows the board to set the number of EC members at 5, 6 or 7). Director Herron reported that the slate was unanimously approved by the NGC, as follows:

Chair – Bob Craine
Vice Chair – Craig McMullen
Jim Herron
Bill Lock
Ed Lowrance
Bob Ross
Tim Tennant – Ex-officio (non-voting)

Director Tower expressed her support for the candidates and a reduced slate; however, she stated her belief that the Chair of the Interpretation and Chama RVC Committee should have an established and direct communication channel with the EC because of the importance of these activities as evidenced in the Friends' Strategic Plan. Chairman Craine stated that effective and timely communications between the EC and the Board are critical to the success of the organization, and charged Directors Herron, Tennant and Clark to work closely together to develop an approach which will assure that these functions have the visible support of the Friends' Board leadership.

M/S Herron/Fowler to approve six person Executive Committee with members as proposed.
Passed unanimously

4. Appointment of Committees and Chairs

Chairman Craine presented the following Committee Chair assignments for 2008 (continuing from 2007):

Executive Committee, Bob Craine
Finance Committee, Dennis Sterosky
Development Committee, Bob Ross
Interpretation and Chama RVC Committee, Nan Clark
Projects Committee, Ed Lowrance
Railfan Committee, Bill Lock
Nominating and Governance Committee, Jim Herron

The members of each respective committee are attached to these minutes.

The Executive, Finance and Nominating Committee report directly to the Board. The remainder of the Committees report to President Tim Tennant.

Director Lowrance expressed the need for restructuring the budget to align better with Committee roles and responsibilities. Currently, the PC budget includes costs associated with activities outside its purview. Chairman Craine charged President Tennant and affected Chairs to resolve these inconsistencies and report their progress to the EC.

M/S Wilson/Pyzel to approve proposed Committees, Chairs and members. **Passed unanimously.**

IV. Installation of New Directors and Officers

Chairman Craine expressed his appreciation for all Board Members, Officers and Committee Chairs, recognizing the substantial time they spend on organizational issues, in addition to volunteer work during the summer season. The organization would not exist without this extraordinary effort on the part of all volunteers.

V. General Operating Agreement

Chairman Craine announced the successful execution of the General Operating Agreement (GOA) between the Friends and the Commission, replacing the old Triad Agreement. The GOA defines the working relationship between the Friends and the Commission, and formally recognizes the Friends' role as the as the custodian of the museum property with the responsibility for the preservation, restoration and interpretation of the railroad. Chairman Craine commended the efforts of the Directors who worked diligently for several months to achieve this successful outcome. He asked that Mr. Tennant and each board member assist in implementing and administering the new agreement and noted that each board member had been provided with a copy of the signed document.

V. Strategic Plan

On March 13, 2008, the Board dedicated a full day to reviewing the relevance of the existing Strategic Plan adopted in 2005, and focused on the key five-year objectives contained in the plan. As a result, the Board identified important issues facing the Friends over the next ten to twenty years, and revised the strategic objectives accordingly. The Strategic Plan was revised and then formally submitted to the Board (the revised strategic plan was provided to the board several weeks prior to the meeting by email) for further review, discussion and approval at the current (June 22) Board meeting.

Director Fowler requested clarification on the prioritization of the strategic objectives as stated in the revised Strategic Plan, noting that the numbering system (1, 2, 3) implied an ordering of priorities (e.g., 1. Interpretive Function (first priority)), and stated his concern that these priorities would guide funding decisions. Chairman Craine stated that the numbering system was not intended to imply an ordering of priorities; all stated objectives are of equal importance. Director Clark further clarified that the funding priorities for ACNGS II are stated in the program documentation, noting that funding is designated for both interpretation and operating railroad activities. Director Lock, the Friends' founder, advised the Board that his original vision for the organization included an eventual progression to a formal museum setting to interpret the "living history" of the operational aspects. The board discussed the revised strategic plan, including the changes.

