

IDITAROD TRAIL COMMITTEE, INC.
BOARD OF DIRECTORS MEETING
Friday, February 21, 2003
Millennium Hotel Anchorage
Anchorage, Alaska

CALL TO ORDER

The meeting was called to order by President Rick Koch at 10:07 a.m. at the Millennium Hotel Anchorage.

Members present: Richard Burmeister, John Handeland, Rick Koch, Lee Larsen, Mike Owens, Dan Seavey, Rick Swenson

Members absent: Sam Maxwell, Dick Westlund and the president noted that Joe Redington, Sr. is on the trail.

Koch noted that Westlund would try and call at 9:30 a.m.

Others present: Greg Bill, Development Director; Mark Nordman, Race Marshal, Stuart Nelson, Jr., DVM, Chief Veterinarian, Jack Niggemyer, Race Manager and Joanne Potts, Recording Secretary/Race Director.

APPROVAL OF AGENDA

Handeland/Burmeister moved to approve the agenda.

Seavey asked to put the subject of increasing the purse by \$50,000 on the agenda.

Handeland/Burmeister motion passed with the change asked for by Seavey.

APPROVAL OF MINUTES

Burmeister/Owens moved to approve the minutes of December 6. Motion passed.

Handeland/Owens moved to approve the minutes of February 7. Motion passed.

PRESIDENT'S REPORT

The president stated that he had no report. He said he wasn't working on anything of which the board is not aware.

Seavey asked how many rookies didn't qualify. Potts noted that there were six.

FINANCIAL REVIEW

Hooley noted that of the 86 mushers who had entered the race this year, sixty-five are now preparing to run. He stated that in December we had projected that we would peak between 80 and 85 with 67 to 70 actually leaving the starting line.

Hooley noted that the operating plan adopted in early June for FY03 called for gross cash revenues of \$2,546,218 over cash expenses of \$2,509,034 for year-end net revenues of \$37,184. He said that 8 months into the year, we expect a shortfall (a negative variance) of about \$79K in gross revenues.

On the expense side he said we expect to come in under budget (a positive variance) by approximately \$18K. Consequently Hooley stated that we are projecting an overall deficit of approximately \$24K. He presented a table, which outlines the areas of the budget and the variances, both positive and negative, for each area/activity.

He said we don't expect a substantive change in overall expenses because we're moving the re-start to Fairbanks. He explained that we do anticipate new expenses associated with the changes, however, we do not believe they will exceed the \$1,158,318 in expenses that we are already projecting for the race. He explained that the reason for that is that we are eliminating 8 checkpoints and adding only 3. He said that normally we do a lot of flying on this side of the range and into Nikolai and Rohn. We will have some additional expense for getting equipment into remote checkpoints, but we are optimistic that we can stay within budget.

Hooley explained that he has some concerns about sales numbers in Anchorage but is hopeful that we can capitalize on the significant interest in our race in Fairbanks. We will be selling a commemorative Fairbanks T-shirt and hat. We'll be opening up a sales area at Pikes Waterfront Lodge on Wednesday, February 26, which we will maintain for a period of one week. These special items will also be available on line and at our other sales locations, too. Our best projection for a June 30 finish is \$244K in net profits from sales, a positive variance from budget of some \$4K.

Seavey asked about other merchandise going to Fairbanks for the re-start. Hooley said we're shipping \$50,000 worth of merchandise up there. He said he

thinks the commemorative shirts and hats will sell well. He said we don't actually have much tied up in them now. We've done 1,000 T-shirts and 1,000 hats. We have the capability of manufacturing and shipping more as we need it. He said he is optimistic about coming out O.K.

Hooley presented a table showing cash only sponsorships and noted that in early December, he had reported that we had managed to secure \$863K of the \$894K budgeted and the overall year-end projection made at that time included us "finding" the remaining \$31K. He said that while we have been successful in finding new sponsorship, totaling \$146K (we had budgeted \$132K in new money), we also saw \$90K from FY02 go away. This amounts to a significant negative net variance from budget of roughly \$37K.

He expressed concern that we have sold only 1,970 of the 4,000 raffle tickets for the winter raffle, 645 less than had been sold by this time last year. Our budget assumes a sell out. He said that a possibility for a significant swing in useable revenue exists with this raffle project. He explained that we've placed more print ads and handled more direct mail pieces than ever before yet we are where we are. He said we have several more marketing initiatives in the pipeline. Among them include at least another 20K in direct mail postcards and a wrap-around poster of the March 1 *Anchorage Daily News*. Because of the fact that raffle ticket sales are lagging so significantly, he said he has reduced our net revenue projections from this important project by nearly \$59K.

