

C&T Commission meeting 30-Jan-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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Introductions

Pledge of allegiance

Motion approve agenda, adding the discussion of the audit, new business

Approval of minutes from October 21, 2015. Approved.

Agenda item 5 Presidents Report John Bush

5a Train Operations report. 36,170 passengers for the 2015 season. Revenue ticket sales of \$3,321,650, up from \$3,062,616 from the prior year. Ridership up 9.8%. 32,942 riders last year. On a fiscal year basis, we had revenues of \$3,474,742. After the season the RR undertook track work to repair the bridge just north of Chama. The bridge went back into service the beginning of December, allowing the Christmas trains to run. The Christmas trains ran, collecting food & toys for the area. There were 5,500 pounds of food collected. 1,500 toys. 3,174 passengers. \$7,576 was the cost to the RR to run the trains. About \$27,000 of free publicity. 540 hours of volunteer hours donated. YTD reservations 2,170, for uncollected revenue of \$194,136. Up 27% from last year. Due to changes in group bookings, this years numbers are stronger and more secure than in the past.

5b Maintenance and Repair. 488 is undergoing its 1472 boiler work. Boiler measurements have been taken& sent to the engineering firm for creation of the form 4. Flue sheets are being prepared. The engine should be ready for opening day. In Antonito, the passenger fleet has been

inspected. One of the older coaches is being upgraded to the new style. It is a big project and will not be ready for opening day. A second car will undergo the same work when the first is done. (Auth: It sounds like they will be built as a premium car). Engine 168 will be used in the production of a commercial this week. When that is done, it will be disassembled to determine work needed to restore. In the last year, the rail across Cascade trestle was realigned about 6 inches. Four other trestles were worked on. 1,631 ties replaced. 3,175 tons of ballast. Surfaced 11.6 miles of track. Have completed the master plan for the historic car project. Applied for a grant for the work on coach 292. The grant has been recommended for funding (\$200,000). We are working on RPO 65. Once funding for 292 arrives, the 2 projects will be worked at the same time. A presentation was made to the Colorado Joint Budget Committee for continued funding. Recommended a 5 year continuing resolution for stable funding.

5c. Tracks Across Borders Scenic Byway. There are now a set of bylaws. We are seeking funding. The Colorado wayfinding sign have been created. Now working with New Mexico for their wayfinding signs. (Auth: 5d Historic Car Fleet, 5e Reservation Report was presented above)

It was asked if there will be any asbestos abatement required for 168. John Bush said that had been done 32 years ago in Colorado Springs.

5f Marketing Report (Lee Bates). This years brochures are out. 250,000 were printed. The area of distribution has expanded this year to border edge states. Examples include the Grand Canon, Oklahoma, more places in Texas. "Certified brochures" (the company that fills the racks) has gotten the brochures out in NM & CO. We are in the final stages for the marketing plan for FY 2016/2017. This year, we will try to front load the marketing effort, before the season starts. In the past we worked around the differences between calendar year and the fiscal year. Many times, we had to wait until July 1 for fiscal funds to come in. Last year, that helped the boost in the late season, but didn't help for the early season. An effort to market early this year will be made to boost June ridership. The goal for ridership this year is 38,550 minimum. Lee would like to see 39,000 this season. He put a request to the commission to increase the 2015/2016 marketing budget by a little more than \$40,000 to market the early season this year. The strategic plan for pricing is complete. Like last year, the coach pricing is the same for early and late season. Tourist & Parlor pricing was bumped \$6. It was felt that there isn't a price resistance for those classes. Lee is trying to keep this train ride family friendly. He mentioned that for a family of 5 some distance from the RR, the cost to ride could be \$700-\$1000 including lodging, etc. This year they are going to price one trip (Antonito-Osier-Antonito), on certain days at \$69 adults, \$29 for children. This will determine if it is that trip, or the prices that make it the least popular trip. Commissioner Randall asked that with the kids ride free being good for just three days a week, how does this help the family friendly. For the special trip (trip 3), kids ride free everyday. The other trips are set on Wednesday, Thursday & Sundays when the families are in the area. The kids ticket is charged for their meal, \$6 for Cinderbear, and \$11.75 for Osier. The brochure does mention that the cost of the meal is not part of the Kits Ride Free program. Commissioner Randall wants the program to be monitored to be sure the RR isn't loosing business on the other days. Since the brochure doesn't mention anything specific about the days, it can be flexible.

