

IDITAROD TRAIL COMMITTEE, INC.
BOARD OF DIRECTORS MEETING
October 15, 2004
Millennium Hotel Anchorage
Anchorage, Alaska

CALL TO ORDER

The Iditarod Board of Directors meeting was called to order at 9:10, Friday, October 15, 2004, at the Millennium Hotel Anchorage.

ROLL CALL

Members present: Richard Burmeister, John Handeland (via phone), Sam Maxwell, Mark Moderow, Mike Owens (via phone), Jim Palin, Dan Seavey and Rick Swenson, (via phone).

Members absent: Lee Larsen (excused for traveling) and Joe Redington Sr. (excused and on the trail.)

Others present: Stan Hooley, Executive Director, Joanne Potts, Recording Secretary/Race Director, Stuart Nelson, Jr., DVM, chief veterinarian and Mark Nordman, race marshal

Handeland asked Maxwell to take over the chair, stating that it would be better to have the chair there in person than on the phone.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF AGENDA

Burmeister/Moderow moved to approve the agenda. Motion passed.

ADOPTION OF MINUTES OF JULY 9, 2004

Moderow/Burmeister moved to approve the minutes of July 9, 2004 with the addition of his name listed among those present at the meeting. Motion passed.

PRESIDENT'S REPORT

Handeland noted that he had been to Wasilla and had a meeting with Hooley. He said as he makes trips into Anchorage, he plans to go through the sponsor list and make personal contact with as many sponsors as he can to let them know how much we appreciate their sponsorship.

He said he had been trying to get together with Race Marshal Mark Nordman but that hadn't happened. He said he would like to talk to Nordman today and would discuss those comments under director's comments.

EXECUTIVE DIRECTOR'S REPORT

Hooley introduced Joe Newhouse, from the firm that does the annual audit of Iditarod. He offered Newhouse the opportunity to go through the audited financial report with the Board.

Newhouse noted that while a yearly audit was not required, the Board had chosen to have this done and this firm had done this for at least 10 years. He explained that they select samples of transactions and underlying documents. He said they take a good look at the supporting documents for the in kind support. He stated that the firm had given a clean unqualified opinion of Iditarod's finances this year.

He noted that our organization was very different from other organizations his firm audited and while the basics of the audit were standard, because of all our in kind donations, there were things that weren't standard about the Iditarod.

He noted that the inventory accounts were complete and accurate.

He went over the information on page two of the audit and noted that Iditarod has almost \$200,000 in unrestricted net assets than last year. He noted that the back royalties from Cabela's kicked up the bottom line. The accounts payable were increased because Iditarod got a credit card to pay vendors. He also noted that accrued expenses has to do with bonuses and payroll taxes.

He encouraged the board to work to stay in the solid position that we are in now. He said that for Iditarod to have \$250,000 to \$400,000 in cash reserves would be a healthy position to be in.

Palin asked how much cash is designated as reserves. Newhouse said we have about \$300,000 in cash that wasn't designated as of the date of the audit. He said the biggest amount of cash reserves the better. He said .5 million wouldn't be unreasonable. He suggested looking at the sponsors and seeing what sponsors are iffy so we could figure out what would need to be drawn from a cash reserve if those sponsors back out.

He also noted that having a million in the bank might have an effect on what the sponsors give. They might not feel we need so much if there is that much in the bank.

Handeland asked about putting money in an endowment. Newhouse noted that it would be the same. He said if it is funds we control, it is funds we have to show no matter where it is

Newhouse briefly reviewed page 3, statements of Activities.

Palin asked about who can buy raffle tickets. Newhouse noted that employees and board members should not be buying tickets. Palin wanted to know what the state regulations were regarding that.

Moderow offered to research that in the state statutes and come back to the board.

Newhouse noted that page four is a detailed statement of functional expenses.

Moderow asked what the difference is between sponsors and cash contributors. Newhouse explained that donated labor is considered a cash contribution.

Looking at page 10 of the report, Hooley asked how it would change the value of the building if we don't have it anymore and it goes to the state or another non-profit. He said he had found a document stating that if the Iditarod ceased to exist the building would belong to the state or another non-profit.

Newhouse noted that on an ongoing basis, it won't be an issue but what is missing in the audit is the disclosure of what would happen to the building if the Iditarod ceased to exist.

Newhouse noted that the management letter stated that there isn't a concern in the accounting area.

He noted that they have continued with their original audit fee of \$3500 since they started and that Iditarod is now getting an audit for \$3500 that would cost \$7000 to \$8000 if they were paying full price for it. He also noted the other things his firm does for Iditarod without charging, including coming to the mushers' meeting and certifying the summer raffle.

