

Train Mountain Railroad, Inc

Board of Directors

Meeting Minutes September 5, 2018

Board Members present: Jeff Mills, President, Jeff Pape, Vice President; Dick Peterson, Secretary; Joe Simons, Member at Large; John Cooper, Member at Large, Tom Watson, Member at Large, Danny Chamrad (newly elected)

Board Member Excused: David Waterstreet, Treasurer

Train Mountain Institute and Friends of Train Mountain Liaison: Jerry Crane

TMI Staff: Joyce Merwin

Member observers: Les Dent, Boyd Butler, Richard Miller, Bill Shepherd, Dennis Ward and Carolyn Steuer

The meeting was called to order by President Mills at 4.57 pm

1. Election results

Jeff thanked the Secretary for his work in developing a standardized election procedure. The results were tabulated by Joyce Merwin with review by the Secretary. A total of 119 ballots yielded the following votes by candidate: Jeff Mills 80, Danny Chamrad 52, Tom Watson 52, Steve Panzik 50, Jeff Pape 38, Richard Miller 33, John Lovely 28, Pam Williams 21 and Gordon Branin 2.

Mr. Mills, who will continue to serve as President, Mr. Chamrad and Mr. Watson were welcomed as Directors for a three-year term. The Board voted to replace departing Vice-president Pape with Mr. John Cooper who begins a two-year term in that office. Mr. Chamrad and Mr. Watson will serve as Members at Large.

2. Rates and Fees

President Mills stated that in his view we need to begin to consider recommending adjustments in the membership dues and fees in advance of the 2020 membership year. He suggested considering a \$5 annual membership increase and noted that one way of encouraging continuing participation is by maintaining the all meets pass at a reasonable cost. Several points of view were expressed. Opinions ranged from no change to raising the dues to parallel prices at commercial amusement parks such as \$300 per year. Mr. Watson noted that we need to develop a position by the coming midsummer to allow time to build it into the billing and fees structure before next fall. Mr. Cooper asked what a \$5 increase would do for our budget and noted that there will need to be a careful determination of the balance point between increases in dues and decreases in membership. Mr. Crane noted that the membership dues paid from each individual support TMI, Friends and TMRR with a fixed \$5.00 going to TMRR. Mr. Watson noted that the Board needs to recommend policies to get monies into TMI; TMRR is in good shape. President Mills noted that his intention was to get the discussion started on this subject and recommend options to TMI. The Board agreed to hold continuing discussions.

3. Other financial considerations

Mr. Ward asked about monies being received by TMI from public train tours. Ms. Merwin noted that she had not prepared these TMI data for this meeting but noted the amounts are increasing monthly and now (estimated) the donations were running \$100-\$300 per day. Mr. Chamrad asked if the operation expenses are orders of magnitude greater than what we take in. Mr. Crane hopes the income stream can be increased...the long term plan is that it will be the day visitors paying for Train Mountain.

4. TMI Status – Jerry Crane

TMI is presently financially sound. A 45 k\$ income from the triennial has resulted in 100 k\$ in the bank right now. Jerry wants to eventually build back to 75-80 k\$, typically, at the end of year. This year we will pay all bills and some discretionary items....a substantial portion of funding is going to rail.

We are not starting any capital projects this year since we anticipate large water system expense and major building maintenance next year. No money will be allocated for other major capital projects, including the Blue caboose campground.

With this year's expenses TMI expects about 60 k\$ remaining at the end of 2018.

5. TMI Forestry committee - Jeff Pape, Chair

The "Chiloquin Committee forest and fire project of the Klamath Lake Forest Health Project ", of which Train Mountain is a member, met today and was attended by Watson, Crane, Pape and Mills. The group is assisting TMI prepare an updated version of the previously existing plan. Our property has been cruised by their forest technicians who have divided it into about 24 parcels or zones which have been mapped. (Each zone is referred to as a polygon.) The next step is to identify what we will do in each zone. They do have suggestions and the options for each vary. Measures which might be taken include steps such as thinning trees for health or killing brush which might be a fire hazard.

We have been invited to open an account with one of the agencies that is funding them by making a preliminary application. We then prepare our zone by zone list of goals as we see them. It may then be possible to receive a grant as there is currently an emphasis on "getting busy" with large scale fire prevention. Over 500 landowners in the area are involved in bringing their properties up to defensible levels of fire control. The Committee has some money to incentivize...we hope we could be granted some financial relief for labor or equipment. In the immediate future Mr. Watson and Mr. Pape will be working on the application.

Mr. Mills added that we will be working on articles and other educational efforts communicating this effort to enhance what the committee referred to as "Social License". Mr. Watson hopes to create a new section on the website for providing current information on the program to the membership.

6. Fire Safety- Jeff Mills

We have gratefully received equipment donated over the past year. Notably, Kitsap Live Steamers donated 2 more backpack pumps. We were donated about 100 Schrader valves for the silver extinguishers. Ken Olsen is now maintaining the extinguishers which are placed in the small fire houses around the track. The utilization of the fire cars has been high and is appreciated. We are still attempting to identify and develop some safety areas to which one can

retreat if there is a fire...particularly on the north end of the property. We might be able to get some grant money to develop such areas.

7. TMRR Status Report– Jeff Mills

We had a great triennial thanks to a great group of core volunteers that made it happen. Our income has put us right up to the limit on our income. We still have not received all the bills from the suppliers and there won't be a hard number financial report until the final bills are paid.