M/S McMullen/Sterosky to approve the revised and restated Strategic Plan without changes. A copy of the restated strategic plan as approved by the board is attached to these minutes. **Passed unanimously.**

VI. Bylaws Amendments

Chairman Craine introduced the proposed bylaw amendments to the board by reviewing the proceedings of the March 2008 board meeting wherein the board discussed and approved two amendments to the Friends' bylaws: one concerning a change in the composition of the Executive Committee and one concerning the creation of a new Director Emeritus position for retiring directors. He noted that the concepts and language for each of these bylaw amendments was approved at the March 14-15 2008 meeting pursuant to the recommendation of the Nominating and Executive Committees. Mr. Craine referred to the text of the actual bylaw changes which he sent with the agenda for this meeting to each board member on June 5, 2008, which was prior to the 15-day notice requirement for amending the bylaws. He noted that the agenda included with the board packets was not the final version and inadvertently omitted the bylaw amendments that were intended to be covered. Chairman Craine reminded the directors of the March board discussion concerning term limits for directors and officers, and that no vote was taken in March on this matter. He recommended that the proposed bylaw amendment relating to term limits for directors and officers be further studied by the Nominating and Governance Committee based on the number and complexity of issues raised by several Directors at the March Board meeting that require further analysis and assessment.

M/S McMullen/Fowler to approve and adopt the proposed bylaw amendments and to refer the issue of term limits for directors and officers to the NGC for further study and recommendations for consideration at the October 23-25 Board meeting. The text of the bylaw amendments as approved by the board is attached to these minutes. **Passed unanimously.**

VII. President's Report

President Tennant presented his report, the highlights of which included:

- Opening Day of operations for C&TSRR successfully accomplished on Saturday, May 24. Over 300 passengers were on the two trains.
- Locomotive 487 was delivered in time for the start of the "Cinder Bear Trains" on June 12 and Engine 489 should be on line by July 1.
- The Friends has received an initial reimbursement by the Commission of \$2,325.65 for five projects undertaken by Friends during 2007 work sessions. President Tennant anticipates further reimbursements during 2008.

- Current economy and high gas prices will require railroad management to keep a close eye on the railroad's finances. Ridership through June 10, 2008 was down 7.2% with the C&TSRR carrying 3, 556 passengers vs. 3,831 for the same period last year.
- C&TS Management (CTSMC) approved the Friends' request to operate a maintenance-of-way charter train with Pile Driver OB on Saturday, August 9 from Chama to Cumbres and return.
- President Tennant and Director Ross met with CO Commissioner Peter Foster in Durango to begin the discussion on asset evaluation for the C&TSRR. This will involve assembling long-term plan for the historic assets of the railroad, including preservation and restoration plans for these assets.
- President Tennant met with the CTSMC Board on June 11. Discussion included future capital needs and funding for the railroad, projected profit-loss for the current operating season, status on locomotive work and other matters.
- **Fundraising:**
 - Ludwig Foundation has approved the Friends' \$10,000 grant request for restoration of RPO #054.
 - Update on Engine 463 Restoration: The Friends have been awarded a \$300K "Save America's Treasures" grant, as well as a matching \$300K grant from Narrow Gauge Preservation Foundation for restoration of Engine 463. President Tennant is working closely with the CTSMC on a revised budget and timeline for this restoration project.
- **Community Outreach:**
 - President Tennant is working with the Program Director for the Great Southwest Council of the Boy Scouts of America in Albuquerque to develop an approach involving the Boy Scouts in Friends' volunteer efforts for the railroad.
- **Upcoming Events:**
 - President Tennant and Directors Clark, Ross and Engs will participate in the 2008 ARM Conference at Crowne Plaza, Colorado Springs, September 10-13 and will lead a discussion on the processes involved in implementing a strategic plan. 100 ARM attendees will ride the C&TS on September 9. The Friends will have a sponsored table in the exhibit hall.
 - Autumn Board events will be held at the Strater Hotel in Durango, CO on October 23-25, 2008. The Board Meeting will be held on Friday, October 24 at the Strater Hotel.
- **Membership Statistics:** Currently, there are 2,234 members, an increase from last year. Increased membership is one of President Tennant's highest priorities.

VII. Master Calendar & Special Events Report

Director Lock, as Chair of the Railfan Committee, presented proposed dates for 2009 work sessions and special events for the Board's consideration. After brief discussions, the Board agreed upon the following schedule:

- Moonlight Charter: Saturday, August 1, 2009
- Work Sessions:

- A – 5/18/09
- B – 5/25/09
- C – 6/15/09
- D – 6/22/09
- E – 8/3/09
- F – 8/10/09
- Annual Meeting: June 19, 2009

Director Lock reported that the special Railfan Freight Extra sponsored by the Friends on June 21, 2008, featuring Engine 315, was profitable and also resulted in the recruitment of new volunteers and donors. He also stated that 55 tickets have been sold for the 2008 Moonlight Charter which has a capacity of 200.

