

MINNESOTA STREETCAR MUSEUM

MINUTES

Board of Directors Meeting
7:00 PM – Thursday – February 9, 2023
Computer Tele-Conference using Zoom Application
Minneapolis, MN

Present: John Dillery Ben Franske Dave French
 Chris Heck Aaron Isaacs Karen Kertzman
 Darel Leipold Elaine Love Jim Vaitkunas

Absent: None

Others Present: Keith Anderson Bill Arends Todd Bender
 Jerry Betz Pat Cosgrove David Downs
 Jerry Draeger Rod Eaton Bruce Gustafson
 Leah Harp Jim Kertzman Bill Pekarna
 Dick Zawacki

Call to order was at 7:00 PM.

The agenda was approved with no changes.

The minutes of the MSM Board of Directors meeting held on November 21, 2022, was approved with no changes.

Treasurer's Report. Board Chair **Aaron Isaacs** commented that he will move his chair's report after the presentation by Treasurer **Chris Heck** because of the nature of his report.

Heck began his presentation by displaying the proposed Fiscal Year 2023 budget (attached to these minutes) which the Directors had previously been sent. **Heck** then briefly described the general method by which the 2023 budget was developed. Following that, **Heck** then reviewed the rationale that the Finance Committee used in developing the income numbers in the budget.

Regarding the expenses displayed in the budget, **Heck** went into some detail on several of the items which were displayed in graphic form (attached to these minutes). Chair **Isaacs** posed a question regarding the proposal for funds to install electric power to the ticket booth at the west end of ESL. **Heck's** reply was that the Finance Committee decided that there was insufficient information to put anything on this proposal into the budget. When a final recommendation on the project with estimated costs is presented, the budget could then be amended to fund the project if approved.

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Isaacs then asked about the funds for proposed signage at ESL’s Water Street end and **Heck** replied that the funds are in the budget for that. **Isaacs** then reported that several of MSM’s internet managers recommend that the museum’s website needs updating which will require hiring of a professional web developer. **Isaacs** consulted **Ben Franske**, MSM’s Information Tech Manager, on this project and he stated that it’s too early to know what’s needed or how much it might cost. **Franske** will consult with the stakeholders after which a scope of work will be developed and sent to several web developers for bids . A cost estimate on the work and a budget amendment proposal should be submitted to the board in mid-2023.

Regarding capital projects in the budget (shown at bottom of FY 2023 budget sheets), **Heck** reported that all of the projects shown are carry-overs from FY 2022 so there’s no real change to this project list.

Chair **Isaacs** asked whether the \$2K amount for Winona 10’s window shades included the window guards. Chief Mechanical Officer **Dick Zawacki** replied that it includes the window bars, but the bars will get powder coated at no cost to MSM by a friend of an ESL shop volunteer, so the \$2K amount can be reduced to \$700.

Heck then briefly reviewed the balance sheet (attached to these minutes) and reported that with around \$500K on cash and in savings accounts, MSM is in very good financial shape. Chair **Isaacs** commented that the directors should note this large surplus of cash and savings when we consider the next agenda item which is approval of an investment policy and to hire a financial advisor.

There being no further questions or comments from the directors, Chair **Isaacs** then called for a motion to approve the FY 2023 budget.

MOTION: Made by Elaine Love; Seconded by Ben Franske
The Fiscal year 2023 budget prepared by the Finance Committee and presented by Treasurer Chris Heck, is approved as to form and content.
VOTE: Yes – 9; No – 0 **Motion carried.**

MSM’s Investment Policy Statement. Assistant Treasurer **David Downs** then opened this agenda item with a brief review of the proposed MSM investment policy statement (attached to these minutes). **Chris Heck** posted the statement on the Zoom meeting screen and while he was doing that, Secretary **Jim Vaitkunas** commented on the changes and corrections, he made to the draft copy sent to the directors previously.

Downs discussed several items in the document.

- The document is designed to guide both MSM and our financial advisors.
- The document provides policy and lists the responsibilities and duties of the MSM Board of Directors.
- The document outlines the responsibilities and duties of the financial advisor.

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- The document specifies the amount of funds to be invested which is approximately \$300,000. Consideration here is the museum needs to hold back sufficient cash to pay the bills and keep an easily accessible reserve for emergencies.

At this point in **Down's** presentation several directors had questions. Chair **Isaacs** commented that we need to remember that given our recent financial history, we can comfortably assume that MSM will have annual income over expenses of around \$50,000. Chief Engineer **Keith Anderson** asked if the invested funds would be liquid. **Downs** replied that they would be, but the point of investing the funds is for long-term growth which will hopefully be above the inflation rate. Chair **Isaacs** also commented that the funds were not an endowment fund, so we'll have the flexibility to withdraw and use the funds if necessary. Director **Dave French** asked if the roughly \$200K funds that won't be invested gives us a financial cushion in the event of a catastrophic event occurs. **Downs** replied that given the financial history of MSM, especially during the Covid pandemic, that \$200K in cash should be sufficient. Treasurer **Heck** concurred with **Downs'** comments and added that if we needed the invested funds, the lead-time to get them would be much longer than a person needing emergency funds to replace an automobile that was unrepairable.

Downs continued with the review of the investment policy statement stating that the MSM investment objective is to have our investments rate of return four percent (4%) over inflation. This rate is the long-term goal for our investments. Chair **Isaacs** commented that the investment managers with which we consulted recommended five percent over inflation, but the finance committee decided to choose the four percent conservative number. **Downs** continued stating that based on the investment goal, our financial advisors recommend that MSM invest sixty percent in equities (stocks) and forty percent in income (bonds) investments. Crypto currency will not be in our investment portfolio.

Downs continued with the review of the investment policy. The investments will be reviewed by the finance committee using the watch list criteria and measuring costs guidelines in the investment policy. The investment managers will monitor our investments and render quarterly reports which will be used to review investment performance. Director **Ben Franske** asked how the dividends or appreciation in value of our investments would be used. **Downs** replied that any funds realized from the increase in value or dividends would be reinvested in MSM investments on a 60/40 ratio. Chair **Isaacs** commented that if we needed cash we always have the option of putting the dividends and appreciated invested funds into our cash accounts.

