

THE MOUNTAINEERS  
MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES  
September 7, 2006

Board Members Present:

Bill Deters, *President*;  
Ron Eng, *Immediate Past President*  
Scott Eby, *VP of Recreational Properties*;  
Don Heck, *VP of Publishing*;  
Marty Jordan, *Treasurer*;

*Trustees At Large:*

Rick Anderson, *Acting Secretary*;  
Steve Cox;  
Dale Flynn;  
Jim French;  
Ken Hahn;  
Eric Linxweiler;  
Mona West;

*Trustees from the Branches:*

Steve Glenn - *Bellingham*;  
Jimmy James - *Kitsap*;  
Henry Romer - *Olympia*;  
Steve Sears - *Seattle*;  
Mary Lynch - *Snoqualmie Foothills*;  
Tom Shimko - *Tacoma*

Absent:

Brad Gibson, *Secretary*  
Patti Polinsky;  
Rob Simonsen - *Everett*;

Others Present:

Michael Shurgot, *Conservation*;  
Paul Robisch, *Foundation*;  
Steve Costie, *Executive Director*;  
Brian Horstman, *Controller*;  
Leonard Russell, *Member Services Mngr.*;  
Helen Cherullo, *Publisher*;

Sabrina Oesterle;  
Pam Dalan;  
Lynn Hyde;  
Ken Small;  
Pat Small  
Fran Troje;

I. Call to Order

President Bill Deters called the meeting to order at 7:05 PM in the Pinnacle Room of the Mountaineers, 300 Third Avenue in Seattle WA.  
President Deters asked the audience members to introduce themselves.

II. Approve Agenda

A motion was made to approve the agenda as published (Flynn, French). The motion passed.

III. Approval of the minutes

A motion was made to approve the minutes of August 2006 (Glenn, Flynn) as amended. The motion passed.  
A motion was made to approve the minutes of December 2005 (Heck, Flynn) as amended. The motion passed.  
A motion was made to approve the minutes of January 2006 (Heck, Glenn). The motion passed.  
A motion was made to approve the minutes of February 2006 (Heck, Glenn). The motion passed.

#### IV. Consent Agenda – passed unanimously.

##### **Snoqualmie Land Use Committee**

*Eric Linxweiler, Chair*

**Scope:** The Mountaineers is committed to its mission of responsible enjoyment and protection of natural areas. Due to the 2006 fire of the main lodge at the Snoqualmie Pass property, the club wants to determine the best use of this property prior to any decisions to rebuild, dispense, or otherwise alter the use of this wholly owned club asset. This committee will seek out options for the Board of Trustees to consider, as well as establish a factual baseline of what the reasonable, allowable, and responsible use of the property is.

##### **Objectives:**

- To establish a set of facts surrounding the Snoqualmie property, including but not limited to:
  - Acceptable use based on zoning regulations and
  - Fair Market Value of property and any structures.
- Establish a domain of options available for the property, including at minimum the following:
  - Selling the land wholly
  - Leasing the land
  - Rebuilding the main lodge
- Evaluate all options for their viability based on a set of factors including:
  - Financial factors
  - Benefits and Risks
  - Impacts on Club Programs
  - Consistency with Club mission
- Provide the club with a list of the most attractive options based on committee findings and recommendations.

#### V. Officer Reports

##### A. President's Report – Bill Deters

1. Annual meeting – 9/13/2006 7:00 pm, Seattle Clubhouse, Tahoma Room. Club wide notification was made via email.
2. President's work party – 9/30/2006
3. Strategic Planning Retreat – 11/11/2006. Invitees will be Board members, branch chairs and branch treasurers.

##### B. President-Elect's Report – None

##### C. Executive Director's Report - Steve Costie

Director Costie passed out "Volume 1" of the clubhouse move documents entitled "*Key Documents for clubhouse sale and lease of Building 67 at Magnuson Park*". Volume 1 contains the listing agreement, the lease, the donation commitment letters and the purchase and sale agreement. Volumes 2 & 3 will come out in the future and will contain the lease background data and copies of the major contracts.

##### D. VP of Publishing's Report – Don Heck / Helen Cherullo

Helen reported that;

1. July sales were \$11,000 lower than projections.
2. July YTD loss is \$14,000
3. Preliminary August numbers are better than expected
4. They still project a positive net income for the year.

##### E. VP of Rec. Properties' Report – Scott Eby

1. Lodge work parties are under way

2. There is a YTD operating surplus of \$30,000
3. The division supports the creation of the Snoqualmie Land Use Committee.

