

FINAL
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – March 13, 2009
Rio Rancho Inn, Rio Rancho, NM

Attendance: Bob Craine, Jim Herron, David Lee, Bill Lock, Ed Lowrance, Craig McMullen, Jim O'Keefe, Dan Pyzel, Bob Ross, Warren Smalley, Linda Smith, Dennis Sterosky, Tim Tennant, Caroline Tower and Spencer Wilson

Absent: Nan Clark and Parker Fowler

Guests: Spero Bettalico, Tom Bobicki, Charlotte Bobicki, John Engs, Geoff Gordon, Scott Hardy, Michelle LeBlanc, Jean Lee, Elmer Salazar, Richard Tower, Frank Turner, Elmer Salazar and Ted Smith

I. Call to Order

Chairman Craine called the meeting to order on Friday, March 13, 2009 at 8:35 a.m. He introduced Michelle LeBlanc, of Alamosa, CO, who was selected to fill the new position of Development Coordinator to be funded jointly by the Friends and the Cumbres & Toltec Railroad Commission (the Commission).

He asked the guests to introduce themselves. Tom Bobicki, head of the Alamosa Downtown Merchants, Inc., and Charlotte Bobicki, regional representative of Ken Salazar, said that they were attending the Board meeting to learn more about how they may help support the C&TSRR.

Chairman Craine recognized the presence of the C&TS Management Corporation (CTSMC) leadership team, including Frank Turner, Elmer Salazar and Richard Tower. President Turner, speaking for the CTSMC, stated that the work of the Friends is greatly appreciated. He expressed optimism about the success of the upcoming season, citing improvements in the shop operations and a promising number of reservations. CTSMC Board Member Elmer Salazar briefly described enhancements in passenger services. Chairman Salazar also reported that both the Colorado and New Mexico State Legislatures are in session, and the Commission is optimistic about receiving adequate capital and operating funding.

II. Approval of Minutes

Chairman Craine asked for corrections to the minutes of (1) the October 24, 2008 Board of Directors meeting; and (2) the Executive Committee meetings of November 19, December 17, January 21 and February 26. Directors Lowrance and Herron requested that the spelling of their names be corrected in the minutes of the Executive Committee meetings.

M/S Sterosky/McMullen to approve the October 24, 2008 Board minutes. **Passed unanimously.**

M/S McMullen/Sterosky to approve the November 19, December 17, January 21 and February 26 Executive Committee minutes as corrected. **Passed unanimously.**

III. President's Report

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

General

- The CTSMC has developed a new brochure for the railroad, including scheduling information, pricing, and descriptions of the new classes of service: Coach, Tourist and Parlor.
- At the end of CY 2008, 2,215 members were on the books, representing a net increase of 86. Average membership dues were \$95.99 per person, compared with \$101.98 per person in 2007, a decrease of \$5.99 per person.
- A spring regional membership meeting will be held on Saturday, April 18, 2009 at the Hesston Railway Museum in LaPorte, Indiana. Director Ross is coordinating the event.
- As a fund-raising initiative, the Friends have produced a 16-month calendar with color photography which will sell for \$15. If all 1,500 are sold, the Friends' anticipate a profit of \$13,500.
- The Friends have been notified that in 2009 the organization will be the recipient of two testamentary gifts totaling about \$59,000.

Commission/CTSMC

- President Tennant presented statistics on ridership since 1994. From 2002 through 2008, ridership has more than doubled (from 22,558 to 45,567).
- Marty Knox, an engineering consultant, was in Chama during February to work with General Manager Soni Honegger and the crew on the boiler inspection of 463 which is currently being restored to service. The engine has passed the initial "hydro" test. Further testing will continue in April. The restoration effort is funded by grants obtained by the Friends from Federal and State sources and private donors.
- The Commission met on Friday, March 6, in Denver. Forty Friends' members attended. The Commissioners expressed their appreciation for the excellent turnout. Commissioner Randy Randall stated his desire to continue having at least one Commission meeting in Denver during Colorado's 120-day legislative session and having one meeting as well in Santa Fe during New Mexico's legislative session.
- Funding requests being considered include: (1) New Mexico: \$97,500 for the Commission Office; \$500,000 for continued track improvements; and \$100,000 for the Railroad Visitor Center project in Chama; and (2) Colorado: \$225,000 (\$100,000 Commission Office, \$125,000 railroad) for track work; \$75,000 for the Osier Section House and \$100,000 for Osier's water/sewer system.