Chair **Isaacs** raised the issue of how many signatories should be on the investment policy. After some discussion on that and the issue of the edits made to the document, the consensus was that the Board Chair and Treasurer would sign the approved investment policy. Vice Chair **Dave French** asked whether we ought to include instructions on reinvesting dividends into the investment policy. Chair **Isaacs** replied that the finance committee and the board will be able to do that, so there's no need to include that in the investment policy. Assistant Treasurer **Downs** then commented that as a rule any

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dividends or appreciation in value of our investments would be automatically reinvested by our investment advisors. However, we have the option at any time to have the advisors sell appropriate investments if MSM needs the cash.

There being no other questions or discussion, Chair **Isaacs** called for a motion to approve the MSM investment policy.

MOTION: Made by Chris Heck; Seconded by Ben Franske
The MSM investment policy statement presented by the finance committee is approved as to form and content.
VOTE: Yes – 9; No – 0 **Motion carried.**

Related to the previous topic and motion, Secretary **Vaitkunas** made the following motion.

MOTION: Made by Jim Vaitkunas; Seconded by Ben Franske
MSM will retain the services of the investment firm of Bond & Devick Wealth Partners of St. Louis Park, Minnesota as MSM's financial advisors.
VOTE: Yes – 9; No – 0 **Motion carried.**

Board Chair's Report. Board Chair **Aaron Isaacs** then commented that he wants to discuss a topic that was raised at the Operations Committee meeting held on February 8th. The issue is a policy on how the museum will manage charter requests. The example of last season's charter for a political rally was cited to decide on a request the museum has for a charter or special event during Minneapolis' pride day. The Ops Committee requested that the Board provide guidance when a charter is requested that might be possibly construed as political or controversial.

Specifically, MSM has received a written request to operate a streetcar in conjunction with pride day on Friday, June 9, 2023 from 6 PM to 9 PM (copy of proposal attached to these minutes). The event would be promoted among the Twin Cities LGBTQ community. **Isaacs** stated he didn't want a decision at this board meeting but wants the board to consider the issue and approve a policy at the next board meeting.

Director **Ben Franske** commented that he sees this complicated issue in two ways. One, there are so many politically divisive issues today that the museum needs to be careful in advocating a particular issue. Two, there's a difference between an event sponsored by the museum versus allowing a group to charter a streetcar. **Franske** continued that the museum needs to be careful to not get into deciding whether to allow one group to charter a streetcar while denying a charter to another group. Also, the museum should not be seen as endorsing any group or entity. Secretary **Vaitkunas** commented that a separate museum group, maybe the executive committee, needs to discuss this issue and then come back to the board with a recommendation and a policy if necessary.

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MSM Member **Leah Harp** then stated that she was really surprised and concerned by the discussion so far on this proposal, which she considers to be non-controversial. Secretary **Vaitkunas** responded on a personal note that our cautious response at this meeting should not be considered in a personal way but from the viewpoint of the best interests of the museum considering the restrictions on the museum given the educational mission of the museum. Member **Harp** offered to contact two lawyers who could help us sort through this issue. Director **John Dillery** then commented that he also is concerned about the museum fulfilling its educational and historical mission. It would be good if the event could tie into Twin Cities history, good or bad, which would support the museum's educational mission.

Treasurer **Chris Heck** then displayed an extract from the US Internal Revenue Service's website pertaining to the restrictions placed upon 501(c)(3) organization in dealing with political campaigns and candidates (attached to these minutes). He feels that the IRS 501(c)(3) restrictions do not apply to the event that is proposed by Ms. Harp and some others in the museum. If we are promoting and following our mission, supporting the event for an underserved group will benefit the museum in the long run. MSM Superintendent of Training **Bill Pekarna** commented that he sees this as a non-issue. The IRS directive is clear, and this event is not political or tied to any candidate or political activity.

Chair **Isaacs** concluded this discussion by stating that a policy on charters will be developed between now and the next board meeting with the board approving the policy at that time.

General Superintendent's Report. Superintendent **Bruce Gustafson** began his report by stating that he previously submitted a full report (attached to these minutes) to the board for this meeting and so his comments will be brief. His report includes information on ESL for which he thanked ESL Superintendent **Todd Bender** and **Karen Kertzman**.

- Ridership numbers at ESL and CHSL for 2022 were good and compared favorably with 2021 and even 2019.
- Operating crew was stable in 2022 and comparable to prior years.
- As in past years about 80% of the qualified operators actually pulled a shift with a much smaller number of Operators filling about 50% of the shifts.
- The special events, especially the Christmas events, had very good attendance.
- Merchandise sales are reflected in **Gustafson's** report and represents about 30% of point-of-sale income.
- The 2023 schedule will remain essentially unchanged except for ESL where the Tuesday afternoon operations will be cancelled because of changes to the Excelsior farmer's market location.

In response to a question on Covid-19 requirements from **Bill Pekarna**, **Gustafson** stated that there will be no requirements for vaccination or masking.

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ESL Superintendent Report. Superintendent **Todd Bender** stated that he had nothing to add to the ESL information in the General Superintendent’s report.

Mechanical Department Report. Chief Mechanical Officer **Dick Zawacki** reported that details on the Mechanical Department activity are included in the General Superintendent’s report. The highlights in the report are as follows.

- The four operational cars at both railways, Nos. 78, 265, 322 and 1300 have been given their winter maintenance and the shop crews at both railways have done a great job getting the streetcars ready for both the start of Operator training and for the up-coming season.
- The work on Winona No. 10 is still on-going and **Zawacki** has been in frequent communication with the contractor Swiger Coil to keep the project moving. The motor should be back to MSM sometime in April and it will take another six to eight weeks for it to be installed on Winona No. 10.
- A meeting with contractor **Rob Mangels** will be held on February 11th to discuss the status of the truck rebuild project for No. 1239. The goal of the meeting is to get a commitment from **Mangels** to finish the job and we intend to hold him to those commitments. **Zawacki’s** estimate is that the car will be ready for testing later-on in 2023 and go into revenue service in 2024.