F. Secretary's Report – No Report

G. Financial Report – Marty Jordan

Horstman reported that;

1. The club had a loss of \$61,000 last month rather than the budgeted loss of \$28,000. This is primarily due to slow building sales.
2. The expected year end membership decline rate is 7.5% rather than the 6% budgeted decline rate.
3. The projected year end net income will be a loss of \$75,000 to \$100,000.

VI. Unfinished Business

A. Budget Assumptions

Marty Jordan, *Treasurer*

Jordan presented the Finance Committee's recommendations for the Fiscal Year 2007 budget (version 9.4) It was organized in a format that delineated objections to the budget assumptions raised by the Board in the previous month's meeting.

Before discussing each one in detail, Jordan asked if any board member's issues hadn't been addressed by these recommendations. Mary Lynch asked how the administrative costs were assigned to the branches and divisions. Jordan promised to address this question at a later date.

Jordan described the role of the finance committee in the budget development process. The committee has not yet developed a 3 year budget projection. They plan to do so in the coming months. He described the guidelines that he and the finance committee plan to use while closely managing the budget in the coming year. He summarized a few miscellaneous assumptions:

1. There is no staff reduction proposed;
2. There is an assumed drop rate of 8%
3. The 7% assessment for credit card transactions will be used to support administrative costs.
4. The budgeted net income is \$213,226
5. Once the extraordinary income (Goodman donation, interest income from building sale proceeds) is removed the effective net income is \$6,892

**“Opposition to using designated Building Endowment Fund interest income to support operating expenses.”**

Jordan identified an interim period that starts at the closing of the building sale and ends with occupancy of Building 67 at Magnuson Park. He suggested that the NFCC's financial projections did not include any interest earned from the proceeds of the building sale during this period.

Jordan described the finance committee's desire to place the interest earned during this interim period into a “Program Development” reserve account for Board allocation. This is not intended to be used for ongoing operating expenses. He believes that this is not in violation of the spirit of the recommendation by the NFCC.

The amount in question is \$113,021 (Table 2).

**“Opposition to “inflation rate” dues increase.”**

Jordan explained that the finance committee still supported a 3% increase in dues to account for inflation.

**“Trim overhead costs.”**

The finance committee does not support a 5% decrease in club operating expenses.

**“Go Guide distribution exclusively electronic”**

The finance committee does not support this move yet.

**“Request slow down, not a shutdown of the building rental business as a source of additional net income.”**

The finance committee supports a continued operation of the building rental business under the proviso that as soon as it is no longer profitable it be immediately shut down. This is described as the “slow down” building operations plan. They anticipate trimming labor costs by \$27,200 to result in a net income for building operations of \$63,612 (Table 3).

**“Selected budget items to be funded from Reserves.”**

The committee believes that there is general consensus around using club cash reserves to fund “investment” projects such as marketing, conservation and program development.

**“Conservation/Rec Access Budget funded in part by Dues.”**

The committee intends to fully fund these budget items by dues in the coming fiscal year.

**Conservation/Rec Access as a self-sustaining “Enterprise Unit”.**

The finance committee does not believe that the club will be able to fully fund these budget items in the future. Therefore these divisions must develop a plan for becoming financially self sustaining.

**“Expand Conservation/Rec Access ‘Policy Associate’ to a full time staff position.”**

The committee does not support converting the Policy Associate position to full time.

**“Have activities pay for some insurance to release funds for Conservation/Rec Access.”**

The committee does not support distributing the liability insurance costs to the various branches and activities. This has been tried in the past and doesn’t work. There is no way to equitably distribute the cost across the various divisions of the club. Furthermore the suggestion that we charge a \$1.00 per signup activity fee is part of a larger issue that can’t be resolved in the budget process.

**“The Mountaineers Foundation’s reluctance to fund the Library (\$14,274) in FY07”**

The finance committee resists the way the Foundation has chosen to address this issue. They suggest that we not give in to the Foundation’s demand that we promise future funding of the library. In the event that the Foundation chooses not honor their commitment to support the library the club may have no choice but to close it. This is an issue best addressed in a long range strategic plan.

*It was moved (Jordan) and seconded (French) that budget be passed as presented*

Flynn expressed reservations about using any of the interest income from the proceeds of the building sale for non move related expenses.

Paul Robish (*Foundation*) objects to the characterization of the Foundation’s position on FY 07 support of the library. The Foundation wants to know if the club has any plans in the future to support the library. They are not necessarily holding funding in 07 hostage to those plans. Jordan replied that the tone of the correspondence between the Foundation and the club suggested otherwise. Robish responded that he did not know how the Foundation’s board would act and he was merely attempting to answer the question he knew would be asked in their deliberation process.