6. Financial Report – George Canham

6a Capital Projects. Commissioner Randall mentioned that George has completed the conversion of the books to the current system. It will make the reporting far more accurate and understandable. George said the books now reflect how the RR really operates. There are 4 books, The CTO (Cumbres Toltec Operating company), The Commission, The Historic Preservation Account, and Capital Projects. This makes things easier when filing audit reports to the states as required by law. George mentioned new chart of accounts, and other account stuff I don't understand. In the long run, the monthly financial statements will be easier to produce. December financial statement highlights; For the first 6 months of this FY, CTO budgeted a \$691,000 surplus, but is really \$755,000. The reason is that money will be reduced during the non-operating part of the FY. (The first 6 months of the FY are July to current. Most of those months, the train is running). Right now, the RR is spending about \$130,000 per month. The payroll was high in December. The payroll is done every other week. In a nutshell, as far as the RR is concerned, December was a 3 pay month. Commission financials, was budgeted for the first half of the FY for a net profit of \$234,629 when in fact it has a deficit of \$79,744. Due to changes in personnel procedures with History Colorado where the funding for the commission office comes from, that money has yet to arrive. It is hoped that Commissioner Love can speed up the process. When those funds arrive, things should be pretty much on budget. Commission employee budget on the other hand is up 50%. Capital Projects, in theory are net zero operations. The states approve funding, and the RR spends it all. The RR spends the money, then receives the states funds. So currently, we are down at the end of December, \$318,000. A new budget for the next FY will be created with input from each of the managers. Historic Preservation Account (HPA), this is the 5% fee on ticket sales. Funds are spent as a historic project comes along. Expenses this first half year was just under \$13,000.

6a Report on 2015 Audit. The audit is done 3 years in CO, then 3 years in NM. This year, it is in CO. The CO auditors got the audit report on Dec 15, a month early. When NM is doing the audit, their reports are due Dec 15. A long discussion relating to workmans comp occurred. The video will have those details.

7 Commissioner Reports

7a Chairman Report, Randall Randall/finance. He was pleased the audit was submitted on time. He is pleased with John Bush and his teams. They keep doing a stronger& stronger job. When the commission moved to this model of self operation, the commission as a whole took a large risk. It is due to John's team that has allow this model to succeed. The NM legislature is in session now. The energy price plunge means pain for NM. NM governor Marteniz says all increases are off the table. The RR had asked for an increase in general funds. The increase was not asked of the legislature. There is \$500,000 requested for capital, \$250,000 for track, \$250,000 for locomotive. It is hoped this amount will hold. It doesn't look possible to get more. It is possible that funding will be less.

7b Vice Chairman Report, Lucy Kay/marketing. We are working on a 12 month budget with an 18 month plan, so to be ready for the next season. Lee did an outstanding job on the marketing plan.

7c Secretary Report, Billy Elbrck/Local Affairs. Billy also thanked John Bush and his team on getting the current management model to work so well. He then asked Kim Casford to report on public affairs. Kim makes herself more available than the GM (who has a RR to run). Kim has attended an LFC (NM's legislative finance committee). Commissioner Randall asked her if there were any community concerns. Kim replied she didn't think so. John Bush thanked Kim for her value to the RR. John will be working with Kim, to keep her up to date on the RR, so she will have good information with the community. While wrapping up this topic, Commissioner Randall & Elbrock discussed getting a static display somewhere in Chama as a form of advertising. They both agree it is a great idea.

7d Treasurer Report Dan Love/capital projects. He wanted people to understand the difference between the upgrade & the maintenance programs. The upgrade program, now 8 years old is to refurbish the road, and put it into good order, along with the rolling stock and some structures. This is to get caught up on maintenance deferred by the Denver & Rio Grand as well as the states when they acquired the RR. This consumed a good chunk of capital money from the states. When that is finished (5 to 6 years), the RR could be controlling its own destiny. Meaning it could be self sustaining. This could reduce the need for state(s) money. Next, Colorado's appropriation process is very different from NM's. He mentioned that in the underlying agreements, that both states would fund equally. He expects to get full funding from CO. He mentioned that CO is in a huge budget bind this year, and will get worse next year. This is due to CO's TABOR (Taxpayer Bill of Rights limits on revenue). Due to recent vote, the state of CO has requirements for K-12 school funding. This year the RR will get funded with the amount requested because the CO governor and its legislature on the RR's side. The RR is being seen very favorably within the Colorado state government because things are running well. The five year continuing resolution (mentioned above) is unheard of in CO as normally one legislature doesn't commit another to funding. The only reason the RR is considered for the five year resolution is due to the upgrade program. It is understood that not finishing the upgrade program, the RR will suffer. We are on a really great track. Commissioner Love has struggled to get funding for the historic fleet. The CO state historic fund has agreed to \$200,000 in a grant to car 292. By April, the \$200,000 appropriation and the grant to begin honest work on car 292. That should take care of one of the three remaining cars. He thinks it will take five years to do that. With Tim Tennants Friends, work on the tourist sleeper, we should have 5 cars in a historic fleet unequal anywhere (including the Durango & Silverton). This fleet of historic cars will be used for special trips that will add to the bottom line of the RR. We are trying to position the C&TS RR as the finest example of steam railroading in the US. John Bush thanked the commission for their thanks. He also wanted to thank his team.

8 Friends of the C&TS RR Report, Tim Tennant. He discussed the 7 work sessions for the year. More people have come out early. Last year, up 30% in attendance. The March flanger charter is sold out. He thanked Lee for getting the brochures out early. The Friends will use them at various train shows throughout the country. The work on the tourist/sleeper continues in Colorado Springs. It is expected it will be done in 2018. Commissioner Love asked Tim when he thought the tipple in Chama could be used for coaling. Tim thinks the lean got corrected. While not sure, Tim thinks it is really close. Mr. Love thinks it would add value to the RR, adding more passengers.