Engineer Department’s Report. Chief Engineer **Keith Anderson** reported that he has discussed the fiber-optic cable project at CHSL with the contractor and the contractor estimates the project will start at the end of April. The work will take about a week and main issue is whether the work will adversely affect training and any other work at the CHSL during that time. We’ll have to coordinate with the contractor to minimize the impact of the work on the museum’s activities.

Training Department Report. Superintendent **Bill Pekarna** reported that training in 2023 will be the same as in 2022. **Pekarna** described the weekly and daily training schedule in detail. Recruiting new Operators has been on-going and we might have many Operators in the training program this year. We’ll have to wait and see the actual numbers of candidates and a final class of 18 to 24 candidates is optimal.

- Orientation is scheduled for the week of March 25th,
- On the streetcar training will begin the first week of April.

Board Chair **Isaacs** asked what the final decision was at the Ops Committee meeting on February 8th on charging the trainees extra for their participation in the training. **Pekarna** replied that the question was whether to make the trainees join for two years as an incentive to have them return for their second year as an Operator. **Rod Eaton** responded that there was no consensus at the Ops Committee meeting on the issue. Volunteer Coordinator **Pat Cosgrove** also commented that the decision on whether to

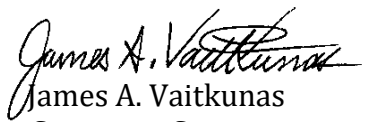
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charge extra for training can wait until just before the orientation to which **Pekarna** concurred.

Treasurer **Chris Heck** suggested that for next or future years, perhaps the museum should consider a two-tiered training process where we train non-operating conductors at a lower level. This will reduce the work of the training department because the training will be less complicated and time consuming. The intent is to let the Conductor get a feel for streetcar operations with the goal of being promoted to motorman if they stick around past the first year or two.

Other Business. None

There being no further business or reports, the meeting adjourned at 8:18 PM.


James A. Vaitkunas
Corporate Secretary
Minnesota Streetcar Museum

Attachments

1. FY 2023 budget draft
2. FY 2023 budget expenses detail
3. FY 2023 balance sheet as of 1/1/2023
4. MSM Investment Policy Statement (draft)
5. Pride Day special event proposal
6. Extract of federal Internal Revenue Service guidance regarding 501(c)(3) organizations
7. General Superintendent's report and Chief Mechanical Officer's report

Minnesota Streetcar Museum
2023 Proposed Budget
 January - December 2023

	10 CHSL	20 ESL	30 MSM	TOTAL
	Budget	Budget	Budget	Budget
Income				
4010 Contributions			25,000.00	25,000.00
4110 Passenger Fares				0.00
4111 Tokens	40,000.00	6,000.00		46,000.00
4112 Season Passes	5,000.00	400.00		5,400.00
4119 Cash Over/Short			-50.00	-50.00
Total 4110 Passenger Fares	\$ 45,000.00	\$ 6,400.00	-\$ 50.00	\$ 51,350.00
4120 Charters	6,000.00	1,200.00		7,200.00
4130 Special Events/Revenue	24,000.00	6,000.00		30,000.00
4150 Merchandise Sales				0.00
4151 Taxable Sales	20,000.00	2,500.00		22,500.00
4152 Non-Taxable Sales	1,400.00	150.00		1,550.00
4159 Sales Tax Expense	-900.00	-150.00		-1,050.00
Total 4150 Merchandise Sales	\$ 20,500.00	\$ 2,500.00	\$ 0.00	\$ 23,000.00
4160 Member Dues - Current Year			13,000.00	13,000.00
4190 Miscellaneous Income			2,000.00	2,000.00
4191 Interest Income			10,000.00	10,000.00
Total Income	\$ 95,500.00	\$ 16,100.00	\$ 49,950.00	\$ 161,550.00

Minnesota Streetcar Museum

2023 Proposed Budget

January - December 2023

	10 CHSL	20 ESL	30 MSM	TOTAL
	Budget	Budget	Budget	Budget
Expenses				
5100 Repairs and Maintenance				0.00
5110 Engineering (Track & Overhead)	1,200.00	1,400.00		2,600.00
5120 Buildings & Grounds	3,200.00	1,850.00		5,050.00
5130 Streetcar Maintenance	19,000.00	10,000.00		29,000.00
Total 5100 Repairs and Maintenance	\$ 23,400.00	\$ 13,250.00	\$ 0.00	\$ 36,650.00
5200 Operations				0.00
5220 Permits, Licenses, & Dues		250.00	200.00	450.00
5230 Volunteer Services			1,000.00	1,000.00
5290 Special Events	3,680.00	1,000.00		4,680.00
Total 5200 Operations	\$ 3,680.00	\$ 1,250.00	\$ 1,200.00	\$ 6,130.00
5300 Insurance			11,000.00	11,000.00
5400 Utilities				0.00
5410 Electricity			9,000.00	9,000.00
5420 Natural Gas for Heat			2,750.00	2,750.00
5430 Water & Sewer			2,000.00	2,000.00
5470 Security System			2,000.00	2,000.00
Total 5400 Utilities	\$ 0.00	\$ 0.00	\$ 15,750.00	\$ 15,750.00
5500 Marketing & Communications			0.00	0.00
5600 Exhibits & archive acquisition			900.00	900.00
5800 Merchandise Cost			13,500.00	13,500.00
6020 Phone and internet			3,000.00	3,000.00
6030 Administrative expenses			2,000.00	2,000.00
6035 Technology			5,300.00	5,300.00
6060 Membership Publications			12,000.00	12,000.00
6092 Bank Service Charges			100.00	100.00
6093 Credit Card Processing Charge			4,000.00	4,000.00
Total 6090 Other Admin Expense	\$ 0.00	\$ 0.00	\$ 4,100.00	\$ 4,100.00
6600 Reconciliation Discrepancies			-100.00	-100.00
Total Expenses	\$ 27,080.00	\$ 14,500.00	\$ 68,650.00	\$ 110,230.00
Profit	\$ 68,420.00	\$ 1,600.00	-\$ 18,700.00	\$ 51,320.00
Capital Projects - proposed				
Winona 10 motors		24,000.00		24,000.00
CHSL fiber connection	26,000.00			
No. 1239 truck rebuild	85,000.00			85,000.00
Finish ESL concrete		5,700.00		
Total Capital Expenses	\$111,000.00	\$ 29,700.00	\$ 0.00	\$ 140,700.00