Anderson confirmed that the financial projections presented by the NFCC during the decision making process did not consider the interest income during the interim period identified by Jordan. The health of the “endowment fund” was not dependant on including that money.

Anderson asked a number of clarifying questions:

Does the positive net income of \$6,892 presented in the budget, entitled 2006-07 Annual Budget v.9.4 “Overview”, require spending any of the \$113,021 interest income? Jordan answered that none of that income was spent in this budget and that it was placed in reserves. Brian Horstman (*club controller*) pointed out that this money was not actually placed in reserve in this budget. Were it to be placed in reserve it would show up as a transfer to Program Development on page 2 of the overview and the “Operating Cash Flow” would be -\$106,129. Jordan replied that this was an error and the intention of the finance committee was to set the interest income aside. As it stands now the budget proposed by the finance committee has a negative net income.

Anderson asked if the positive net income of \$6,892 presented in the budget includes the inflationary dues increase. Jordan answered that it does.

Anderson asked if the positive net income of \$6,892 presented in the budget includes trimming overhead costs. Jordan answered that it doesn't.

Anderson asked if the positive net income of \$6,892 presented in the budget includes the “slow down” plan for building operations. Jordan answered that it doesn't. Anderson pointed out that this could decrease the budget deficit by \$62,050. Horstman replied that this number is overstated by \$34,000. The net income amount shown in Table 3 includes an administrative rent allocation that is not actually income to the club it is simply transferring cash from one pocket to another. In actual cash terms the net income needs to be decreased by that \$34,000.

Anderson asked if the positive net income of \$6,892 presented in the budget includes any money from the Foundation to support the library. Jordan answered that it does not.

Shimko supports the budget as presented. As a member of the finance committee it was he belief that this budget would require spending the interest income proceeds.

James doesn't want to approve the budget until the finance committee reworks it to reflect the errors identified previously.

Cox believes that the interest income in question should only be used for moving related costs. He suggests that it could be used to pay for cost over runs and unanticipated costs associated with the move.

*It was moved (Sears) and seconded (Glenn) that the question be divided along the outline of the recommendation of the Finance Committee. The motion carried.*

*It was moved (Flynn) and seconded (Heck) that the BoT accept the first recommendation by the Finance Committee to put the interest income generated by the proceeds of the building sale during the interim period into the Program Development Reserve fund.*

A number of clarifying questions were asked and answered. Flynn said that if the NFCC didn't anticipate using this money for the endowment fund that it was available for use by the BoT. Cox replied that he believed that it violated the spirit of the recommendation of the NFCC and the intention of the membership.

*The question was called (Linxweiler) and seconded (Cox). It passed unanimously*

*The motion passed 11 to 6.*

*It was moved (Anderson) and seconded (Heck) that the BoT accept the recommendation by the Finance Committee to increase dues by 3%.*

West reminded the BoT that the marketing committee recommended not raising the rate this year. She offered again to reduce the marketing budget by \$16,000.

Jordan declined her offer pointing out that if spending money on marketing was going to help grow the club then we shouldn't take any money from that effort.

Horstman was asked if senior dues were scheduled to increase under this proposal. He replied that all dues rates would increase by approximately 3%.

*The motion failed 7 to 10.*

*It was moved (Shimko) and seconded (Glenn) that the BoT accept the recommendation by the Finance Committee not to decrease club overhead by 5%.*

*The motion passed unanimously.*

*It was moved (Sears) and seconded (West) that the BoT accept the recommendation by the Finance Committee not to exclusively distribute the Go-Guide electronically.*

*The motion passed unanimously.*

*It was moved (Shimko) and seconded (Glenn) that the BoT accept the recommendation by the Finance Committee to use the slow down approach to shutting down the room rental business.*

A number of clarifying questions were asked and answered. Anderson suggested that the net income from building operations contained in Table 3 was overly conservative noting that it assumed building sales would be cut in half.

*The question was called (Heck) and seconded (Cox). It passed unanimously*

*The motion passed unanimously.*

The BoT took no action on the recommendation to fund selected budget items from reserves.

*It was moved (Cox) and seconded (Lynch) that the BoT accept the recommendation by the Finance Committee to fund the Conservation and Rec Access budgets through dues.*

Michael Shurgot wanted to clarify that the motion doesn't preclude advancing the Policy Associate staff position to full time in the future. Jordan answered that if additional source of revenue could be found that this would not preclude moving the position to full time.

