

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

Attendance: John Engs, Ed Beaudette, Russ Hanscom, Scott Hardy, Jim Herron, Bill Lock, Ed Lowrance, Craig McMullen, Bob Ross, Linda Smith, Don Stewart, Tim Tennant, and Caroline Tower. Absent: Dan Pyzel and Warren Smalley.

Guests: Holly Ross, Jill Stewart and Judy Tennant

Staff: Armando Sanchez, Loftis Group, LLC (CPAs)

I. Call to Order

Chairman Ross called the meeting to order on Saturday, June 25, 2016, at 8:30 a.m.

II. Approval of Minutes

Chairman Ross asked for corrections to the minutes of the March 19, 2016 Board meeting and the Executive Committee meetings held on April 21 and May 19, 2016. None were noted.

M/S Tower/Stewart to approve the Board minutes of March 19, 2016 as presented. **Passed unanimously.**

M/S Tower/Lowrance to approve the minutes for Executive Committee meetings held on April 21 and May 19, 2016 as presented. **Passed unanimously.**

III. Board and Officer Elections and Committee Appointments

A. Director Election Results

President Tim Tennant reported the following results of the 2016 Board of Directors' election. Seven Directors were elected by the membership to fill two-year terms, as follows:

Board Member	Votes
Ed Beaudette	785
Russ Hanscom	789
Scott Hardy	785
Ed Lowrance	787
Bob Ross	786
Warren Smalley	785
Don Stewart	789

Terms for these Directors will expire in 2018. There are now 14 Directors.

M/S Smith/Tower to accept the results of the 2016 Board of Directors' election. **Passed unanimously.**

B. Election of Officers of the Corporation

Chairman Bob Ross presented to the Board the proposed slate of officers nominated for election in 2016 as follows:

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

Chair – Bob Ross
President & CEO – Tim Tennant
Vice Chair – Don Stewart
Secretary – Linda Smith
Assistant Secretaries – Bill Lock and Warren Smalley
Acting Treasurer – Bill Lock
Assistant Treasurers – Dan Pyzel and Warren Smalley

The Board discussed possibilities for a permanent treasurer and agreed that someone will be identified by the October 2016 Board meeting in Alamosa, CO.

M/S McMullen/Lowrance to elect the slate of officers as nominated and presented. **Passed unanimously.**

C. Executive Committee

Chairman Ross proposed the following Executive Committee membership:

Bob Ross, Chairman
Don Stewart, Vice Chairman
Linda Smith, Secretary
Bill Lock, Founder
John Engs, Co-Chair, Projects Committee
Ed Lowrance, Co-Chair, Projects Committee
Craig McMullen, Immediate Past Chairman
Tim Tennant, President

M/S Lock/Hardy to approve the Executive Committee membership as presented by Chairman Ross. **Passed unanimously.**

D. Standing Committee Chairs

Chairman Bob Ross proposed that the current Committee Chairs and membership be reviewed by the Board and comments be provided to the Executive Committee for action during its next meeting. Tim Tennant will distribute this information to the Board.

M/S Lock/Hardy to delegate approval of Board Committee Chairs and membership to the EC at its next meeting. **Passed unanimously.**

E. Statement by Chairman Ross

Chairman Ross thanked the Board for their dedication and commitment to the Friends and the railroad. He welcomed the new Directors and stated that they are highly regarded among the membership, bringing knowledge, skills and abilities that will undoubtedly enhance the Friends' team.

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

IV. President's Report

President Tennant submitted his detailed activity report to the Directors prior to the meeting. He highlighted the following:

A. Railroad/Commission

- The May 28, 2016 opening day activities yielded 210 passengers out of Chama and 125 out of Antonito. Tim represented the Friends at the Chama opening day events, and Bob Ross represented the Friends at Antonito.
- Colorado's Transportation Legislation Review Committee staff will ride the C&TS on July 14.
- The next C&TS Commission meeting is slated for 9 a.m. on Saturday, July 30, 2016 at the Conejos Parish Hall.
- The railroad is sponsoring a Narrow Gauge Rendezvous event on August 26, 27 and 28, 2016 which features the Galloping Goose plus trains pulled by locomotives #315 and #463. The Friends will demonstrate OB Piledriver on Sunday, August 28, at Cumbres Pass.
- The Association of Tourist Railroads & Railway Museums' Fall 2018 Convention will be hosted by the C&TS. The convention hotel will be either in Santa Fe or at Buffalo Thunder between Santa Fe and Espanola. More details are forthcoming. The Friends will undoubtedly be asked to play a role during this event.