<u>Account</u>	<u>Item</u>	<u>Class 10 - CHSL</u>	<u>Class 20 - ESL</u>	<u>Class 30 - MSM</u>	<u>TOTAL</u>
5110 - Engineering					
	Miscellaneous expenses	\$1,200.00	\$150.00		
Dick	Repair Rail Bond Welder		\$250.00		
Dick	Track 3 Spring Switch		\$1,000.00		
		<hr/>	<hr/>	<hr/>	<hr/>
		\$1,200.00	\$1,400.00	\$0.00	\$2,600.00
5120 - Buildings/Grounds					
Karl	Sprinkler maintenance + fire extinguishers	\$750.00	\$750.00		
Jerry Betz	Paint, brushes, tools, etc.	\$1,500.00			\$1,500.00
Dick	Electric Power for Water Street Ticket Booth				
Dick	Battery Backup Emergency Exit Lights		\$600.00		
	Miscellaneous expenses	\$900.00	\$500.00		
		<hr/>	<hr/>	<hr/>	<hr/>
		\$3,150.00	\$1,850.00	\$0.00	\$5,000.00
5130 - Streetcars					
Dick	Restoration Materials	\$2,000	\$1,500.00		
Dick	Expendable Shop Supplies	\$2,000	\$1,500.00		
Dick	Miscellaneous Shop Tools	\$1,000	\$750.00		
Dick	Complete Backdating of 1239 Interior and Exterior	\$500.00			
Dick	Winona #10 Window Shades		\$2,000.00		
Dick	CHSL shop expenditures from Dennis Stephens	\$13,021.00			
Dick	Maintenance Pit Cover		\$2,000.00		
Dick	Portable Hand Tools		\$700.00		
	1300/1239 New Truck				
	Odometer/Speed/Temperature Sensors				
Ben	(approved in 2020 & 2021)	\$350.00			
Dick	LED Shop Lights		\$1,500.00		
		<hr/>	<hr/>	<hr/>	<hr/>
		\$18,871.00	\$9,950.00	\$0.00	\$28,821.00
6035 - Technology					
	Adobe Photoshop License			\$240.00	
	QuickBooks Online			\$75.00	
	Website advanced custom fields			\$50.00	
	Website toolkit license			\$75.00	
	ESL hotspot			\$120.00	
	CHSL UPS/surge supsressor replacement			\$575.00	
	Miscellaneous small projects			\$500.00	
	New display screen computers			\$1,000.00	
	CHSL security camera upgrades			\$1,100.00	
	Carbarn fiber supplies			\$1,500.00	
		<hr/>	<hr/>	<hr/>	<hr/>
		\$0.00	\$0.00	\$5,235.00	\$5,235.00

MSM Balance Sheet 01/01/2023

<u>Account</u>	<u>Balance</u>
Huntington Checking	\$5,734.95
Huntington Savings	\$346,041.45
Trustone Savings	\$5.00
Trustone Money Market	\$99,466.98
Trustone CD	\$52,759.75
TOTAL BANK ACCTS	\$504,008.13
Inventory	\$18,229.00
TOTAL ASSETS	\$522,237.13

Investment Policy Statement

Effective Date: 2/9/2023

For: Minnesota Streetcar Museum

Background and Purpose

The Minnesota Streetcar Museum (MSM) is a Minnesota non-profit corporation with its principal place of business in Minneapolis, MN. MSM is governed by a board of trustees which is responsible for developing and implementing this Investment Policy Statement (IPS) for the purpose of prudently and effectively investing, monitoring, and utilizing the assets in MSM's combined investment portfolio (Portfolio).

MSM's Portfolio presently consists of four general bank accounts and Certificates of Deposit (CDs) designed to help meet MSM's short-term and long-term expense requirements:

The purpose of this IPS is to help MSM's board of directors in its fiduciary duty to make investment decisions and take actions which are in the best interests of MSM. This IPS is also intended to guide or direct those third parties hired by MSM to assist with various components of this fiduciary duty. More specifically, this IPS is intended to:

1. Set forth MSM's objectives and guidelines for the investment of its Portfolio;
2. Encourage effective communication between MSM and all parties involved with investment management decisions; and
3. Establish formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment selection on a regular basis.

Duties and Responsibilities

Board of Directors

MSM's board of directors has the ultimate fiduciary responsibility for its Portfolio. The board is responsible for ensuring that appropriate policies governing the management of the portfolio are in place, and that they are implemented. The board sets and approves the IPS and then delegates responsibilities as necessary. The board is responsible for approving investment strategy; hiring investment managers to implement the strategy; and monitoring the Portfolio's performance and compliance with the investment policy on a suitably regular basis. The board is responsible for ensuring its compliance with all applicable fiduciary, prudence, and due diligence requirements, including but not limited to compliance with federal and state law governing non-profit associations.

Investment Managers

Investment Managers retained by MSM act as fiduciaries and serve as objective, third party professionals to assist MSM in managing the overall investment process. Investment Managers are responsible for guiding the board of directors through a disciplined investment process, which tasks include:

1. prepare and maintain this investment policy statement;
2. select sufficient asset classes with different and distinct risk/return profiles so the Portfolio might be prudently diversified;
3. prudently select investments;
4. control and account for investment expenses associated with the Portfolio; and,
5. monitor and supervise service vendors and investments.

The main point of contact for the investment manager(s) will be the MSM Chair. The Chair along with the Treasurer and one additional Director shall receive quarterly and year end reports for the investment accounts. The additional Director appointed to receive a copy shall not be a signer on the investment accounts.

