

C&T Commission meeting 03-Feb-18

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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: Dick Cowles, Billy Elbrock

Colorado Commissioners: Dan Love, Mark Graybill

General Manager of the C&T railroad: John Bush

1. Call meeting to order

2. Pledge of Allegiance

3. Introductions

4. Motion to approve agenda

Approved.

5. Motion to approve the Minutes from the October 28, 2017 commission meeting

Approved.

6. Presidents Report - John Bush

Last season saw 38,010 passengers, up 7.4% and 11.2% on revenue. During the Santa trains (combined numbers from both Antonito and Chama), 3,469 passengers. 5,925 pounds of food, 1,263 toys and \$1,200 in direct money donations. The fare was \$5 for adults. This helped reduce the cost to the RR to put on the event. Presentations have been made to the Joint Budget Committee (JBC, Colorado), on the 5th of January asking for \$1,295,000 for the third year of the cycle. The figure setting will occur March 12. Legislative session will end on May 10. The CO governor will have until May 20 to sign or veto the bills. Things are expected to go as planned in CO. In New Mexico, John and Commissioner Cowles made presentations to the sub committee of the house appropriation in finance. \$290,000 was requested for commission support. They have recommended \$111,800. The RR requested \$975,000 for capital support (track, locomotive, cars). This request is in HB306 at the \$600,000 level. That session ends February 15. The RR won't know how that went until the session ends. The governor has until March 7 to line item veto the item. If the funds come from NM, it is hoped that the MOW crew can be called back early. The track improvement program didn't advance as much as desired last year due to funds and weather. The reservation picture for this year looks good. Last year at this time, the RR had 1,239 reservations. This year, there are 2,133. Ahead 72% over last year. Revenue is ahead by 98%. The revenue bump is attributed to the new pricing structure, as well as the demand for premium cars. The RR is in the process of negotiating the contracts with Toltec Catering (who is eager to continue working with the RR) and Mountain View Tours for the shuttle coaches. The RR was featured in a movie, "The Hostiles". Please go see it, the RR is in the last four minutes.

6.a Train Operations Report - Ed Baudette

The new season is well underway in the planning stages. It will resemble last year, which was a good season. The RR will run 149 days. There will be night trains as there have been in the past. There will also be the Geology Train (June) as well as the Wild Flower train (August). There are currently six fireman/engineer schools planned with a strong chance of adding a seventh. They were quite successful last year as well

as helping the bottom line of the RR. There are a couple of charter trains for the Friends of the C&TSRR. The second weekend of the season involves a charter with engine 315 for Saturday and Sunday. Later in the Fall, the end of September will be a 3 day Rio Grande Southern special. Trains Magazine will be running a two day special at the end of August to commemorate the last freight run on this line. The NARCOA group will be back for two visits this year. Goose 5 will also return this season. Work is very active at this time regarding the budget required to run these special events. John Bush commented that last years fireman/engineer school as well as the Goose 5 gave the RR exposure on PBS, which is good PR, which helps ridership. Commissioner Love thanked everyone involved for having their work ready to present the commission.

6.b Maintenance and Repair Report - John Bush

The annual repairs to the rolling stock in Antonito are nearly complete, and will be done in time to open the RR. A new car is being built in Antonito. It might be ready for this season. The Antonito people are doing a stay bolt cap inspection. With funding limitations, this moves some of the car funds to locomotive, keeping people employed. It is important to keep these people employed, as it is them that really keep the RR running. There is some experimenting of painting techniques from the 168 project. It is hoped this will reduce maintenance costs on the regular fleet as well. Things are also going well in Chama. It is expected to open the season with all of the locomotives in service. That means all five of the C&T locomotives as well as the visiting 315.

6.c Historic Car Fleet update - Stathi Pappas

It looks like funding has been secured for work on the next car in the historic car fleet, the 1879 Billmeyer and Small coach 256. Work is continuing on the Jackson and Sharp car 292. The 292 work should be completed by mid May. Some of the staff working on locomotive 168 have also been helping with work on the 292 to meet the May goal. Two additional workers from the summer staff have been brought back early. There are currently nine people working on the car. The exterior of the car should be done by about mid February. If you are in the area, and wish to see the work, Stathi invites you in to see what is going on. Work on the 168 is in temporary slow down, to assist in the work on the 292. The tender of the 168 is complete sans lettering. Soon the gigantic 168 lettering will be on the tender as per its appearance in 1916. The lead truck rebuild is in process. The wheelsets have been turned and ready to return to the locomotive. The timeline and budget for the 168 are going incredibly well. It is currently under budget. John Bush also invited the public to come see the work that has been done. Commissioner Cowles also passed along thanks to Stathis group on the great work. Commissioner Graybill was impressed with the high quality

that is going into the cars. John Bush pointed out that the work being done on the cars (including the 470 in Colorado Springs, a Friends project) and locomotives brings these things back to what they looked like back in the period.