B. Friends

- The Friends received a wonderful gift of \$50,000 from the estate of Edward Krech, Jr., who passed away during 2015. Ed participated in work sessions during 2006, 2007, 2008 and 2010, enjoying assignments with Bob Ross and his milepost crew. This contribution was designated for the *Preserving the Narrow Gauge Past for the Future (PNGPF)* fundraising program, specifically for general operating support. Tim thanked Joan Krech for this generous gift.
- The Friends' Moonlight and Wine Tasting Train is scheduled for Friday, July 15, departing the Chama Depot at 5 p.m. There are 85 reservations to date.
- Twenty-nine reservations have been made for the Friends' two-day fall photo freight on October 4 and 5, 2016. These trains will run out of Chama with a 40-passenger limit. The fare is \$595 per person for a two-day event. On the first day, Engine #463 will make two Chama/Cumbres turns, period 1940. On the second day, a K36 engine will lead a cut of cars up to Cumbres, with the emphasis on a 1960s-era train. At Cumbres, a thirty-plus car train will be assembled and proceed to Osier and return with photo run-bys and lunch en route. Tim anticipates a net profit somewhere between \$4,500 and \$5,000.
- Tim reported on his latest conversation with Mary Ann Anderson, a representative of the Boy Scouts of America in Albuquerque. The focus is on continuing efforts to involve Boy Scout troops in Friends' work sessions. There is high interest from both organizations, and Mary Ann will market this opportunity for the 2017 work session season. Tim, John Engs and Ed Lowrance will continue the dialogue and report on further details as they evolve.
- The fall Board meeting is scheduled for Friday, October 14, in Alamosa, CO. A block of rooms has been reserved at the Fairfield Inn and Suites, 721 Mariposa Street, Alamosa. Group rate is \$89 per night; reservations can be made by calling (719) 587-4000. The Projects Committee will meet at the Fairfield on Thursday, October 13. On Saturday,

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

October 15, Tim has arranged for a ride on the Rio Grande Scenic Railroad from Alamosa to LaVeta Pass and return. Group fare is \$117 per person, including lunch. The train departs Alamosa at 9:30 a.m. with a 5:30 p.m. return to Alamosa. Reservations and payments will be handled by the Friends' office staff.

M/S Smith/McMullen to accept the President's report as presented. **Passed unanimously.**

V. Membership Committee Report

Chairman Don Stewart provided his detailed report to the Board prior to the meeting. He highlighted the fact that membership has increased by about 26%, the largest uptick since December 2013. He attributed this increase to the efforts of the Projects Committee to recruit more work session volunteers who must be current members in order to participate.

- Current status: 2,544 members (2,092 paid memberships, the highest since December 2013.) There are 441 additional paid memberships (a 13.7% increase) from December 2015. A decline in Parlor Car memberships offset the large increase in paid memberships. [The Parlor Car membership program has been discontinued as of March 2016].
- Memberships gained from the recent *Trains Magazine* solicitation stands at 139.
- Several programs to increase membership are underway, including:
 - Calling lapsed members (Don is preparing a new list that will eliminate free Parlor Car memberships). 220 calls have been made: 12% said they would renew, and 19% said they would not renew; 41% didn't answer, messages were left; 13% of the phones were not in service or wrong number; 10% said they would "think about it"; and 5% were phone numbers of deceased members. The primary reasons given for deciding not to renew were related mostly to health and financial reasons.
 - Mailing letters to about 8,000 *Trains Magazine* subscribers in California, Colorado and Texas, which gained 139 new members.
 - Attending railroad clubs/meetings/shows across the country. Current members volunteer to attend, presenting membership brochures and information to attendees.
 - Placing advertising in magazines such as AARP, NMRA, NB&SLG (narrow gauge modelers) and RV Living.

M/S McMullen/Tower to accept Membership Committee Report as presented. **Passed unanimously.**

Finance Report

CPA Armando Sanchez, of Loftis Group, LLC CPAs, was introduced by Tim and he presented a detailed presentation on the draft independent auditors' review for Calendar Year 2015 which was just concluded. In summary:

- The audit resulted in an unmodified "clean" opinion on the financial statements of the Friends for CY 2015. This is the highest level of assurance auditors can provide.
- Of the five "advisory comments" from the 2014 audit report, three were resolved: (1) personnel files have been fixed; (2) a personnel manual was developed; and (3) all bank statements are now reviewed and initialed.

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

- In the 2015 audit, there are three “business advisory comments” that are considered minor in nature. Action is already underway by the Friends' staff to implement these recommendations:
 - Inventory balance has increased over a three-year period (from \$20,000 to \$37,000). A thorough review of existing inventory should be conducted to determine what is selling and what may be obsolete merchandise that should be expensed. If this is not done, it may result in an inflated asset number. Acting Treasurer Bill Lock stated that he will work with Tim and his staff to review and possibly reduce inventory, as recommended.
 - There should be a segregation of duties among Friends' staff members for cash receipt transactions.
 - Based on an audit recommendation, Tim requested that the Board consider action to raise the threshold for capitalizing equipment from \$1,000 to a higher level. Armando stated that \$5,000 would be more in line with current standards. The lower level tends to increase accounting efforts unnecessarily. If a higher level is approved, this does not mean that sensitive equipment or property would not be formally tracked.

