

C&T Commission meeting 30-Apr-16

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<http://www.coloradonewmexicosteamtrain.org/commission/index.htm>

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I may not have all of the “legal” terms correct. There may be spelling errors with persons or businesses. I paraphrase much of what was said. I try to indicate what the speaker means. This document serves to give the readers not present at the meeting a “pretty good” idea of what happened.

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New Mexico Commissioners: Randy Randall, Billy Elbrock
Colorado Commissioners: Lucy Kay, Dan Love

Pledge of Allegiance

Introductions

Pledge of allegiance

Motion approve agenda

Approval of minutes from October , 2016. Approved.

Agenda item 6 Presidents Report John Bush

6a Train Operations report. We have operated a 2 day snow plow train in March. It helped generate funds for the railroad as well as the Friends of the C&T.

6b Maintenance and Repair Report. 4 engines will be ready for the beginning of the season. 488's superheater flues has been delayed. 488 is expected to be in service late in the season. The passenger cars have been through their annual inspection, have been repaired and are ready to go for the season. The shop crew in Antonito has been building the body of the newest car. It is expected that shell will be completed by the end of the season. This winter, it will be outfitted as a coach, which will allow us to rebuild one of the old coaches.

6c. Tracks Across Borders Scenic Byway (TABB) Muriel Essen (not sure on spelling) presenting. She gave an overview of what TABB is designed to be. Colorado designated their part of the byway April, 2015. New Mexico did the same in May. Explained how the initial team came together, and decided to become a non-profit last September. As such, the TABB is eligible for grants, donors can receive a tax break. Bylaws were a real struggle, which were needed to become incorporated. They ended up with affiliate organizations, such as the two railroads (D&S, C&T), and others. The affiliates have representatives to the TABB. Other organizations provide advisers. Bylaws have been approved. Having some trouble getting together with the Jicara & Southern Utes. They are engaged and responsive. The TABB non-profit organization is now ready to be created. \$1,100 is needed to create the corporation and begin to operate it and fund raise. She thanked the C&T for some of the funding to get this project going. Three big things are ahead. One is develop a corridor management plan. Next is marketing and promotion. Colorado Department of Transportation (CDOT) is installing the signage on the Colorado side. That should be nearly done by now. Need to put out a map and brochure. She is getting grant applications submitted. Grants from NM & CO DOTs are being explored. Working with the three counties to get them involved. Dan Love thanked her for the energy & leadership she put into getting things this far. Randy Randall suggested that the commission provide \$1000 so the TABB can become legally established (registered). The commissioners approved.

6d. Historic Car Fleet update-John Bush. Work is moving ahead on RPO 065, a self funded project. A restoration expert has been hired. Contracts are in the mail for the coach 292 project. That project should be started June 1.

6e. Reservation Report-John Bush. As of April 26, 5,993 bookings compared to 4,932 for the same time last year, a 13.4% increase. Deferred revenue is up by 9.08%.

6f. Marketing Report-Lee Bates. Goal for this year is 39,000 riders. An increase of 4.9% revenue over last year. Our goal is to increase ridership with our base out of CO, while sustaining our reach in NM & TX while reaching out to further regions to the west. On April 22nd, completed a major refresh of the web site. The strategic plan this year include a strong mix of print insertions in key magazines and visitor guides. A

strong presence on key internet sites. Running TV commercials in Albuquerque and Colorado Springs as well as DirecTV, Dish & Comcast. We printed 250,000 brochures and in the hands of Certified (brochure distributor) for distribution. There will be more CO locations this year. AZ will also have increased distribution. As part of the opening day festivities, there will be remote radio broadcasts from both Antonito & Chama. Sunset dinner trains will continue this year. There will be a few Saturdays that will be skipped this year, due to other events, or poor producers in the past (Labor Day). There will be a new special train this year, the Mountain Botany on August 21. The Cinder bear and kids ride free programs continue this year.