6.d Tracks Across Borders Byway update - John Bush

There is a meeting Monday 2/5 in Pagosa Springs. A phone based tour (app) is being built. This app will allow your cell phone to provide information about what you are seeing with out any cell service. It would just use the GPS to know what information to present to the user.

6.e Reservation Report - John Bush

Already given, see above.

7. Financial Manager Report

7a. Financial Report - George Canham

The December financials were delivered in January to the commissioners. Being so near the beginning of February, there was not enough time to get the January financials done. A check of about \$35,000 was sent to the Friends. That is money the commission voted to give the Friends (20% of the historic preservation fee). This is based on a fiscal year, not a season year. During this next week, discussions will be going regarding the budget. There is a need to pare down the chart of accounts to get rid of accounts that get very little activity. There are now two assistance for accounting, Becky in Chama, and Rebecca in Antonito. They will help in preparing the background work for budgets going forward. This should enable a line item budget to be presented to the commissioners. George will be working with commissioner Cowles to select a New Mexico auditing firm. The winning firm will be invited to the RR to better learn about the RR. The firm needs to understand that the RR is not your everyday state agency. Commissioner Cowles thanked George for getting the books in far better condition. This helped get the two states to pass the audit on time.

8. Commissioner Reports

8a. Chairman Report - Billy Elbrock/local affairs

Billy passed off this to Kim Cassford, the community relations liaison. Kim started off by commending Barbara Hogan on her recovery from a medical issue of two and a

half months ago. Barbara is an important part of the Chama community. Antonito is working on a walking trail system. The first public meeting for same is February 9 at the Antonito town hall from 5PM to 7. The trail system will go down to the Antonito depot, with signage along the way. Sandra Grey is planning on reopening her gift shop, near the Antonito depot. A group in Chama, the Chama Western Heritage group are planning several events this summer. They are planning a Gene Autry day. They plan on inviting the town of Antonito to participate. It will take permission from Gene Autry's wife to name the event after Gene. Commissioner Love was asking Kim about what could be done to better integrate the RR and the town of Antonito. John Bush asked about the condition of the gas station in Antonito. Will it reopen as a manned station, vs. credit card only. At this time, there seems to be no future of having a person there that could accept cash for fuel purchases. Commissioner Cowles noted that less passengers load in Antonito. 37% of boarding's occur in Antonito, last year. He would like to see a higher loading percentage in Antonito. John asked if there was a functioning Canejos chamber of commerce. The answer is no. There are funds for a chamber, should one get started back up.

8b. Vice Chairman Report - Dan Love/capital projects

Capital funding comes from state appropriations, not operating funds. Most of the money from the states is focused on rebuilding the equipment used on the RR. Over the last 5 to 10 years, commissioner Love is pleased with how well things are being maintained. The sand house is going to be fixed. The big goal still remains to eliminate the need for tax dollars to fund the RR. As far as Mr. Love is concerned, the C&T is the only real historic RR in the country. The commissioners narrative is best listened to via the video record.

8c. Secretary Report - Dick Cowles/finance

The commission does have timely financials from George for the CTO (Cumbres Toltec Operating company). The commissioner reviewed the numbers, and feels things are in good shape. Mr. Cowles reminded us that we will know what the NM governor signed or didn't sign by March 7. NM is increasingly depending on oil and gas dollars. It causes boom or bust cycles. NM is currently the 3rd largest state in oil production and may actually end up first within a year. While the NM legislature may smile during good years, there are shortfalls to still address. When times look good, every one comes for their money. The RR has asked for \$600,000 for capital outlay. More was asked for more, to match CO, but \$600,000 is better than zero. NM is providing just a third of what the commission needs to operate. Half of the commissions budget goes to paying insurance, RR property and liability. If the commission was a state agency, there would be no insurance worry. The commission looks to both states to pay for the insurance. At times, NM looks at the RR as a state