The question was asked about the direct mailings. Hooley explained that we have had 1.2 million impressions in print in the Anchorage Daily News, the Alaska Newspapers, the SuperSaver and the Alaska Digest. He explained that \$9,000 more has been spent this year to sell tickets. He also pointed out that the State of Alaska prohibits using radio, TV or Internet for selling raffle tickets.

Handeland said we should look at this in more detail before we go into the next raffle. He said over the years we have bumped up the number of tickets from 1,049 and suggested that we need to talk about reducing the number of tickets.

Greg Bill pointed out that other groups have copied our raffle. He said the best opportunity we have for selling tickets is dealing with people one on one.

Handeland noted that the GCI scanner in Nome said the tickets are sold out. Don Patterson will follow up on that and get them more tickets.

Koch pointed out that right now, people are ill at ease in this country. It's harder to spend money. He said the hotel is down for the first time in 14 months. Cargo through the airport is down.

Owens noted that reservations on Alaska Airlines are way down.

For membership Hooley said he projects a negative variance in net revenues from budget of \$5K.

The two most significant special events are the banquet and the Idita-Rider musher auction. Hooley explained that last year was the first in a very long time that we hadn't sold out the banquet and it looks as though we are on track to being close to a sell out this year. He said as of this writing, only 152 tickets remain unsold.

Hooley explained that the extra assistance provided by GCI in developing an Idita-Rider spot which it then aired through its cable television side of the business was of significant help in our reaching our FY03 goal for the Idita-Rider auction. We managed to convince other television outlets to air the spot as well (Outdoor Channel, Alaska's SuperStation and some on KTUU-TV). Additionally, the Anchorage Convention and Visitors Bureau was of significant assistance in reaching out to travel writers around the world. He said we are in the process of surveying the Idita-Riders to determine what advertising and public relations efforts were most effective. Prior to some fallout of Idita-Riders (\$3K thus far), we reached \$103K in bids, \$3K over budget.

Swenson said he doesn't think we should return the Idita-Rider's money if they cancel. He said we are doing everything we can to accommodate their ride.

Hooley explained that the only instances where we've done this is when we need a sled back to fulfill obligations to riders.

Owens asked about the current plan for the Idita-Riders. Hooley explained that we'd discuss that more when we are discussing the start but he said he thinks we can make it to the BLM with the riders.

Hooley explained that in a normal year, once someone has bid, they have bid. But this year we've had people cancel and he said he thinks we're doing the right thing in working with each one who cancels on a case-by-case basis.

He said he doesn't see any change in royalties from the previous report and expects a positive variance for the year of approximately \$25K.

In promotions, Hooley said there is no change from previous reports.

In general and administrative areas, he said he projects a positive variance to budget of approximately \$10K.

Hooley concluded his report by noting that need to relocate the re-start to Fairbanks has made an already busy and sometimes frantic period of time even more unwieldy. However, he said he believes that the staff and volunteers are up to the task and that the 31st running of the Iditarod will be a great success.

Hooley included tables showing 1) statements of financial position, 2) statements of cash flow, 3) gross revenues and expenses and 4) revenues and expenses for review by the board.

RACE MANAGER'S REPORT

Niggemyer reported that he had spent last weekend in Fairbanks, Manley, Tanana and Nenana. He said he feels that we have a good set-up in those places.

He explained that one of our problems was that we couldn't get out on the trail for so long. He said they finally got out there last weekend and found conditions doable. There was 2" of snow at Iditarod. He said Mark Nordman flew to Cripple and safely landed at Wolf Kill Slew. He explained that they held the dog food at Airland for a few days before they found out what the trail conditions were and made the decision to go to Cripple and back.

But he explained that now conditions have deteriorated out there. He explained that Steve Graham, one of the trailbreakers, had left McGrath on Monday for Iditarod and got there Thursday night. He called Jack and said it was "Hell" out there. He said the creeks are opening up and suggested that if we go that way, we'll end up killing dogs. He said the creeks between Ruby and Cripple are starting to open up too. He said there isn't a lot of snow toward Poorman, more close to Ruby.

Based on all this, Jack said he recommends that we not go to Ruby, Ophir, Iditarod etc. He said there is no snow for 150 to 250 miles and the creeks are marginal at best, dangerous at worst.