Fundraising/Grant Writing

- Michelle LeBlanc, of Alamosa, CO, has been selected to fill the newly established position of Development Coordinator which will be funded jointly by the Commission and the Friends. Michelle was selected from among 13 well qualified candidates who were recruited through professional contacts in Southern Colorado and New Mexico as well as postings on web sites hosted by the Association for Non-Profits and the Center for Non-Profit Excellence. The selection team, including Nan Clark, Bob Ross, Linda Smith, Caroline Tower and Tim Tennant, conducted telephone interviews for the first round, and personal interviews for the two finalists. Michelle will be officially on board as of Monday, March 30, 2009.

Colorado Springs Work Site

- President Tennant reported on his recent visit to the Friends' new work site located at the Trolley Museum in Colorado Springs. Executive Director Howard Noble provided a tour of the facilities and specifically the area which will be used by the Friends.

IV. Strategic Plan Update

Chairman Craine led a discussion on the state of the organization in terms of the Strategic Plan and in light of the current economic situation. On a positive note, the Friends have not experienced a significant downturn as a result of the current climate, and membership and the donor base have remained fairly stable. The Friends enter 2009 in what will likely be a year of uncertainty in a strong financial position.

Given the state of the economy, the Friends will focus on sustaining and enhancing a significant membership base; control expenditures through close fiscal oversight; strive to duplicate 2008 work session participation level of 497 volunteers; and continue to advance the Chama Railroad Visitor Center (RVC) project with the appropriate stakeholders. In addition, efforts will continue to maintain momentum in, but not necessarily expand, the Friends' capital campaign, "Another Century of Narrow Gauge Steam II (ACNGS II)," working toward the goal of achieving the second \$1 million.

V. Finance Committee Report

Acting Treasurer Sterosky provided a financial update. In response to the Friends' request for audit proposals for 2008, several were received. Mr. Sterosky recommends (primarily based on the experience and capability of the current firm and the proposed cost) that we stay with the current audit firm, Reynolds and Hix, for the 2008 audit and that we make another more comprehensive solicitation for the 2009 audit next fall.

Acting Treasurer Sterosky's recent asset review resulted in the recommendation to leave the Friends' investments largely in cash. FDIC insurance limits are higher than last year, providing added security during this time of economic uncertainty. The Friends are in a strong financial position because of its liquidity. The organization's relatively small investment in common stock (as a result of an in-kind gift) will be liquidated as soon as the markets warrant.

As of December 31, 2008, there were \$168,918.80 in the Friends' operating bank accounts and \$464,770.94 in restricted bank accounts. The stock investment was worth \$29,738.58. Total checking/savings were \$663,428.32. Total accounts receivable were \$13,392.82 and "Other Current Assets" (merchandise inventory, prepaid expenses, and undeposited funds) totaled \$47,564.16, for a Total Current Asset figure of \$724,385.30.

The Profit and Loss Statement as of December 31, 2008 reflects that total income (\$532,688.77) was higher than estimated (primarily due to two unanticipated estate gifts) and total expenses (\$454,253.96) were about as estimated (due largely to prudent budget management by President Tennant and the Project Committee).

For the first two months of 2009, Acting Treasurer Sterosky reported that restricted funds are on track and the Friends' cash position is \$2,000 higher than in December. Expenses are in line, and the entire financial picture has not changed since December which is positive considering current economic conditions.

At the conclusion of the Financial Report, Chairman Craine reported that a qualified volunteer is willing to serve eight to ten hours per week as the Friends' treasurer. Patrick J. Wilkins. Mr. Wilkins, referred to the Friends by staff accountant Katharina Root, is a partner in a local CPA firm, and serves on the boards of the United Way and Red Cross. He has excellent experience with non-profits, and has shown strong interest in the Friends' organization. Mr. Wilkins was interviewed by the Executive Committee, and they have recommended that he be approved as Treasurer (as a non-Board position), with Dennis Sterosky serving as Assistant Treasurer.

M/S Tower/Lee to approve the Financial Report as presented, including the recommendation to hire Reynolds and Hix to complete the 2008 audit. **Passed unanimously.**

M/S Lock/Pyzel to approve the appointment of Patrick J. Wilkins, CPA, as Treasurer and Dennis Sterosky as Assistant Treasurer. **Passed unanimously.**

VI. Development Committee Report

Director Ross presented the Development Committee report, including an update on the capital campaign (Another Century of Narrow Gauge Steam II); status of grant applications; issues related to a planned giving program; and actions taken with respect to the proposed Development Coordinator position.