agency, and other times, not. This causes more problems. This has been going on for about 20 years. Mr. Cowles is hoping for greater than \$111,000 for the commission. John Bush pointed out that commission expenditures must be made. While he can trim other costs, the commission spending is required. Moving money from the operating company to cover the commission makes the goal of self sustaining more difficult. Mr. Cowles pointed out that the compact from both states (that started the railroad), says it is to be an equal effort from both states. Equal ownership, equal funding. This has been tough for the folks in Sante Fe, as they were looking at a state that nearly went bankrupt in the past year. George Canham pointed out how the commission owes the CTO \$234,000 as the end of December. That increases each two weeks as payroll happens. The situation is getting serious. George asked if anyone has a friend in the NM legislature, to talk to them. Mr. Cowles pointed out that commissioners are not on the payroll. Commissioner Love pointed out how the 168 project is teaching the RR how to reach to the community for funding.

8d. Treasurer Report - Mark Graybill/marketing liaison

He pointed out the importance of getting the railroad self sufficient. He thinks marketing can be used to gain that goal. Mark has met with Launch Advertising last November. He is pleased with what they plan to do this year. They have a similar budget to last year, of \$618,000. Having Launch again this year gives the RR marketing consistency. For years, the RR has had a different marketing entity every year. Launch is working on a web site redesign, making it more mobile friendly. Paid media will also be used this year. They will continue to promote the RR core product, the experience and scenery. Launch is projecting another 7%ish growth year, say more than 40,000 passengers, with a revenue growth more than 7%.

9. Friends of the C&TSRR Report - Tim Tennant

Tim is proud to announce that 2018 marks the 30th anniversary of the Friends. Back in 1988, Bill Lock established the Friends organization. The first official work session week will be May 21st. The projects have been layed out for the season. Seven more work session weeks will follow. Friday, March 17th is the spring banquet in Albuquerque. Jim Wrinn, editor Trains Magazine will speak. Tim updated the commission on the work being done on car 470, the tourist sleeper car. The work being done in Colorado Springs. The Friends are also working on the cab for locomotive 168. A Friends crew will be down late April to continue the cab work. There are several train shows going on around the country this time of year. The Friends try to provide exposure at those. The Friends will be at the Rocky Mountain Train Show in Denver next month. Ed Beaudette mentioned the two charters, to commemorate the 30 years of the Friends. Tim mentioned the July moonlight train. For the Friends annual banquet, June 22, a short train to Cumbres for dinner. The Fall banquet will be in Golden CO. Commissioner Cowles pointed out how difficult rainy

years like last can make it difficult for the Friends to get cars painted. Thus there have been talks about establishing more covered facilities. John Bush asked about the influence of the Friends in Antonito. Tim reported that about 500 "bodies" work on the Antonito side. That isn't 500 people, but 500 "slots", as some people work multiple work sessions. That is 500 out of about 2500 members. When Tim got with the Friends 14 years ago, the facility in Antonito was just a tin shell. Since then, things have grown a great deal. There is a loyal bunch of folks that like coming to work in Antonito, just as there is for Chama. It has helped the businesses in Antonito, Mogote.

10. New Business

10a. Approval for building two new Premium Cars

Commissioner Cowles started off by giving the audience a history of the RR. Back before 2000, the RR was an all coach train. Then a parlor car was added. After that, a tourist class. Both of which have been proven to be very popular. It has become clear where the growth in the RR has come from, the premium class cars. For example, ridership might go up 4%, while premium class raises 7%. Coach class raises at a slower rate. The road to self sufficiency is to have enough riders to cover costs. In the past year, 44% of revenues came from the premium class riders, while representing 30% of total riders. It is proposed to add premium cars to the fleet, which will take a couple of years. Two more tourist class cars is what is suggested. 2016 to 2017 growth was 7% more passengers. 3% more in coach, where premium grew by 18%. The premium cars are nearly at capacity. The current estimated cost to build these two cars is about \$540,000. They would be converted from the existing car fleet, as generally, the RR has more coaches than needed. With current growth, over five years, a payback of 1.3 million dollars is expected against a \$540,000 investment. The commission would like John Bush to come up with a project plan to see how to go about doing this. Dick Cowles read the formal resolution to the commission. Commissioner Graybill commented, as the economy gets better, and what other railroads are seeing, guests will not reserve unless they can get into premium class. Without the additional premium class cars, the RR stands to loose future riders. The resolution passed.

10b. Executive Session

Adopt compensation as discussed in the Executive Session. Passed.

11. Adjournment