Custodians

Custodians are responsible for the safekeeping of the Portfolio assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings;
2. Collect all income and dividends owed to MSM;
3. Settle all transactions (buy-sell orders); and
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

Statement of Objectives

MSM's Portfolio – the assets covered by this IPS – currently total approximately \$300,000 in market value.

This policy is derived from the history of the investments for MSM. It is an attempt to provide direction for whomever will make investment decisions for the association for both present and long-range needs.

The objectives of the Portfolio are:

Investment goals and objectives are long-term growth.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than twenty-five years. The Portfolio's strategic asset allocation is also based on this long-term perspective. Short-term liquidity requirements are covered by cash and short-term assets (certificates of deposits and money market accounts) or at least should be covered by cash inflows. Short-term liquidity requirements are anticipated to be minimal.

Risk Tolerances

MSM recognizes that some risk must be assumed in order to achieve the investment objectives. In establishing the risk tolerances of this IPS, the ability to withstand short and intermediate term variability were considered.

The Portfolio's long time horizon, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

Performance Expectations

The desired investment objective for the Portfolio is a collective, long-term rate of return on assets that is at least 4 % above inflation. The target rate of return for the Portfolio has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The board of trustees realize that market performance varies and a 4% rate of return above inflation may not be meaningful during some periods.

General Account Policies

- Cash and short-term assets will be held through MSM's banking relationships and kept in cash and Certificates of Deposit for annual operating expenses (approximately 6-12 months of estimated expenses)
- This Investment account will have the following asset allocation:
 - 60% equities which may include individual stocks, mutual funds, alternative investments and/or exchange traded funds
 - 40% income which may include bonds, bond funds or Treasuries
 - This ratio will normally vary during an investment year, but shall be limited to 5% variation

Asset Class Guidelines and Rebalancing

The board of trustees' philosophy is not to time the market and it will strive to maintain a diversified portfolio strategy. The acceptable asset classes for investment are:

Large Cap Equities	Emerging Market Equities
Mid Cap Equities	Fixed Income
Small Cap Equities	Cash Equivalents
Real Estate Investment Trusts	Preferred Stock
International Equities	Alternative Investments

Prohibited assets include but are not limited to:

Commodities and Futures Contracts	Real Estate Properties, except as donated assets
Private Placements	Interest-Only (IO), Principal Only (PO), and Residual Tranche CMOs
Options	
Limited Partnerships	
Venture Capital Investments	

Monitoring

Performance Objectives

The board of directors acknowledge fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance; the board of directors intend to evaluate investment performance from a long-term perspective.

The board of directors is aware that the ongoing review and analysis of the investment selections is just as important as the due diligence process. The performance of the investment selections will be monitored on an ongoing basis and it is at the board's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

Watch List Criteria

The decision to retain or terminate an investment cannot be made by a formula. Also, extraordinary events do occur which may interfere with the investment's ability to prudently manage investment assets. It is the board of directors' confidence in the investment's ability to perform in the future that ultimately determines the retention of an investment. An investment may be placed on a Watch List and a thorough review and analysis of the investment selection may be conducted, when:

1. Underperforms its category average over 1, 3 and 5 years
2. Lead manager change
3. Has less than 5 years of performance history

Measuring Costs

The board of directors will review at least annually all costs associated with the management of the portfolio, including:

1. Expense ratios of each mutual fund against the appropriate peer group
2. Administrative Fees; costs to administer the portfolio, including record keeping, custody and trust services
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the portfolio

These costs above must be provided by the Investment Manager.

Investment Policy Review

The IPS will be reviewed at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS. Any changes in this IPS must be approved by the board of trustees and communicated to all interested third parties.

APPROVAL

This Investment Policy Statement has been approved by The MSM’s Board of Directors, to be effective as of _____, 2023.

Aaron Issacs, MSM Board Chair

Signature

Date

David Downs, Treasurer

Signature

Date

TBD

Signature

Date

DRAFT

Rainbow Family Streetcar Ride

Monday June 19th, 6-9pm

Organizers: Anja C, Leah H, Linda R, Mary Ann G-B

Following a many-year tradition, the Minnesota Freedom Band (<https://www.mnfreedomband.org/aboutus>) is playing at the Lake Harriet Bandshell to start off Pride Festival week in Minneapolis on Monday June 19th. We'd like to add a family-oriented streetcar event that night for LGBTQ families, a Minneapolis event similar on a small scale to the Pride Family Fun Day (<https://tcpride.org/event/pride-family-fun-day-2023/>) in St. Paul the previous day (also an annual event).

We'd operate the 1300 and charge standard fare. If we find rainbow-striped "trolley poles" we can purchase a box or two out of pocket and hand them out. We'd like to hang rainbow bunting and/or rainbow flags on the front of the 1300. And we'd list the event on the Twin Cities Pride event calendar, possibly announce it also from the bandshell stage that night if the Freedom Band is willing.

We've talked with Andi Otto, Director, at the Pride headquarters (<https://tcpride.org/about-pride/>), about whether an event such as ours typically needs security. He said it would be unlikely, but the organization would be able to have a few volunteers join us on the platform anyway.

Our streetcar event would take advantage of the free publicity of the Pride calendar and the audience draw of the Freedom Band, extending our services within a new community. Families are the backbone of MSM's clientele and family-oriented events are a welcome addition on the Pride roster.



The Restriction of Political Campaign Intervention by Section 501(c)(3) Tax-Exempt Organizations

Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violating this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

Certain activities or expenditures may not be prohibited depending on the facts and circumstances. For example, certain voter education activities (including presenting public forums and publishing voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity. In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would not be prohibited political campaign activity if conducted in a non-partisan manner.

On the other hand, voter education or registration activities with evidence of bias that (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

Interactive Training

Learn more about the benefits, limitations and expectations of tax-exempt organizations by attending 10 courses at the online Small to Mid-Size Tax Exempt Organization Workshop.