*The motion passed unanimously.*

*It was moved (Shimko) and seconded (Glenn) that the BoT accept the recommendation by the Finance Committee that the Conservation and Rec Access divisions become self sustaining in the future..*

Shurgot explained his commitment to move the Conservation Division in this direction.

Flynn said that some conservation folks are very uncomfortable with this recommendation.

*The question was called (Lynch). It passed 9 to 2.*

*The motion failed 7 to 9..*

The BoT took no action on the recommendation not to make the Policy Associate staff position full time.

*It was moved (Flynn) and seconded (Shimko) that the BoT accept the recommendation by the Finance Committee not to allocate the liability insurance to the various branches and divisions.*

*The motion passed unanimously.*

*It was moved (Cox) and seconded (Eng) that the BoT accept the recommendation by the Finance Committee concerning the Foundation's reluctance to fund the library.*

Clarifying questions were asked and answered.

*The question was called (Lynch). It passed 14 to 3.*

*The motion failed 5 to 12.*

*It was moved (Heck) and seconded (Cox) that the BoT approve the Books Division operating budget as presented.*

This budget is the same as was presented in the August BoT meeting.

*The motion passed 15 to 1.*

*It was moved (Anderson) and seconded (James) that the BoT postpone action on the motion to approve the budget until the October BoT meeting.*

*The motion passed unanimously.*

## VII. New Business

### A. Everett Branch signatories

*It was moved (Jordan) and seconded (Sears) that the Everett Branch Chair, Matthew L. Vandal, the Everett Branch Treasurer Penny Barker, the Everett Branch Trustee, Rob Simonsen and The Mountaineers Executive Director Steve Costie be the signatories on the Everett Branch financial accounts at Washington Mutual Bank.*

*The motion passed unanimously.*

## VIII. Committee Reports

### A. New Facility Construction Committee (NFCC)

Anderson reported that the NFCC has selected the design team lead by Clark Design Group PLLC and the General Contractor, RAFN construction. Anderson offered the following resolution:

***A resolution reaffirming the Board's support for the work and composition of the Investment Advisory Committee***

WHEREAS, The Board of Trustees of The Mountaineers adopted the recommendations of the Building Advisory Committee on May 5, 2005;

WHEREAS, The adopted recommendations included a charter for the Investment Advisory Committee whose task it is to *Recommend prudent investment options for the proceeds of the sale of The Mountaineers Headquarters Building and Property at 300 3rd Avenue West*;

WHEREAS, In the months since that time much of the uncertainty about the quantity and timing of those proceeds has been resolved;

WHEREAS, A strong concern that these proceeds should be preserved was expressed by members in many of the written comments and in every public meeting held on the subject;

NOW, THEREFORE BE IT RESOLVED THAT, The Board of Trustees reaffirms the charter document dated April 7, 2005 authorizing, empowering and charging the Investment Advisory Committee. Furthermore the Board of Trustees requests that the committee begin its work in earnest, that it endeavors to complete that work by the April 2007 Board Meeting, and that the President fill at his discretion such vacancies that should arise.

*The resolution passed unanimously.*

*It was moved (Anderson) and seconded (Cox) that The Board of Trustees authorizes the NFCC to enter into negotiations with the City of Seattle for extending the lease at building 67 to include up to an additional 10,000 square feet of space in the lower level. The Board directs the committee to pursue a lease with substantially similar terms as the existing lease.*

*The motion passed unanimously.*

#### B. Nominating Committee

The Nominating Committee has submitted a list of 9 candidates to run for the 6 open positions. No member who wished to run for the BoT was excluded. Those candidates are:

Karl Brackmann  
Don Schaetel  
Sabrina Oesterle  
Gail McClary  
Eric Linxweiler  
Mona West  
Lynn Hyde  
Eva Schönleitner  
Henry Romer

The nominating committee also presented 3 recommendations which are contained in their written report.

#### IX. Program Reports

##### A. Division Reports

Conservation Division – Michael Shurgot

- a. The division is sponsoring a seminar series on Alaskan natural heritage.

##### B. Branch Reports

Bellingham – Steve Glenn

1. Bellingham has had a successful year. Their hiking program was highly successful. They offered their 2<sup>nd</sup> year of snow shoeing, had a successful climbing program and are planning an Alpine Scrambling course.

##### C. Foundation - Paul Robisch

Robisch reiterated the Foundation's desire to help the club financially. However they have grave reservations about the financial viability of the club and they want to see the club helping themselves as well.

#### XI. Adjourn

*It was moved (Heck) and seconded (Anderson) to adjourn.*

*The motion passed on a voice vote.*

The meeting was adjourned at 11:47 PM.

Respectfully,

Rick Anderson, Acting BoT Secretary.