He said there are two options. He said it is too late to explore the option of going up through Kotzebue, so he figures one option would be to go Ruby to Kaltag and the trail to Nome, knocking off about 250 to 275 miles and putting us in Nome on Monday. The other option would be to go down and up the Yukon River, adding 30 to 100 miles over what we were planning up to now.

He said the dog food is on hold in McGrath. When we made the decision to go to Ruby, Cripple, Ophir, Iditarod, Shageluk and Anvik, he said we had the best information available at the time.

Burmeister asked about going Anvik to Unalakleet and Niggemyer said we couldn't do that.

Swenson commented that we're setting ourselves up for head on passing on the river as teams are going both ways. Niggemyer said they've been thinking about that.

Nordman said we could still deal with Ruby to Ophir going to Iditarod and beyond is impossible. Niggemyer said we have two snow machines in Iditarod right now that we don't know how to get out of there.

Seavey asked about time frame for getting to Nome if we go both ways on the river.

Niggemyer pointed out that we are starting a day later and adding 100 miles and won't be going through the Alaska Range, so he said he thinks arrival would be sometime Wednesday evening. If we do it this way, he said it's a few more miles, so he thinks Wednesday night or Thursday morning is possible. He said he we got straight to Nome from Kaltag, we're looking at Monday night or Tuesday morning.

Swenson commented that according to Niggemyer and Nordman, it is ore doable to travel the river twice. But he said he is concerned about so much river running because dogs hate river running. He said he doesn't understand the problem of going from Koyuk to Buckland etc. But at this late date, he said he understands that we have to leave it to Niggemyer's best judgment. He commented that whatever we do, we can't shorten the race. Everyone will be upset if we do that.

Stuart Nelson said he had two concerns. He said myopathy's and ulcers are the #1 factors in dog deaths. He commented that there will be an extra day of layover between the start and re-start and said that down time is not good as far as preventing myopathy. He said he recommends that mushers keep miles on the dogs the last week. He also said a lot of dogs this year don't have a good foundation in training, that there is a disparity in preparation levels. And three, it will be a fast trail. He said he is concerned that dogs will race hard and fast and won't be at comparable levels of training as in past years so they would be ore apt to get myopathy.

He said ulcers do appear to develop during the course of the race. He said it seems like the longer they are on the trail, the more apt they are to get ulcers. So on a longer race, we might see more ulcers.

Burmeister asked if they would have to have 20 dogs at the race start. He said he was concerned about all the traveling. Swenson commented that he travels with sled dogs all the time and they travel with no problems.

Swenson also commented that there is no reason the mushers can't get a 20-mile run on Sunday before the re-start. Nelson said that was true but everyone isn't going to do that.

Handeland commented that he didn't think we should shorten the race.

Niggemyer noted that to go to Buckland would require more time than we have to explore that much new territory.

Nordman noted that by having to change at this point, we'd be disappointing the people in Ophir but if we change to Buckland and up through there, we'd be disappointing people in all the checkpoints that we would be missing.

Koch noted that he liked the idea of Bukcland, Kotzebue, but said at this point, when we can double up on checkpoints, so much has changed this year and to throw in additional changes increases the risk of failure.

Burmeister suggested putting together other plans in case this happens in the future.

Seavey asked about the built in mandatory rests. Nordman said he doesn't want to put in more of them because that makes people drive dogs hard to get there. Nelson pointed out that what is best for the dogs is a run rest schedule.

Swenson said the most important thing is a dog drop between Tanana and Ruby and to make sure Eagle Island is hospitable to all the mushers.

Nordman noted that we're still working on what food drops would be shipped where.

Swenson said we're going to have to come up with additional one time only rules for the double checkpoints. He said the mushers are all just tickled that there will be a race.

Swenson said between Tanana and Ruby, we'd need a couple of wall tents, a vet, medications, straw, a place to warm up etc. Between Tanana and Ruby there is nothing. Nordman said he'd take a look at it.

Swenson/Burmeister moved to adopt the proposed route: Ruby, Galena, Nulato, Kaltag, and south on the River to Shageluk and then

back north to Kaltag and on to Unalakleet and leave the details to Nordman and Niggemyer. Motion passed.

Niggemyer said he'll have information for the mushers at the musher meeting on Thursday.

Greg Bill asked about the Millennium award and GCI's award. Niggemyer said that would be part of the detail to be worked out.

Mark said at the start, we're working as if we're going to the BLM. He said there is ice all the way. It's doable from downtown Anchorage.

Burmeister asked about signing out of checkpoints. He asked when that happened. Koch explained that that was passed at the June meeting when the rules were approved.

Swenson suggested that Halfway be in Shageluk. He said he didn't think Conatser could handle having it at Eagle Island.