6?. (John Bush finishing his report). CO & NM have both provided capital funding as well as operational funding for the commission. Combined capital funding is about \$1,700,000. Significant progress has been done with the track work project. Expect by the end of 2017 tie installation will be done. Still a little behind on the ballast. If funding levels can be kept up, the long term improvement should be done in by 2021, getting the track into a maintenance mode. John pointed out the C&T helped the Colorado Railroad Museum (CRRM) by sending the tamper & track crew to Golden to help rebuild their track. Now that the CRRM is using a larger locomotive, their track needed some work. The tamper was loaned, the museum paid the crew.

7a. Financial Report-George Canham. Randy Randall recently learned that 60% of bookings on the C&T occur within 14 days of the ride. On 5/2, the appropriation request from NM will be submitted. Those funds should arrive just after the first of July. These are commission operating funds. CO funding won't become available until November. On to Capital Projects, we have completed billing to CO & NM through March.

Commissioner Reports

8a. Chairman Report-Randy Randall/finance. NM provided \$615,000 this year through the legislative process, \$500,000 in the statewide capital outlay, and \$115,000 from individual legislators.

8b. Vice Chairman Report-Lucy Kay/marketing. Wants to keep a close eye on the marketing plan, family business. Looking forward to pricing for 2017. The 60% of bookings 2 weeks prior to the trip will be a factor on how pricing will be done in the future. How can more revenue be derived without increasing marketing dollars.

8c. Secretary Report-Billy Elbrock/local affairs. Reports that Kim Casford has been on as community relations liaison for a year now. He thinks the program is working really well. Has received many comments from the community, and they are happy the railroad established this position. Kim now reports: she has really enjoyed establishing a line of communications with the community. She has been working

with the local businesses get their presence on the web site more current. She has received many positive comments on the web site redesign. The interactive map has been well received.

8d. Treasurer Report-Dan Love/capital projects. Have been looking at ways to allocate costs between the commission (the oversight board), and the operating company (CTO). This has resulted in better understanding the commission oversight costs vs. operational costs, leaving out the “middle man” that existed in the prior organizational structure (eg. management companies). The CO governors office of planning & budget is using the C&T's approach to get other agencies in CO to do the same. Planning, the 10 year plan, is not there with those agencies. This brings along huge credibility to the commission/CTO. This has gained the funding over the next 3 years that was received this year. This has made getting funding from CO much easier. Randy Randall discussed the old model, when a management company was operating the railroad. There was no 10 year plan, or 5 year plan, as the operator has no assurance they will still be around later on. With the new model of self operations, which gives the 10 year plan to have credibility with the states.

At this point, Carol Mackey (not sure on spelling) wanted to comment. She wanted to share a story about an experience with the parlor car on the C&T. See the video report for the details.

9a. Friends of the C&Tsrr Report-Tim Tennant. Work sessions will begin in a few weeks. Have about 75 people registered for work session A & B. Last year had about a 30% increase in volunteers. The Friends tendered (prior to the meeting) a check for \$2,500 toward the 168 (locomotive). Tim thanked the railroad staff for running a fine flanger charter last March. These charters gain a lot of good public relations. The latest Trains (June/16) magazine has a photo of the charter. The Friends are continuing efforts to get the C&T established as a World Heritage site. This is about a ten year process. There will be efforts required of the commission to achieve the designation.

Unfinished Business

10a. Accept the 2015 Audit. The audit was completed and submitted to both states in December. Dan Love moved to accept the 2014/2015 audit. Billy Elbrock seconded. Passed.

10b. Locomotive 168 fundraising update. John Bush presenting. 168 was used earlier this year for a TV commercial. The excess funds received for the commercial will be used for the 168 restoration. The boiler jacket has been removed. Since the boiler still has tubes, it went through a hydrostatic test. Its operating pressure is 160 PSI. It was tested at 200 PSI and didn't leak a drop. It is believed that \$650,000 will need to be

raised to restore the engine. So far, funds that have been received have been small amounts (like from the railfan community). It is assumed that professional help will be required for the necessary fundraising. During the last commission meeting, it was reported that one fundraising company was interested. John reported this meeting that he is looking around Colorado Springs for one, as the locomotive came from same and connections for funding will probably come from that area. So, there are now two proposals on the table. Further down in the agenda is a motion to fund the fundraising. It was moved up, to be next.

New Business

11g. Approve/Disapprove Pre-campaign fundraising study funding from HPA for Locomotive #168. Dan Love moved to approve up to \$21,500 from the Historic Preservation Account (HPA) for the pre-campaign funding. Lucy Kay seconded. Passed.