Minnesota Streetcar Museum

General Superintendent's Report – February 2023

I. GENERAL COMMENTS

2022 In Review:

1. Ridership. 2022 had strong performance compared to 2021 and is comparable to 2019 traffic levels CHSL. (ESL is down 26% compared to 2019). Since operations did not begin until July 2021, full year comparisons are questionable, but performance for the comparable time period (July thru October) 2022 remains strong (+25%).
2. Staff. The roster includes 117 qualified operators. This compares to 103 operators in 2021 and 117 operators in 2019. 98 (80%) operated during the season, which is a comparable percentage to prior years. We continue to experience trends where a relatively small group of operators provides the bulk of the volunteer hours. The pattern, which has existed for a long time is unlikely to change, unless we can identify and encourage the next set of individuals to fill in as some of the current high hour volunteers may decide to step out.

2023 Initial View:

1. Schedule. There are no major changes to the schedule for 2023. The regular operating season is scheduled to begin Saturday April 29 and end with our holiday activities on Sunday December 3.
2. Start-up Activities.
 - a. Recruitment is already underway, and we have a very large backlog of interested volunteers some of which are carryovers from prior years. Pat Cosgrove has identified ~60 interested volunteers new in 2023 and another 20 or so carrying over from last year.
 - b. Training will start with orientation sessions beginning Sunday March 26, in a combination meeting of in-person and remote (Zoom).
3. Engagement with Other Organizations. While the plans are not finalized as the writing of this report, operations is planning activities catered to the Autistic and Neurodiversity populations and well as participating in the "Doors Open" event.

II. OPERATIONS

RIDERSHIP

As can be seen in the following tables and comments, the data sources and time periods are slightly different for CHSL and ESL but convey similar messages. My intent is to separate the regular season from the fall/ winter special events that are scheduled mid-October thru the end of the year.

CHSL

Excluding Fall/Winter special events total passenger counts at CHSL are 21,437. This is 9,170 (43%) higher than 2021 and slightly higher to 2019, even though we operated one more evening shift

(Tuesday), which would have generated another 650-800 riders (based on 50-60 riders night x 13 Tuesdays) assuming they did not migrate to other scheduled trips. Special event ridership of 1,642 in 2022 is below 2019 volumes (I could not find 2021 stats), but 2022 lost at least one day (including Vinternatt) due to weather.

		CHSL						2022 Variance <i>incr/ (decr)</i>
		Date	Tokens	Passengers	Trips	Passenger/ Trip	Tokens/ Trip	
2022	Regular Operations	Total May	1,925	2,300	239	9.6	8.1	
		Total June	3,045	3,638	376	9.7	8.1	
		Total July	4,655	6,133	502	12.2	9.3	
		Total August	3,631	4,293	543	7.9	6.7	
		Total September	2,330	2,990	208	14.4	11.2	
		Total October	1,757	2,083	117	17.8	15.0	21,437
	Spec Events	Total October		388	19	20.4		
		Total November		566	14	40.4		
		Total December		688	14	49.1		1,642
2021	Regular Operations	Total May		0				
		Total June		0				
		Total July		3,388				
		Total August		3,722				
		Total September		2,864				
		Total October		2,293				12,267
	Spec Events	Total October		na				
		Total November		na				
		Total December		na				
							9,170	

CHSL							2022 Variance incr/ (decr)	
Date	Tokens	Passengers	Trips	Passenger/ Trip	Tokens/ Trip	YTD		
2019	Regular Operations		Total May	2,529				
			Total June	4,128				
			Total July	4,661				
			Total August	5,816				
			Total September	2,357				
			Total October	1,441			20,932	
								505
	Spec Events		Total October	653				
			Total November	0				
			Total December	1,668			2,321	(679)

ESL

YTD end of October, ESL has had 4,385 riders. Similar to CHSL, this is strong performance compared to last year and down somewhat from 2019. Within the total ridership 3,026 were during regular trips, 420 during charters, and 939 during special events. November and December volumes are covered in the special event section.

ESL - Total - YTD October

Date	Passengers	Variance to 2022 incr/ (decr)	
2022	4,385		
2021	3,015	1,370	31%
2019	5,522	-1,137	-26%

SPECIAL EVENTS

GENERAL (Bill Arends)

Attached is a recap of the revenue and ridership for our winter events this year data from the POS system. Unfortunately, we lost Vinternatt this year. In 2019 revenue from Vinternatt was \$2,651. In 2019 we lost the first Saturday of Holly Trolley costing us about \$1,500. The vagaries of the weather in Minnesota.

Christmas-themed Special Events continue to be a large driver of volume and revenue for the museum, representing about 20% of ESL's and 5% of CHSL's volume. The table below summarizes the results from the POS system.

Category	MSM		CHSL		ESL	
	Items sold	Net Sales	Items sold	Net Sales	Items sold	Net Sales
Special Events	2,397	\$ 9,685	1,247	\$ 6,235	1150	\$ 3,450
Fares	24	72	24	72	0	-
Donations	5	150	1	10	4	140
Merchandise	131	717	124	682	7	35
Total	2,557	\$ 10,624	1,396	\$ 6,999	1,161	\$ 3,625

ESL (Karen Kertzman, Todd Bender)

- After a two-year hiatus, we resumed Christkindlsmarkt operations over Thanksgiving weekend with a new format. The new format included Christmas caroling led by volunteer song leader(s), the story of Randolph-the-Blue-Nosed-Reindeer featuring volunteer Chuck Anding, and Letters to Father Christmas where kids write their own letters on pre-printed templates supplied by volunteers. Reception of the new format was well received. While we lost a handful of riders due to Father Christmas not being aboard, an overwhelming number of riders actually preferred Christmas carols over Father Christmas.

The new format also proved to be quicker. While we reduced operating hours to 12-4pm for all three days, we were able to complete three runs per hour vs two under the old format. This worked out to approximately 36 runs for the entire weekend vs 42 under the old format. Nearly every run was full and the minimal wait times between runs kept people happy.

Next year, Christkindlsmarkt will move back to the Excelsior commons and will be open for two weekends. We still plan to run the same 12-4pm shifts over Thanksgiving weekend, though it hasn't been decided if we will operate a second weekend.