Nordman suggested the possibility of having the dinner at Kaltag and Swenson suggested using Galena.

IOFC REQUEST REGARDING THE PURSE

Seavey/Burmeister moved to bring the Seavey/Westlund motion back to the table regarding the \$650,000 purse. There was no objection.

Seavey noted that there would not have been an Iditarod Race in the beginning if people hadn't stepped out and made it possible. He said this board needs to demonstrate to the mushers that this is more than a dog and pony show.

Handeland noted that the \$600,000 purse was guaranteed. He said the language was such that we said we would endeavor to get to \$650,000. But, he said, right now, we're in a world of hurt.

Seavey commented that we would be saying that the first to hurt would be the mushers.

Handeland said there has been no discussion about reducing the purse. He said that based on the financial projection we're seeing today, he didn't see anyway we can do a \$650,000 purse. He said it was a goal and we agreed to look at the forecast when the time came.

Handeland said by deficit spending we get ourselves in a terrible position. He said we've worked too hard to build a reserve so that if the sky truly fell, we could still have a race. He said it would be nice to pay \$650,000 but he doesn't feel we can do it. He said he would vote against the motion.

Seavey noted that he had 65 petitions. He said we're dealing with a new breed of mushers. They won't stand still forever.

Swenson commented that he hasn't seen a single musher busting to help the event. They are all riding the coattails of what we're doing. We're doing everything we can for this race. It's the wrong time to ask for more money.

Handeland read rule #42 into the record. "The Board and staff shall commit an honest effort to ensure that a \$600,000 purse is paid...In addition, the net of moneys generated through the Iditarod program shall be distributed evenly to mushers finishing from 31st place through the Red Lantern winner, up to \$1,049 each. The goal for 2003 of a \$650,000 purse, as written into the official 2002 rules and policy, will be honored if financially prudent to do so. A goal for the ITC is to pay \$700,000 for the 2004 race."

He said he believes that we are not inconsistent with rule #42. He said increasing the purse doesn't feel financially prudent according to the balance sheet.

Seavey said it isn't unusual for a race to be in a deficit position at the end of the race. He said we would still be less than \$100,000 in arrears if we paid the \$650,000.

Koch noted that he isn't sure what to do to get the extra money that we aren't doing now. He said that over the past six years the board had charted a course to have operating reserves without having to go back to the bank. And he said we have been successful.

Burmeister said we wanted to have a reserve. Our responsibility is to make sure that the Iditarod Race goes on. We all want to get to a million dollar purse.

Handeland the Iditarod hasn't had to go to the bank for money because we haven't been spending beyond our means. At one point we couldn't even get a loan without a guarantee from the ITRF. If we spend all we have and this year's activities don't stand on their own, we'll again get back into that position.

Owens commented that it would be reckless to the mushers to increase the purse now. Maybe it wouldn't seem so to the present mushers but it would be to the next generations. They want to see the event continue.

Swenson said that because we have money in reserve, we know we can pull this event off. If we were flat broke now, we couldn't do it.

The Seavey/Westlund motion to pay a \$650,000 minimum prize purse in 2003 failed.

BOARD MEMBER COMMENTS

Owens said there is an outstanding bill in Nome for snow machine repair from two years ago. He said Wes Perkins had asked for his help in getting this paid.

Niggemyer explained that the sweeps used their own machines. We agreed to rent them for \$1,000 each. There was a \$3,000 bill that we need to pay. Hooley said he would deal with it.

Burmeister said he was pleased with the good response we have gotten in Fairbanks.

Koch said this has been an exciting year. We are the showcase event for Alaska. We're the one that didn't take the year off!

Burmeister said he is sorry about the villages that we won't be going through.

Seavey said he'd bow to the wisdom of the board on the purse. He said we do need to talk about the conflict of interest issue and asked that that be on the agenda for the next meeting. He said the INHB annual meeting will be on February 26 at 8:00 a.m. He said he thinks this board must do some long range planning. He thanked the staff for their work.

Handeland said he is looking forward to folks coming to Nome. He has decided not to go away during the race as was originally planed. He said we are not anti-musher but rather pro-Iditarod.

Larsen commended the staff and said he looks forward to being here.

Swenson commended the staff and said all changes will be a positive boost to the event. He said there are a lot of people itching to do something to help out. He said the changes this year will let people touch the Iditarod from a whole new area.

ADJOURNMENT

Handeland/Burmeister moved to adjourn. Motion passed.

The meeting adjourned at 11:15 a.m.