11a. Rich Casford from RGRPC-donation of plasma cutter for Antonito Shop. Rich gave a brief history of the RGRPC for the newer commissioners. Rich got a tour of the Antonito shops & the historic car fleet from Marvin Casias and learned that a desire for new tooling was desired. Cutting with a hand torch was a bit labor intensive. It was requested of RGRPC to acquire a plasma cutter. Rich presented the commission with the paperwork giving the railroad ownership of the cutter.

11b. Approve/disapprove FY 2016/2017 commission budget. The budget for this year will be presented as a combined commission & operating budget. One of the changes is it was noticed that responsibility for insurance was not distributed equitably. The insurance has been split up. The management of the commission used to be performed by an executive director. That is now done by a blend of the commission and the railroad. The budget as presented is about break even. Dan Love moved to adopt the zero based allocation of both responsibilities and costs for the upcoming year and to continue that process with refinements going forward. Billy Elbrock seconded. Passed.

11c. Approve/disapprove FY 2016/2017 Cumbres Toltec Operating (CTO) budget. With a forecast of 39,000 passengers, should generate about \$3,900,000 in ticket sales and an additional \$380,000 in retail sales. This year, the cost of goods is about 53%. That should provide a gross profit of about \$4.11 million dollars. That is about 4.3% over the current FY. Expenses are changing, in part due to the reallocation of costs. Expecting expense of about \$3.6 million. There will be a bit of a drop in payroll costs, as those will be moved to the commission. Medical costs will continue to be an issue. Liability insurance is a new addition at about \$100,000. Supply & services, is budgeted to increase. Some of that is a contingency as we don't know what is going to happen with the coal supply. The King mine in Hesprus is on the bubble as far as its

continued operation. An additional \$46,000 is budgeted to cover the possible increased cost of coal. Other increased costs are meal service, bus service, which would be due to increased ridership. The overall net income for the operating company is projected to be \$409,000. This is an important number to reach as it was presented to the states in the 10 year plan . The railroad gradually needs to grow the money to become self sufficient. Randy Randall asked “where does that \$400,000 go”. It will go into a contingency reserve. Lucy Kay moved to approve the budget. Billy Elbrock seconded. Passed.

11d. Approve/disapprove Amendment to Toltec Gorge Catering (TGC) contract and advance. The contract with the caterer is with the commission, and not the operating company. It is felt by the commission that keeping the contract between the commission contractor protects the food service contract. The amendment will slightly modify the current contract. There was a profit guarantee instituted a year or so ago which was not as effective as desired. This amendment takes us through calendar year 2016, the childrens meals will be charged at the same rate as the adult meals. There will be no change in pricing on the dinner train meals. There is a guarantee of \$1000 for the dinner train meals. Dan Love moved, and Billy Elbrock Seconded. Passed. Randy Randall moved to present with a \$15,000 promissory note to TGC to acquire initial inventory and supplies. Billy seconded. Passed. The TGC contract expires at the end of this season. Steven Flowers says this will be 14 summers he has been doing the meal service at Osier.

11e. Approve/disapprove Community Relations Liaison contract for one year starting May 1, 2016. Kim Casford says she wants the job for another year. Billy motions for approval. Lucy Kay seconds. Passed.

11f. Approve/disapprove Resolution for Disposition of Property. Dick Cowles presented modifications to the rules regarding disposition of property as he authored the change. The resolution presented to the commission this day modifies the 1977 rules. This discussion was rather long and detailed. As I understand it, it makes it easier for the president of the operating company to discard scrap item (up to a certain dollar value, \$10,000), without \prior commission permission. The more valuable assets would take all 4 commissioners approving the release of assets. The release of scrap came up in the January 2016 meeting. The current rules say the proceeds from disposition of property goes to the two states. This resolution would now allow the proceeds to be retained by the commission for use by the railroad. Dan Love moved to approve the resolution with the modifications mentioned by Randy Randall. Lucy Kay seconded. Passed.

Lee Bates had a quick announcement. On May 12, one of the commissioners will be honored by Colorado Preservation, Dan Love.