As a result of this discussion the following motion was made:

M/S Lock/Ross to increase the capital asset threshold from \$1,000 to \$5,000. **Passed unanimously.**

The audit firm is preparing a management letter to the Board, transmitting these findings. It is the Board's responsibility to review the report, and implement findings as appropriate.

Tim provided financial reports through May 31, 2016 to the Board prior to the meeting. He noted that the Friends are off to a good start as noted by the \$2,354 excess revenues over expenditures for the period ending May 31. Now that the work sessions have begun, expenditures are increasing for supplies and services. In particular, revenue from PNGPF and memberships is up. Campaign proceeds have a positive variance of \$40,579 due to the recent bequest of the Ed Krech family.

Director Caroline Tower asked for clarification about the Budget vs Actual (BA) Report and how it relates to the Summary of Temporarily Restricted Funds Activity (SORFA), specifically as to whether the expenses showing on the SORFA are also reflected in the BA report? Tim stated that this is the case.

M/S Lock/Stewart to accept the financial reports as presented. **Passed unanimously.**

Chairman Ross suggested that the Board take some time to review the audit report and provide comments, if desired, before the July 2016 Executive Committee meeting.

M/S Smith/McMullen to delegate authority to the Friends' Executive Committee to take action as necessary on the audit report at its July 2016 meeting, considering any comments provided by the Directors. **Passed unanimously.**

**First Draft
 Friends of the Cumbres & Toltec Scenic Railroad, Inc.
 Board of Directors' Meeting – June 25, 2016
 Ross' Hacienda – Chama, NM**

VI. Master Calendar

Director Bill Lock presented the proposed master calendar of events for FY 2017 activities, as follows:

Activity	Date
Spring Banquet – NM Location TBD	March 17, 2017
Spring Board of Directors Meeting – NM Location TBD	March 18, 2017
Work Session A	May 22-26, 2017
Work Session B	May 29-June 2, 2017
Work Session C	June 19-23, 2017
Annual Membership Meeting – CO Location TBD	June 23, 2017
Summer Board of Directors Meeting – CO Location TBD	June 24, 2017
Work Session D	June 26-30, 2017
Moonlight and Wine Tasting Charter Train	August 4-5, 2017
Work Session E	July 24-28, 2017
Work Session F	July 31-August 4, 2017
Work Session G	September 25-29, 2017
Fall Membership Banquet – CO Location TBD	October 13, 2017
Fall Board of Directors Meeting – CO Location TBD	October 14 2017

A brief discussion about dates and events resulted in the consensus that the fall Board meeting in 2017 should be held either in the Colorado Springs or Denver metropolitan area, possibly with an event at the Colorado Rail Museum in Golden.

M/S McMullen/Tower to accept the proposed master calendar of events for FY 2017 as presented. **Passed unanimously.**

VIII. Collections Committee

In Committee Chair Dan Pyzel's absence, Director Ed Lowrance reported on the status of the Sandia High School flat car restoration project which essentially has been halted. Apparently the teacher who has been in charge of the project has not been able to provide the oversight required to complete the project. The car has been disassembled. Ed stated that he believed it would be advisable to find a way to transport what remains of the car back to the Chama rail yard. After a brief Board discussion, it was decided that Bill Lock and Tim Tennant will attempt to get the project back on track through contacts at Sandia High School. They will present their recommendations on a path forward at the October Board meeting.

IX. Development & Interpretation Committee

Directors Caroline Tower and Linda Smith submitted their Development & Interpretation Committee report to the Board in advance of the meeting. Caroline Tower presented highlights of the report:

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

- Donor responses to the Friends' most recent PNGPF fund-raising appeal, distributed in March 2016, have been arriving at a steady pace. Through May 31, 2015, \$89,969 has been raised¹. Since the program's inception, Friends' donors have generously contributed \$667,329.
- The Committee has submitted a letter of intent to the Ludwick Foundation, requesting \$50,000 for the trucks and brakes project. This is a two-step process. After reviewing the letter of intent, the Foundation will choose the most desirable submittals and invite full proposals. To date, there is no indication from Ludwick as to whether the Friends' LOI will be among the successful offerors.
- The Committee is finalizing a full proposal to the John H. Emery Rail Heritage Trust for the trucks and brakes project as relates to RPO 54. A similar proposal was declined in 2015; however, Tim has since had a conversation with one of the trustees who is a Friends' member and he indicated that after a discussion among the trustees that the RPO may now meet their criteria.
- The overall implementation of the Master Interpretive Plan is progressing nicely. Interpretive signage at Osier has been fabricated and is nearly installed. Passengers at Osier have shown interest in the signage.
- Similar signage is now being designed for both Cumbres Pass and Chama. It should be fabricated and ready for installation during the 2017 Work Sessions. The D&I Committee will adjust the design and fabrication process in collaboration with the Projects Committee to hopefully reduce the installation problems experienced at Osier.