Mr. Peterson moved **“The Board thanks the Triennial Committee for its extensive efforts in managing the highly successful 2018 Triennial. Further, the Triennial committee having admirably served its purpose as a special committee of the Board is dissolved as of December 1, 2018.**

Second by Simon

Approved – Waterstreet absent

Mr. Watson noted that when he was President of TMRR he was authorized by the Board to make expenditures of up to \$500 for TMRR. Now that he is not longer President and is now serving as the TMI Operations Manager It may require a change to allow someone locally to make such payments.

Mr. Peterson moved **“The TMI operations manager is authorized to spend up to \$500 of TMRR funds per expenditure for TMRR routine expenses.”**

Second by Cooper

Approved – Waterstreet absent.

During discussion Ms. Merwin noted that the TMRR expenditures during non-triennial years are usually quite low. Mr. Watson noted there are some autopay fees and some office supplies and the like. Ms. Merwin maintains the financial data for TMI and TMRR through input to quick books. Mr. Chamrad questioned why there was no statement of these finances. Joyce pointed out that such a report can be generated from quick books. Unfortunately, the Treasurer was unable to attend but he can generate such reports for the Board.

Mr. Cooper expressed concern that we must routinely receive updates. The Duties of the Treasurer (By-Laws) were reviewed and it was noted that such reporting is required at each Board meeting.

8. Day-to-day Operations – Jeff Mills

We need to be actively recruiting volunteer Docents to “meet and greet” and help in the office including helping with the constant phone calls. Tom and Joyce are discussing looking into a multiline answering system as used by large corporations.

Mr. Watson briefly reviewed a few provisions of the TMRR-TMI agreement noting that TMRR is responsible for many items including answering the phones. He noted that we need to “step up” to fulfill the many functions that we agreed to fulfill to be afforded the continuing use of TMI tracks and facilities. In some cases, our TMRR membership provides services to TMI as a TMI

volunteer. In particular, individuals are acting as TMI volunteers when providing rail tour service to the public which is in accord with the agreement.

Mr. Mills noted the need for more volunteers to operate tour trains and means to establish qualification training with record keeping. He noted that Mr. Richard Miller has submitted a position paper for the Board to study addressing several issues observed during the triennial operations. Mr. Mills proposed that Mr. Miller and Russ Woods get together and attempt to refine tour train operations.

Mr. Mills distributed the written job description for the TMI Track Superintendent written by Dennis Ward. The Board would like to see Mr. Ward continued formally as the TMI Track Superintendent. Mr. Crane agreed. Mr. Ward noted he would welcome input from TMRR members as to priorities and the like and encouraged discussion groups.

Mr. Mills mentioned that several Board members have expressed preferences for more frequent meetings and believe that e-mail discussions are less than effective. Mr. Watson pointed out that initially there was a need to take care multiple items. Now there are far fewer Board level issues. The bylaw option of using the "Executive committee" has not been used because most Board issues have required the full Board. We have also required that initial issues first appearing on the agenda are not to be voted on until the Board has had opportunity to research the issue. Mr. Mills believes an informational meeting around the first of meet the season would be useful. Mr. Watson suggested mid-March for a planning session.

Mr. Mills will call a meeting if needed and will set a date in March.

9. 501(c) issues- Tom Watson

Mr. Watson distributed copies of "Why a c7?" to the Board and noted It is on line. Mr. Watson is hoping to have Board members up to speed on the restrictions we have as a 501c7. To that end he distributed several excerpts from IRS publications. There is a complex issue with "guest" and "non-members" (requiring records) and associated incomes. There is danger of causing the corporation to fail stipulated tests and incurring other costs, fines or loss of exempt status. Board members are urged to read and understand the distributed content. In so many words, no unrelated income.

The Gazette, as a TMRR publication, cannot accept paid ads. Moving forward the Gazette will be a joint publication and have TMI reserved space which can operate under c(3) rules.

Mr. Watson prefers not to spend time discussing the issues raised until every Director has had time to thoroughly study the material, done their own research and digested this very complicated subject.

10. Last minute

Bill Shepherd inquired as to any time table for upgrading Blue Caboose and if there is still planning to develop a fee schedule for parties using that facility. Mr. Crane stated the upgrade is on hold but that, after upgrading, he is planning for a charge structure.

Mr. Miller submitted, for the consideration of the Board, a position relating to the safe conduct of TMI rail tour operations.

Mr. Peterson moved to adjourn

Meeting adjourned 5.45pm

Attachments:

“Policy for discussion by Train Mountain Board of Directors regarding Train Tour Operations”- Mr. Miller

“Train Mountain Forest Plan Working Draft”- Mr. Pape

“A Corporate Structure for Train Mountain Railroad” – Mr. Watson

“IRS – Nonmember Income of Tax-Exempt Social Clubs-Effect on Exempt Status” – Mr. Watson

“IRS-Nonmember Income of Tax-Exempt Social Clubs-What is it?” -Mr. Watson

“IRS-Traditional and Nontraditional Business Activities of Tax-Exempt Social Clubs”- Mr.Watson

“Meeting notes” relating to the 503c7 issue – Mr. Watson

Addenda:

M. Miller submitted written comments, after attending the BOD meeting, relating to Elections, Financials, and Distribution of information to the BOD. Attached

Treasurer Waterstreet prepared a financial report on October 7, 2018 covering P&L from October 2017 – September 2018 to be distributed to Board Members.

These minutes were unanimously approved by the Board of Directors using e-mail voting which concluded November 27, 2018. /s/ Richard W. Peterson, Secretary