M/S Parker-Smalley to accept dates as revised.

VIII. Finance Committee Report

Acting Treasurer Sterosky presented the report. He reviewed the independent auditor's report on the statement of financial position of the Friends as of December 31, 2007, and the related statements of activities for 2007. The audit resulted in a finding that the statements represent fairly the financial position of the Friends, in conformity with accounting principles generally accepted in the U.S. As recommended by the audit team, an inventory of merchandise will be performed in June 2008 to verify estimates. Acting Treasurer Sterosky also reviewed the balance sheet as of May 31, 2008, reflecting current assets and liabilities. Changes from the 12-31-07 statement, noted in the footnotes, include the payoff of the Chama property note to First Community Bank.

With respect to the budget vs. actual expenditure report, he stated that the Friends are in good shape from an asset and liquidity standpoint. \$100,000 in cash was converted to a CD to earn additional interest. Membership dues are down \$11,000 when compared with budget estimates; however, overall total income is consistent with budget estimates, and total expenses were below budget estimates.

Acting Treasurer Sterosky is in the process of drafting a Request for Proposal to secure an audit firm for 2009. He stated that the fees will probably increase from the current year. He is also drafting a position description for a part-time in-house controller - treasurer, estimating a need for four hours per week (perhaps more).

IX. Development Committee Report

Chairman Craine commended Directors Ross and Clark for their outstanding efforts in leading the organization's fund-raising efforts. He also expressed the Board's appreciation for Director Ross' dedicated service as Vice Chairman for three years.

Director Ross announced that as of Friday, June 20, ACNGS II has exceeded the \$1 million mark with total campaign donations and pledges of \$1,000,144.78. The goal is to raise \$2 million (additional donations and pledges of \$1 million) within the next four years. Directors Ross and Clark plan to continue to contact foundations, corporations, suppliers and remaining merchants in Chama, Antonito, and visit Los Alamos.

The Texas Membership Meeting, held in May 2008, was highly successful, drawing 100 members. Another regional membership meeting will be held in San Francisco during fall 2008; and in Indiana during spring 2009.

On August 21, Directors Ross and Clark will make a presentation to the Chama Valley District Teachers' Meeting, presenting the Friends' Educators Guide.

Director Ross stressed the importance of Board of Directors involvement in seeking donors, volunteers and members. Directors were urged to contact their associates, advising them of the attributes of the organization. Director Sterosky provided an example of such a contact which resulted in a \$5,000 pledge from the Red Rock Foundation.

X. Restoration and Interpretation Programs Report

1. **Projects**: Director Lowrance presented the following report:

- The organization's historic practice of using less costly paint products is not ultimately cost-effective. For new projects, the PC will be upgrading paint and other supplies.
- Inventory system: software has been identified that will assist in inventory process which will be initiated in August. The Albuquerque office has ordered the software.
- Major Projects:
 - Restoration of RPO 54 is well underway. Due to severe deterioration, the team will essentially reconstruct the car rather than restore it.
 - Log Bunkhouse: The project has been suspended until August when more shingles are available.
 - Oil House Roof: Repair completed.
 - Depot: Roof leaks have been stabilized, and additional worn roofing will be replaced at the next session (to be paid by the operator).
 - Jordan Spreader: The project is essentially finished and ready for operations test.
- Capital Needs: The PC is looking for a used truck that is in better condition and gets better fuel mileage. They also need a backhoe. Potential donors are being sought.

2. **Docents**: Director Ross presented the following report:

- Chuck Heroneme cannot lead Docents this year due to health problems. Bob Hey will serve as Acting Docent Coordinator. Bob Ross and Jim McKeel will serve as leads when Bob Hey is not in Chama. At least one docent per train has been provided since the start of the season.
- On May 29, 30 students from the Chama Elementary School were given an educational tour. More school tours are planned.
- On June 6, over 100 tourist industry representatives from Colorado and New Mexico were guests of Gayle Martinez of the CTSMC.