The board thanked Newhouse for the great work they have done on the audit every year.

EXECUTIVE DIRECTOR'S REPORT CONTINUED

Hooley explained that we finished the year with \$135,000 in net revenue and 65% had to do with royalties from Cabela's. He explained that when negotiating the most recent sponsorship agreement, there had been a lot of debate over royalties, and that issue wasn't resolved until the end of the fiscal year. So that meant there were back royalties owed to Iditarod, which Cabela's promptly paid, thus the 65% increase from back royalties which Newhouse referred to.

He explained that that will probably not be as high and the coming years. He said their royalties to Iditarod depend on what they sell.

He commented that this was a good summer at Iditarod.

He explained that we are involved in television negotiations for national coverage. He said we have verbally agreed to a three-year contract with the Outdoor Life Network. Now he has a verbal offer from ESPN.

Moderow asked him if the money or the exposure is the issue. Hooley explained that the money is not that significant so the exposure is the big issue. He said the Outdoor Channel, which has been the only one covering the last two years reaches about 1 million households. The Outdoor Life Network now reaches 50 million or more and ESPN's reach is even bigger yet.

He said he was negotiating for one half hour per day and a more comprehensive show after the Race.

Burmeister asked if they were apt to quit after one year if the animal rights people get after them.

Hooley noted that that would have to be discussed and a termination agreement would have to be structured into the agreement.

Moderow said he was more interested in how well it was done and how many people see it.

Hooley noted that the direct cash contribution would be \$20,000 a year.

Seavey asked if they could push people around at the finish and tromp around mushers' teams. He suggested that something be written into the agreement that says they can't invade a dog team.

Hooley noted that we've been successful in having people who are familiar with the race be involved in the filming in the past so we haven't had to deal with this. He said most of the problems have been from the locals.

Swenson commented that these people filming do affect the competition. He said some of the people who know the race the best have been the worst offenders.

Hooley noted that in the instances he'd been aware of and dealt with the offenders had been people of the local market rather than those filming for national T.V.

Burmeister asked if anything has been done about a public relations person, suggesting that that individual could play a part in this.

Swenson asked about how a contract with one of these national entities will affect our efforts to do the live Internet stuff on a pay for view site.

Hooley noted that there will have to be an understanding the those working for pay for view will have priorities. He said that pay for view will not be successful if people don't get something they can't get anywhere else and before anyone else gets it.

Palin suggested that the Executive Director continue with negotiations and not get Iditarod into any legal hot water.

Maxwell noted that he agreed but thought some of the board members should be working with Hooley, suggesting that they meet with Hooley to discuss this. Handeland agreed.

Swenson said he had reservations on national coverage until we have a PR person. He said he is very worried that the problem of deflecting future flack will be greater than the benefit of this coverage to the event or to the mushers. He suggested that we talk to our sponsors to see how they feel about us going with national coverage.

Hooley noted that a big project now and one he'll be working on probably for the remainder of the month is getting the Idita-Rider auction on line. He stated that the auction people are confident we'll see action earlier than we have in previous years. He also said that our agreement with these people allows us to have on line auctions all year long, so during the nine months that we are not doing the Idita-Rider auction, we can auction items to sell.

Hooley also noted that he has been in contact with a construction company and is now waiting for bids on expanding our parking lot. He said if we want to keep the tour buses coming we have to have a place for them to park.

Maxwell noted that Quality Asphalt is one of his clients. Hooley said he'd be very glad to talk to them.

Hooley noted that we have 73 mushers signed up and expect as many as 20 to 25 more. Our best guess right now is that 80 mushers will start the Race in 2005.

He pointed out that the FY05 plan calls for gross cash revenues of \$2,846,891 over cash expenses of \$2,843,181 for a year-end net revenue of \$19,784. He said that as of now, 3 months into FY05, we expect a negative variance from the budget of \$13K in revenues and a positive variance of \$29K, which means that right now we are expecting a positive variance \$16K.

He noted that some had asked about the sled dog rides at HQ and he had sent that information out in a separate e-mail.

Seavey noted that there are a lot of operators who don't like what's done at headquarters. They feel that HQ is in competition with what they are doing. He said what tourists see at headquarters is not an image booster.

Hooley noted that it is a short trail, just takes about 2 minutes to go around, and he said he doesn't see how that could be competition to the other tour operators who offer longer rides.

Swenson noted that Iditarod doesn't have any control over other tour operators but she should have control over what is at our headquarters. He said if there is anything not up to standard, then we need to get it up to standard in the new contract.