Capital Campaign. As of March 2009, \$1,000,024 has been raised (pledges and contributions) in less than two years of a five-year campaign which is half of the \$2,000,000 goal. Those who pledged contributions have been advised that they could defer the annual pledge payments due in 2009 until next year because of the economic downturn. Few have chosen to do that so far. Campaign expenditures have been limited to less than 2% of the overall contributions which is much less than the 5% originally estimated.

Grant Activity. The Grant Writing Group submitted nine proposals during Calendar Year 2008, totaling approximately \$250,000. Five have resulted in the award of \$101,800, and three are pending a decision by the funding entity. The largest awards included a \$60,000 grant from the Colorado Historic Society for the restoration of locomotive 463; and \$20,000 from the Candelaria Fund to cover various planning costs for the proposed Railroad Visitor Center. Chairman Craine thanked Director Tower for her efforts in this regard.

Planned Giving. Director Ross emphasized the importance of developing the planned giving program as a significant source of revenue, citing the recent estate gifts as an example. The program will continue to be given visibility in the Dispatch newsletter as well as other outreach activities such as the Friends' Web site and at regional membership meetings.

Development Coordinator. Director Ross provided some background on the decision to establish and hire the Development Coordinator position and share costs with the Commission. The position will report to the Friends' President, Tim Tennant, and will work for both the Friends' and the Commission on a 50-50 basis.

VII. Newsletter (Dispatch)

Director Lee provided an update on the progress of the Friends' newsletter, the Dispatch. The spring issue is at the printer. The cover features the docents. This will be the first issue to use color. Director Lee recognized the help he received from Ray Kursting who is very experienced in publishing.

VIII. Nominating Committee Report

Nominating Committee Chairman Herron reported on the results of the Nominating Committee recommendations, including their discussions on expanding the size of the Board and potential nominees for Board positions.

Those Directors whose two-year terms end in 2009 were contacted and all expressed a desire to stand for re-election. The roster includes: Nan Clark, Jim Herron, David Lee, Bill Lock, Ed Lowrance, Craig McMullen, Dan Pyzel, Linda Smith, Dennis Sterosky, Caroline Tower and Spencer Wilson. The Nominating Committee recommended this slate to the Board for their approval as nominees for membership election.

The Nominating Committee also recommended expanding the size of the Board by one to a total of 17 Directors to enable John Eng to be added to the proposed slate of directors.

In order to better balance the number of Directors in each of the two "classes," three of the current Directors have volunteered to serve one-year terms which would result in nine Directors up for election in 2010 and eight in 2011. Those three include Nan Clark, Dave Lee and Ed Lowrance.

M/S Smalley/Ross to (1) increase the Board membership from 16 to 17; (2) approve John Eng as a nominee for the new Director position; (3) approve the selection of the 2009 Directors as nominees for re-election; and (4) approve one-year terms for Directors Clark, Lee and Lowrance. **Passed unanimously.**

IX. Railfan Committee Report

Director Lock reported on plans for the 18th "Moonlight Train" charter in Saturday, August 1, 2009. The Annual Membership Meeting will be held in Chama on Friday, June 19, the last day of Work Session "C". A special "maintenance-of-way" charter is planned for Saturday, June 20, and the Board of Directors' meeting will be held on Sunday, June 21.

Director McMullen advised that the October Board of Directors' meeting will be held in Colorado Springs at the Trolley Museum which is the location of the new Friends' work site. The Board meeting is slated for Friday, October 23 and an excursion through the Rock Island Terminal Round House is planned for Saturday, October 24.

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

X. Docent Committee Report

Director Ross reported on the activities of the Docent Committee. Bob Hey will continue as Docent Coordinator for the 2009 work sessions. Director Ross and Jim Ward will provide backup as necessary. Bob Hey is instituting a new one-week training event for docents during the "E" work sessions which will provide a more formal classroom-type program. Experienced docents will conduct classes covering safety, procedures and policies, railroad and area history, geology and flora and fauna, using the guidelines established by the California State Railroad Museum in Sacramento.

The lack of a speaker system on the trains has hindered the effectiveness of the docents; as a result, the Friends have agreed with the rail operator to split the costs of a portable system to be

used on special trains such as the Cinder Bear Express as well as at Cumbres Pass, where passengers disembark.