CHSL (Bill Arends)

- Holly Trolley
The hours of operation were from noon to 3:30 pm all four days. The depot was open by 11:30 am each day for ticket sales. Each day there were people waiting outside the depot to purchase

tickets when the depot was opened. All tickets were for a specific half hour, 12 pm, 12:30 pm, etc. Frequently tickets were purchased for time slots later in the day. Because of the timed tickets long lines were infrequent. There were no problems with ticket holders showing up late and expecting to get on the next run.

Ticket sales by day were as follows.

- Saturday, November 26: 320
- Sunday, November 27: 248
- Saturday, December 3: 252
- Sunday, December 4: 436

I felt the ridership the first weekend was slow considering the temperature was in the high 30s to low 40s. On both days there was a lull during the 2 to 3 pm time slots. A couple of runs were made with 10 or 15 riders.

Saturday of the second weekend was very cold, temperature in the teens. Sunday was again cold but better. Ridership was strong all day. Every run was full. An extra run was added at 4 pm. On the first day we sold 55 tickets for each run. We found that with that many in the car Santa could not visit with each child in a half hour and the cars began to run behind schedule. Also, with everyone wearing heavy winter clothes it was difficult to get everyone seated. The rest of the days 48 tickets were available for each run. Turn time problem was solved.

Ridership was down significantly on the first 3 days compared to pre-pandemic. However, the event overall was a success.

▪ Vinternatt

Canceling Vinternatt was a tough decision, but in my opinion the correct one. With the amount of new snow that had fallen it would have been difficult, and unsafe, for volunteers to place the trees, batteries, and theater lights along the right-of-way. By the time the event would have ended at 9 pm the temperature was at about zero or slightly below. Very unsafe for cleaning up along the right-of-way and picking up the lights, trees, etc.

CHARTERS

CHSL

Charter activity ended the year considerably higher than 2021 and comparable to 2019, which had a very strong close to the charter season.

CHSL - Charter Activity

		2022	
Date	Passengers	Full Year	Variance
2022	Total May	486	<i>incr/(decr)</i>
	Total June	348	
	Total July	490	
	Total August	131	
	Total September	211	
	Total October	90	1,756
	Total November	0	
	Total December	0	

		2022		
Date	Passengers	Full Year	Variance	
2019	Total May	212	<i>incr/(decr)</i>	
	Total June	270		
	Total July	306		
	Total August	603		
	Total September	69		
	Total October	230	1,690	66
	Total November	0		
	Total December	0		

		2021		
Date	Passengers	Full Year	Variance	
2021	Total May	0		
	Total June	116		
	Total July	133		
	Total August	240		
	Total September	109		
	Total October	453	1,051	705
	Total November	0		
	Total December	0		

ESL

2022 YTD October ESL had 9 charters with 420 riders

III. STAFF

END OF YEAR (includes station agent only volunteers)

The roster includes 102 active operators (with hours worked). This compares to 103 operators in 2021, 117 operators in 2019, 115 operators in 2018, 106 operators in 2017, and 104 operators in 2016.

SYSTEM

The roster has 122 qualified operators, including 4 that operate at both lines. Of the 122 operators 98 were active. The 80% active is consistent with prior years.

COMO-HARRIET

- At Como-Harriet we have 92 operating personnel compared to 81 in 2021 and 90 in 2019. 75 (82%) of the operators operated in 2022 for a total of 2,700 hours, not counting training

activities. This is very solid performance. Following historical patterns, a small group (14 volunteers) have contributed 50% of the total operating hours at Como-Harriet. These individuals are Rod Eaton, Bill Arends, Mike Buck, Bill Way, Patrick Desbonnet, Jerry Betz, Pat Cosgrove, Andy Jacob, Bruce Allyn, Linda Ridlehuber, Aaron Isaacs, Bill Pekarna, Louis Hoffman, and Dan Odegaard. An additional 12 volunteers (Nick Mainguy, Mary Jo Odegaard, Scott Heiderich, Rose Arends, Steve Simon, Ed Copeland, Anja Curiskis, Fred Beamish, Leah Harp, Mike Lerdahl, and Jay Patel) contributed more than 40 hours.

EXCELSIOR

- At ESL we have 34 certified operating personnel compared to 27 in 2021 and 43 in 2019. 27 (79%) of the operators operated in 2022 contributing 600 hours. A small group of volunteers (7) have contributed over 50% of the total operating hours at ESL. These individuals are Karen Kertzman, Jim Kertzman, Tim Gephart, Mike Buck, John Knox, Charles Karver, and Pete Cahill.

IV. MISCELLANEOUS

ESL (Karen Kertzman, Todd Bender)

- Concrete Floor. After Christkindlsmarkt, we requested bids for concrete floor installation in the final 1/3 of the cold barn. The plan was to perform this work in early spring of 2023, but one bid came in substantially lower than the others with one caveat...they wanted to pour concrete in 2022 before the ground froze. This led to some frantic juggling to request board approval and obtain the necessary permits. In the end, we were able to complete the pouring of the interior floor, but the pouring of the exterior apron was missed by one day and will need to be completed in Spring 2023.
- Furnace / Roof Bids. In addition to the concrete floors, bids were also obtained for replacing the furnace and roof.
- Publishing Mesaba 10 Excerpts. Thanks to the efforts of Carl Floren and John Presthold, we were able to get excerpts from the Mesaba 10 supplement published in both the Excelsior / Southlake Sun Sailor and Virginia Hometown Focus. This free publicity was greatly appreciated and couldn't have happened without the efforts of Carl and John.

CHSL (Jerry Betz)

- Painting. Painted depot benches on seated surfaces and visible supports above bench seat and railings by the pedestrian tunnel.

V. STATION / MERCHANDISE

The table on the following page summarizes station sales. Sales as defined below represents nearly 30% of the POS activity. Also of note is the strong Online Sales of almost \$2,500.