Seavey asked if as list of Iditarod mushers who have tours could be available at headquarters. Hooley noted that our present policy is to have only business members of Iditarod be able to advertise at headquarters but said he would look into Seavey's request.

DEVELOPMENT DIRECTOR'S REPORT

Greg Bill presented a written report.

He noted that Crowley Marine is in the process of purchasing Yukon Fuel and Yutana Barge Lines and Service Oil and Gas. That means that for '05, they can provide our av-gas in Unalakleet and by '06 maybe they can help us in Galena and McGrath.

He said that some of his new prospects are taking their time to make a commitment, including Spenard Builders, NECA/IBEW and Anadarko Petroleum.

He reported that the summer raffle was a complete sellout but noted that we are going to have to start thinking about our profits shrinking because the price of the trucks are going up. This year the trucks were valued at \$42,900 each, which is \$1,500 more than the same truck last year.

He also mentioned that he is working on items for the Fun Raising auction. He said he was disappointed last year but the crowd just wasn't really into bidding. We need Alaska items for the auction since 90% of the crowd is from out of state. All we can do is hope for the best this year.

He said we're in process of finalizing the T Rowe Price /University of Alaska College Savings Fund sponsorship for the Jr. Iditarod for \$25,000.

RACE DIRECTOR'S REPORT

Potts commented that she is working on a race manual that will have information about all aspects of the race in it so hopefully anyone can pick it up and go on if necessary.

She noted that banquet tickets are on sale and board members should consider ordering them if they are going to want to attend. She said that some years these tickets have sold out in January.

Seavey asked about considering giving mushers more than one ticket each. He said in some cases they can't even afford to bring their families to the banquet. He asked what it would cost to give them three tickets each. Potts noted that at \$55 a ticket for 80 mushers, you'd be looking at \$13,200 as opposed to \$4,400, which it would be with one ticket per musher. She said we can discuss this.

Moderow asked about people getting in go the draw only. Potts noted that we do have a procedure for that once all 1800 tickets are sold.

Swenson noted that the mushers want more and more money on the purse and more and more things on the trail.

Swenson asked if there couldn't be some other way to get the packet with the numbers in them to the mushers rather than give them to them as they go off the stage. He said it is very hard to carry that packet through the autograph line and get back to your table with it. Potts said they would look at giving them the packet at the end of the line. She said she wasn't in favor of leaving the packet on the table if the musher wasn't there.

RACE MANAGER'S REPORT

It was noted that Jack Niggemyer was home sick so there was no report.

CHIEF VETERINARIAN'S REPORT

Nelson provided a written report.

He reported on his veterinary crew for the 2005 race.

He discussed vaccination protocols. He said the ISDVMA has formed a committee for the purpose of developing a uniform vaccination policy for sled dog kennels and racing organizations. He provided a list of guidelines for vaccinating that he will send to the mushers as part of their education process.

He discussed the fully funded research projects that are on for this year. He noted that because of the uncertainty in regard to Bayer's long-term involvement with Drontal Plus, they will conduct a study to investigate the presence of gastrointestinal parasites in Iditarod dogs. He said studies might lead to a reasonable argument for the use of less expensive drugs. He emphasized that in no way was he trying to discourage Bayer's involvement or dilute the health program for the dogs and humans, but it is important to be aware of our options.

RACE MARSHAL/VILLAGE RELATIONS REPORT

Mark Nordman presented a written report.

Nordman noted that there had been a misunderstanding and he and Handeland hadn't gotten together about the rules committee but he would have that committee by the end of this meeting and would call a meeting to discuss qualifying races for this year's rookies. He noted that the committee still needs a full day to discuss competitive issues and asked that the adoption of race rules for 2006 be postponed until the post race board meeting in 2005.

He noted that the Busers will host one day of the rookie meeting as they did last year.

He noted that at the Symposium in Fairbanks he was approached by many of this year's competitors with input on the sign up procedures and other individual concerns.

He said he will be asking for input from the IOFC on what checkpoints may need more attention. He will make a trip to the villages in November and December and the 2004 appreciation photos will be delivered at that time.

Swenson asked if there is a contingency plan in place for where the Race will go if our winter continues as it has been going. He recommend that we have a date set to start to investigate an alternate trail.

Maxwell said that the Board needs to direct the staff to start coming up with options and said he'd like to see a plan by the next meeting.

Swenson noted that there is good trail from Fairbanks to Minchumina and then to Nikolai. Maxwell noted that Minchumina doesn't have the infrastructure to support this race. We'd have to start from scratch there.