3. **Interpretation/RVC**: Director Clark presented the following report:

- She will be coordinating closely with other committee members on a broader scope for the Interpretation Committee. As a follow-on to the RVC interpretive plan, the committee

will pursue a C&TSRR-wide interpretive plan, utilizing the services of a professional exhibit planner.

- On June 30, Exhibit Designer Andrew Merriell and Architect Keith Hayes will meet with invited Friends' members and external stakeholders to brainstorm interpretive themes and a vision for the proposed Railroad Visitor Center. This is a prelude to a detailed RVC exhibit plan, anticipated to begin in Fall 2008, pending funding from a grant proposal to the National Endowment for the Humanities (NEH).
- The meeting with SHPO Representative Robin Powell to resolve site issues for the RVC is being rescheduled. Directors Ross and Clark will survey the Chama yard with Commission representatives to confirm their consensus as to the most desirable RVC site on Monday, June 23, and will subsequently meet with Ms. Powell.

Director Clark will prepare a report to the EC and a news release for the Web site after the RVC meeting.

4. Satellite Facilities: Director Herron, who is chairing the Satellite Facilities Working Group, presented the following group recommendations:

- Satellite facilities (existing or new) should be structured around a kernel of dedicated volunteers who have a proven track record and a vision for preservation/restoration work.
- Satellite facilities must have a secure site of operations providing adequate protection of historic artifacts from weather, fire, inundation, vandalism and theft.
- A business plan for each satellite facility must be submitted annually to the Friends Project Committee which will make recommendations to the Board concerning new satellite facilities and continuing support of on-going ones.
- The Project Committee's budget shall contain a line item for each satellite facilities.

Specific information was imparted relating to the status of the Colorado Springs Satellite Facility:

- Director McMullen reported that a potential site has been identified. The landowner has tentatively committed to provide land for five years. More information must be gathered in order to assess the viability of the offer, particularly the security aspects.

Based on Director McMullen's information about a new potential site for the Colorado Springs Satellite Facility, the Working Group made the following additional recommendations:

- Because long-term tenancy at the present Colorado Springs site is not assured, Friends' management should pursue negotiations leading to acquisition of the new site identified by John Engs and Craig McMullen.
- The Colorado Springs group should develop a project portfolio for this site in consultation with the Friends' Project Committee.
- The Colorado Springs group should develop a business plan for their project portfolio as outlined above.

Based on the report, the PC is recommending continuation of the Colorado Springs Satellite Facility, pending accomplishment of the Working Group recommendations and subsequent EC actions, because of its value in recruiting new members/donors and providing outreach to

potential new volunteers. Mr. Craine asked Mr. Tennant to review the report and recommendations in detail and discuss any questions or issues with Directors Lowrance and Herron. He recommended approval subject to Mr. Tennant's review and final action on the report by the EC.

M/S Tower/Smalley to temporarily continue the Colorado Springs facility, pending a permanent decision on the facility's continuance by the EC; and to accept the recommendations of the Satellite Work Facilities group, subject to the action of the EC in reviewing and discussing same. **Passed unanimously.**

5. Miscellaneous

Director Lock reported that an agreement with the City of Boulder Parks and Recreation for the historic caboos will be drafted and available this week. Chairman Craine asked that it be provided to him for review. Because of the concerns related to the ownership, storage and security issues, the merits of obtaining the caboos will be thoroughly reviewed by the EC which will make a final decision prior to the next Board meeting.

President Tennant made a recommendation to the Board to refer the final decision as to the acquisition of the asset to the EC with Director Smalley verbally supporting this recommendation.

XI. New Business

Chairman Craine noted that good communications with the Friends' members, the public and other constituents was very important. He stated his goal of expediting reports for both Board and EC meetings, as well as rapid dissemination of reports regarding important meetings involving high visibility projects such as the RVC and OB restoration. Former Director Bianchi will be contacted to provide Web dissemination for these releases.

XIV. Adjournment

The meeting was adjourned at 1:54 p.m.

Respectfully submitted,

Linda Smith, Secretary

Attachments:

1. Committee Roster-2008-2009
2. Revised Strategic Plan
3. Bylaw Amendments
4. Revised Board of Directors List – 2008-2009