	MSM Total	CHSL	ESL	Train Show	Online Sales
Artifacts/ Historic Souvenirs	\$7,999	\$6,279	\$1,069	\$15	\$636
Toys	\$6,102	\$4,924	\$1,094	\$0	\$85
Passes/Membership	\$5,918	\$4,906	\$545	\$13	\$455
Donations	\$3,676	\$1,594	\$2,082	\$0	\$0
Books	\$3,586	\$1,870	\$381	\$157	\$1,179
Clothing	\$1,511	\$1,178	\$205	\$50	\$80
Jewelry	\$1,460	\$1,420	\$0	\$40	\$0
Candy	\$1,372	\$1,372	\$0	\$0	\$0
Other	\$181	\$139	\$10	\$0	\$32
Total	\$31,805	\$23,679	\$5,385	\$274	\$2,466

VI. 2023 INITIAL VIEW

The operating meeting is scheduled for Wednesday, February 8 and, as such, the discussions and decisions are not available as this report is being created.

SCHEDULE

The 2023 operating season is planned to start Saturday April 29 and end with our holiday activities on Sunday December 3.

CHSL

There will not be any changes to the regular schedule. General operations include:

- Wednesday thru Sunday
- Wednesday and Friday afternoons
- Two PCC shifts

Special events. While the plan is not finalized, the projections are to run a full slate of activities

ESL

The core of the regular schedule will continue to be Saturday and Sunday operations.

TRAINING – NEW OPERATOR

In general, the training program will follow the 2021 materials and sequencing. Training will move to all in-person. Orientation sessions are planned to be held March 26 and 27. At this point the team has identified ~80 interested volunteers.

The training team is led by Bill Pekarna, Training Superintendent, and includes Linda Ridlehuber, David Higgins, Andy Jacob, and Jerry Betz. Karen Kertzman will again lead the ESL training team, which also includes Jim Kertzman and Greg Thomas.

RECERTIFICATION TRAINING

We will again require in-person training for operators who operated less than 10 hours in 2021 in addition to an online quiz for all volunteers.

Minnesota Streetcar Museum

Mechanical Department Report – February 2023

Dick Zawacki

CHSL CARBARN ACTIVITY AND STREETCAR STATUS

The new tower car is now fully operational. It meets its design criteria and allows the CHSL crew to work on the overhead with greater safety. The Capital City Trolley Museum has offered to take our old tower car. MSM will incur no expense to complete this project. We expect that Capital City will take possession of the tower car at some time in the spring of 2023.

The CHSL crew has ordered 48 replacement brake shoes for TCRT 1300 and 1239 from Smith Foundry. Each car uses 16 brake shoes (8 per truck), but individual shoes are replaced on an “as needed” basis. There was a significant price break to order this quantity. We have decided to use a different material (grey cast iron) to improve the overall life and operation of the shoes.

TCRT 1300

TCRT 1300 supported most of our regular season, fall season operations, and special events at CHSL during 2022. The car completed its standard annual maintenance regimen over the winter. No major problems were found that need to be addressed as a result of this annual maintenance. Several clerestory windows have been repaired.

TCRT 322

TCRT 322 has completed its annual maintenance checks and lubrication protocols. Other annual maintenance items unique to a PCC car (voltage regulators, battery status, etc.) were completed over the winter. No major problems were found that need to be addressed because of this annual maintenance. The crew is repairing some rusted areas on the car body and working to restore the exterior surface of the car.

TCRT 1239

The shop crew has completed modifying or reproducing all the parts they can to replicate the Baldwin #5 trucks that were originally under the car. We next need to coordinate fabrication of new gears, turning the wheels to the correct streetcar profile, assembling the truck components, installing the completed truck under the car, and making all the necessary electrical and pneumatic connections. This project has seriously fallen behind its original schedule and expected completion dates. A meeting will be held on February 11 to review the project’s progress to date with our contractor. We will identify what needs to be done to finally get the project completed in a timely manner and who we will work with to make it happen on a schedule that is acceptable to us. We are trying to sell the GE 57 motors that were previously on the car but have had no takers so far.

ESL CARBARN ACTIVITY AND STREETCAR STATUS

Track #3 has been realigned in the cold portion of the car barn. A new drainage culvert to help drain water from the track yard was installed under the tracks in front of the car barn doors. Concrete was installed around track #3 to provide a complete concrete floor in the cold portion of the ESL car barn

DSR 78

The car continues to support regular revenue and charter service as needed. The car will go through its annual maintenance regimen over the winter.

DSR 78

The car continued to support regular revenue and charter service as needed during 2022. The car has gone through its annual maintenance regimen over the winter. No major problems were found that need to be addressed as a result of this annual maintenance.

DSR 265

The car supported most the ESL's regular operations, special events, and charter operations in 2022. The car has completed its annual maintenance regimen over the winter. No major problems were found that need to be addressed as a result of this annual maintenance.

MVPS (Winona) 10

Rework of the car's 100+ year old GE-800 motor continues at Swiger Coil in Cleveland, but, due to several factors, the pace is slower than originally expected. In July, the commutator was refurbished by ICC Continental in Marysville, Tennessee. Swiger Coil has fabricated a new rear baffle to screw onto the armature. This baffle was damaged by AC Electric (the company that we originally contracted to repair the motor). At their suggestion, Swiger is now providing weekly updates to MSM to monitor their progress and get the project completed. In addition, Tim O'Donnell has offered to be our "eyes and ears" at Swiger to monitor and report on their progress. Tim is an acquaintance of Aaron's through HRA who lives in the Cleveland area, worked at Cleveland RTA, and worked with Swiger during his career. The car certainly will not be ready for revenue operations until sometime later in the 2023 operating season.

Mesaba 10

Several years ago, we acquired two Japanese trucks that closely resemble the trucks that were originally under the Mesaba 10. The ESL crew straightened the truck frame, removed the old grease from the gear boxes, cleaned the major components, and prepared the trucks to be mated to the car. Mesaba 10 now resides on its own trucks in the cold area of the ESL carbarn. Additional clean out work continues in preparation for starting some restoration work later in the summer of 2023. The long-term plan continues to be to restore sections of the car as a part of creating a display to show our patrons how the on-going restoration process happens.