Nordman asked if there had been further thought about Knik Road or the Iron Dog.

Hooley noted that it would take an extraordinary snow year or an extraordinary effort by the city of Wasilla for competitive teams to run down Knik Road. He noted that the Iron Dog will be going from Wasilla to Nome and back to Wasilla.

Moderow noted that it a concern of the IOFC was putting in the steps with the Iditarod and Iron Dog.

Maxwell asked about village feelings about the Iditarod. Nordman noted that we're doing fine out there. There are however, a few people we need to straighten out.

Swenson asked if there is anything to do at Rainy Pass to make it more musher friendly. He said the real problem was the musher accommodations. They slept in a building with no heat and an oil soaked floor.

Seavey noted that it was an insult to the mushers to have to sleep on an oil soaked floor with no heat.

Swenson suggested they'd have been better off with a tent.

Swenson said we pay Rainy Pass to use that place. The mushers were lured to that building. He said you needed to stand up a plywood piece to pee. He said it wasn't organized. If we have a checkpoint there we should make sure it is organized.

Maxwell said we've been talking about this same thing for four years. Something isn't working. We have staff to take care of it but it isn't working.

Nordman noted that things have improved. Maxwell said we're talking about what volunteers are faced with in the checkpoints.

Swenson/Burmeister moved that list be put together of everything that goes to any checkpoint and the exceptional things that go to the remote checkpoints and that it be brought to the next board meeting.

Hooley noted that he wished he had had feedback about these types of problems right after the race.

Burmeister asked about a form for feedback from volunteers after the race. Potts noted that she gets that feedback, but she hadn't heard about this.

Seavey noted that when it comes to dog care, everything is laid on the mushers. But then they get out there and don't have a full bale of straw or six bottles of heat and it isn't right.

Swenson suggested that Hooley and Niggemyer should go out on the trail and see for themselves. He said he understood that Hooley was busy at that time, but why doesn't Niggemyer go out to Rainy Pass.

Maxwell said the Iditarod needs a better plan for organizing the checkpoints.

Moderow asked about a friendly amendment to the Swenson/Burmeister motion would be to have an update on the manual Potts mentioned at the December meeting.

Swenson/Burmeister motion as amended passed.

EXECUTIVE SESSION

Burmeister/Swenson moved to go into executive session to discuss committee appointments and organizational issues. Motion passed.

The board came out of executive session.

Nordman was asked about qualifying races. He noted that very few if any really qualify someone. But, he said every race has something good about it.

Maxwell asked why anything should be changed.

Swenson said he thought the Board felt we were using too much staff time and baby-sitting people up the trail.

Maxwell suggested getting some information on where the problems were. What qualifying races did the qualifying mushers run for example.

Palin asked what is wrong in the rules about qualifying and dog safety and the open class race.

Nordman noted that we don't know how accountable some of the qualifying races are. And said he wondered if we are ever going to really qualify everyone. He said we need to make the races more accountable and he said he wants to get a group together to discuss this.

Nordman asked if the board wanted to give him some criteria to look at in these races.

Nelson noted that a year or so ago he had submitted a strict protocol for evaluation races. He said that now there are people who qualify and are accidents waiting to happen. He asked where we stand legally if we send that person out on the trail who shouldn't have been on the trail and something happens.

Maxwell asked who that would apply to and Nelson said it would apply to everyone.

Nordman asked if the Board is looking for elitism or for the common guy to have the experience of a lifetime.

Handeland suggested that the Board should come up with some things they want the rules committee to look at.

Maxwell asked about having the committee look at two classes of racers. He said he doesn't want to fix something that isn't broken.

Moderow asked if they could take Nelson's thoughts and others thoughts and come up with a plan with no more input from the board. Nordman noted that they absolutely could do that.

Seavey noted that the rules committee needs to look at having everyone qualified before they sign up.

Handeland appointed the following to the rules committee. Stuart Nelson, Bob Chlupach, Bernie Willis, Will Peterson, Mark Nordman (as chair), Mark Moderow, Zack Steer, Greg Parvin and the mushers' rep.

Handeland suggested that we need another meeting to continue the business of this meeting.

The meeting will be on Saturday, November 13 at 9:00 a.m.

Seavey noted that he'd like to see the rules committee discuss the Jr. Iditarod as a qualifier.

HONORARY MUSER

Burmeister/Seavey moved to table this until December 2.

ADJOURNMENT

Moderow/Burmeister moved to adjourn. Meeting adjourned at 3:30 p.m.