XI. Collection Committee Report

President Tennant led a discussion about the objectives of the new Collection Committee and its membership. Mr. Tennant noted that one of the reasons for creating the new committee was that the Friends' acquisition (and disposition) of historical assets needs more and better coordination and policy guidance. Members recommended to serve on this committee, to be chaired on an interim basis by President Tennant, are Directors Herron and Fowler, Art Randall, and CTSMC General Manager Soni Honegger. The Committee will meet before the June Board meeting and a draft charter will be presented to the Board of Directors at the June meeting.

M/S Tower/Sterosky to approve the establishment of the Collection Committee and the initial slate of Collection Committee members and approve the report. **Passed unanimously.**

XII. Railroad Visitor Center Status Report

President Tennant and Director Ross provided an update on the status of the proposed Railroad Visitor Center (RVC). The New Mexico State Historic Preservation Office (SHPO) has responded to the Commission in writing after eight months of deliberation on the proposal to locate the new facility on the north side of the Chama railroad property. While the letter expressed SHPO's preference for the use of existing buildings for interpretive activities, it provided a path for further consideration of a new facility based on additional studies and reviews. President Tennant has written a letter to Leo Schmitz, Executive Director of the Commission, recommending that the Friends and the Commission collaborate on a response to SHPO. Director Clark is coordinating activities related to the proposed RVC. President Tennant reported that the Friends will proceed with an archaeological study of the northern portion of the Chama rail yard, using a State-approved consultant, which is one of the requirements specified in the letter.

XIII. Project Committee Report

Director Lowrance provided an update on the 2009 work sessions; issues related to project management and safety matters; the PC reorganization; the Colorado Springs work site; and plans for the Antonito build-out.

Most of the positions have been filled for the 2009 work sessions at Chama, Antonito and Colorado Springs and for the special sessions in Montana.

Antonito. The Project Committee has favorably considered a proposal to provide covered storage access trackage at Antonito, pending the completion of a survey, a site plan, and additional cost proposals. Another Antonito project that will proceed is the construction of a tool room in the Car Repair Facility (CRF). Director O'Keefe presented an excellent mid- to long-range plan for build-out of the Antonito property, based on "lessons learned" over the three years the CRF has been in operation.

Chama. Director Lowrance led a discussion of various project issues at Chama, and stressed the importance of proceeding with plans for a CRF, possibly on the property owned by the Friends south of the Chama rail yard, once funds are identified. This is especially important for the protection of assets being restored as well as providing the capability for a more organized

and professional work site. He advised that the lessons learned at Antonito are valuable in planning for a similar facility in Chama. Another key Chama project will be the relocation of the coal pile, well coordinated with CTSMC General Manager Soni Honegger. The relocation is a necessary step in preparing for the proposed RVC.

Colorado Springs. A well developed work plan has been completed for the new Colorado Springs work site, to be located at the Trolley Museum. Estimated cost is \$22,000. The first project to be accomplished will be restoration of an immigrant sleeper car. The cost to move the car from Chama to Colorado Springs, estimated to occur in July, is around \$3,800.

Project Reporting and Chronicling. Sharon McGee has been identified as the Team Leader for Chronicling. Team Leaders for major preservation projects, such as the RPO car restoration, will be provided with a camera and will be responsible for photo documentation of the team's activities. Chronicling for other activities will be provided by volunteers who report to Sharon McGee. Ted Smith will continue as Reports Team Leader.

Inventory Management. Spero Bettalico led a team during fall 2008 which inventoried all Chama materials, excluding wood. This was the first useful and complete inventory the Friends have accomplished in years. It has been determined that the "end of the year snapshot" inventory is the most useful process for future years rather than implementing an expensive and elaborate inventory management system which would not fit the activities of the Friends.

Virginia City Work Session. The Friends plan to participate in work sessions for the Alder Gulch Short Line Railroad, located in Virginia City, MT, an historical site operated by the Montana Historical Commission (MHC). The proposal, brought to the Friends' attention by two Montana members and volunteers, is for the Friends to conduct three "special two-week work sessions" each year for three years, thus earning six narrow-frame tank car trucks. The estimated worth of each car truck is \$15,000 for a total value of \$90,000. The work sessions are proposed for August 24 and August 31, 2009; the first session is already over-subscribed.

Safety. Director Lowrance and Chairman Craine led a discussion on the importance of continuing emphasis on safe work practices during the work sessions. Each Team Leader is responsible for emphasizing the importance of safety and overseeing the work to assure safe practices are employed. Volunteers are advised of their individual responsibility to work safely and report unsafe work practices to their Team Leaders.

XIV. New Business

No new business was discussed. The meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Linda M. Smith
Secretary