The Board discussed the status of the proposed Cumbres Pass Trails Project. The concept was to construct trails at Cumbres Pass connecting key historic assets with the picnic pavilion. This project would have been a joint effort between the Friends and Volunteers for Outdoor Colorado. It was halted because of issues related to right-of-way raised by the U.S. Forest Service. As a result of this, the Trails project will be indefinitely postponed.

M/S Lock/McMullen to accept the Development & Interpretation Committee report as presented. **Passed unanimously.**

X. Projects Committee

PC Co-Chair John Engs presented his progress report to the Board and reported highlights as follow:

- Volunteer numbers for Work Sessions A and B were lower than anticipated; some 40 volunteers participated in each session. Volunteer numbers for the on-going Work Session C are about the same as last year: 110 (20 at Antonito). For Work Session D, 92 are signed up.
- Volunteers completed roof work on Caboose 0503. The inside will be painted during Work Session D.
- Caboose 05635 was worked on extensively in Work Session B and will be painted this weekend [June 25-26]. Proper sign boards are needed to complete this project.
- Caboose 0306 is in very poor condition and will require extensive work. It will take several work sessions to complete this restoration.

¹ This includes a \$50,000 bequest from the family of recently deceased member Ed Krech.

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

- The display trucks project has been rescheduled for Work Session F.
- Three tank cars were sandblasted in Work Session C (two were water cars). One has been painted MOW gray, and another has been primed. Crews need more paint to complete this project.
- One of the GRAMPS tank cars has been sandblasted, primed and painted. It is now ready for lettering. Volunteer Chris Trunk will work on the brakes and couplers.
- In Chama, the rebuild of Flat Car 1515 has begun. John expects the sills to be in place by the end of Work Session D.
- Work on the wheel and tie car is progressing well. It requires new sills. This is a quick turnaround project for the railroad.
- The new kitchen storage car will be completed in Work Session F, including painting.
- The cosmetic restoration of Engine 483 is progressing well; it is a beautiful sight when compared with its initial condition.
- Recently restored RPO 54 will be used in a fall movie shoot; the movie production company has requested that it be repainted with a lighter color. After the movie shoot, the company will pay for it to be restored to its historic olive green color. The paint on the car has been removed and a primer has been applied. Railroad staff is now awaiting information from the movie company as to the desired color for the shoot.
- Director Ed Beaudette reported that the movie company plans to film in the Chama rail yard and will “buy out” the railroad for a day in order to control the space. The water tank will also be painted.
- Volunteers completed the rebuild of Flanger OK. It now needs to be painted, and might possibly be ready for the Friends' MOW charter in the fall.

PC Co-Chair Ed Lowrance updated the Board on two pending projects: expansion and enhancement of the Antonito CRF and the construction of a storage building on the Friends' property in Chama, NM:

- The PC has received 15 bids for the Chama equipment storage building project. The best price is in the \$10,000 range for a metal building sized at 30' x 42' with 12' side walls. Prices for a concrete foundation and floor have not yet been developed; the PC will continue to refine price estimates. Funds for this project appear to be available by reallocating the current approved PC budget. Ed has asked Russ Hanscom to take the lead on this project to assure the best price and approach for the flooring and erection of the structure.
- The city of Antonito has verbally approved the PC's plans for enlarging the Antonito CRF. The project has been approved in concept by the Board at its March meeting. A realistic cost estimate and rough plans are the next step. The PC estimates that \$10,000 worth of preconstruction work (electrical, etc.) will have to be done prior to the actual building expansion work. There are funds to accomplish the preconstruction work by readjusting the approved PC budget. Funds for the core project will be acquired by submitting grant proposals to Colorado foundations such as Boettcher and Gates who provided donations for the original CRF project as well as through the Friends' fundraising program.

After a brief discussion about the Antonito CRF project's schedule and costs, a motion was made as follows:

First Draft
Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors' Meeting – June 25, 2016
Ross' Hacienda – Chama, NM

M/S Tower/McMullen to delegate authority to the Executive Committee to approve the Antonito CRF project budget and authorize execution of the project once the estimates and plans are reviewed and finalized. **Passed unanimously.**

M/S Tower/Stewart to accept the Projects Committee report as presented. **Passed unanimously.**

The meeting was adjourned at 12:30 p.m. and immediately reconvened into a planning session which lasted until 2:45 p.m.

The next Board meeting will be held at 8:30 a.m. on Friday, October 14, 2016 at the Fairfield Inn, Alamosa, CO.

Respectfully submitted,

Linda Smith

Linda M. Smith
Secretary