9 Unfinished Business

9a Approve/disapprove update version of Internal Accounting Control Policies & Procedures, George Canham. The prior internal control procedures had several references to HRM (Historic Rail Management, Allan Harper), the prior management company. The commissioners had a few revisions as well. They all received a new copy of the procedures well before the meeting. Approved.

9b Approve/disapprove 2016 pricing, Lee Bates. Mr. Love asked what is happening with the average yield per passenger. Lee replied it is going up about \$1.00. Mr. Randall was concerned with the Kids Ride Free program, and its limited availability. It adds confusion to the consumer. It needs to be watched closely. He also mentioned that the flexible pricing didn't go as far for 2016 as he liked. He would like that implemented quickly. Would like to see that for the 2017 season. Lee reported that the reservation system needs modification to handle that type of pricing. Mr. Love asked Mr. Randall what the term flexible pricing means. (Auth: As I understand it, it would be like the airlines. People riding the same train will have different prices. Depending on load, etc) The goal is to run fuller trains. It is still to be determined how well this may/will work. Mr. Randall wants to continue to pursue this idea. 2016 pricing approved.

10 New Business

10a Request to modify FY 15/16 marketing budget. Lee Bates & John Bush presenting. As mentioned above, the marketing job normally followed the FY. A fair amount of the FY 15/16 budget was been spent last year on TV & Radio to boost ridership on last falls trains. Lee didn't feel that the \$123,000 they have left is enough for the beginning of this season. He would like an additional \$42,650 to gain ridership for June. He would like to do a push in Northern Texas before the season. Approved.

10b Approve/disapprove Friends request for funding for 2016. John Bush presenting. Due to some of the work the Friends do for the RR that are part of the RR's operations, they worked on two drop bottom gondolas that are done in work car service. They worked on one high side passenger gondola used for charter trips. The Friends also worked on 3 flat cars used for MOW. The Friends have requested \$5,955 for materials used. The labor was volunteer. Mr. Randall noted that the money was requested to come from HPA, and feels it elsewhere since it is for cars required to operate/maintain the RR. Mr. Elbrock & Bush mentioned it was to maintain historic cars. Mr. Randall feels the money should come out of operations. Mr. Love felt the funds should come from HPA. Approved.

Mr. Randall went on to comment that the HPA could be used for other historic maintenance, such as painting a water tank. This would be contracted out, rather than rely on the Friends for everything. Tim Tennant replied that that kind of work is a big project for the friends.

10c Approve/disapprove Resolution for Disposition of Property. Wording of the resolution didn't satisfy the NM attorneys. Motion to table was made, pending advice from the NM AG. Mr. Bush has a few specific items he would like to dispose of. Small couplers and other useless scrap steel. None of the items are needed by the RR. Mr. Bush was approved to do so.

10d Approve/disapprove funding for the #168 project. John Bush presenting. It has been on the property since September 2015. A complete inspection must be done next to better determine costs to restore to service. Current estimate to restore is \$650,000. So far, \$20,000 has been raised. About half of that was used to move the locomotive. Mr. Bush estimates about \$20,000 to disassemble for inspection, hydro static test & master plan for restoration. An additional of about \$30,000 for fund raising efforts for the restoration. He is requesting \$40,000 from HPA to cover those two things. \$9,275 remains in the restoration fund. Funding from HPA of \$10,000 passed (for locomotive tear down, inspection & building master plan for restoration). Mr. Randall started off by expressing his concern that only one firm has a proposal for fund raising. Mr. Bush said he had leads in the Colorado Springs area, but no proposals. Mr. Love said he was responsible for the single proposal. It came by History Colorado, a major fund raising entity. Mr. Love dealt with four other firms that he didn't feel was a good fit. Mr. Randall didn't feel comfortable about voting on a 10 page document he just received that day (from the fund raising firm). The date on the document is December 11. Mr. Love is disappointed at the slowness of the activity on 168. He is pleased that that the work will begin soon, but would like to get the funding moving along. He would like Colorado Springs know the engine is in good hands. Mr. Randall finds \$30,000 to be significant. He would liked to have had more than one proposal. Also, why was a document dated December 11 take until today to get to him. A motion to table the \$30,000 for a fund raising firm was made. Mr. Love added that there should be an honest effort to find 2 more proposals. He feels that is going to be a tall order. Tabled,

10e Approve/disapprove funding for TABB (Tracks Across Borders By-Way). John Bush presenting. The TABB has approved a set of bylaws and is moving in getting setup as a 501(c)3. It now needs funding to get maps, brochures, website created. If funding is not received, its status does not sit forever in Colorado. Mr Bush would like \$10,000 from HPA to be used on a 1 for 3 basis. For every \$3 from other sources, C&T would match \$1, up to the \$10,000. Approved. There is a bank account for the TABB.

10f Approve/disapprove 2016 Commission Meeting Schedule. This year they are meeting on Saturdays. It allows people that work Monday-Friday to attend. It also fits the schedules of several commissioners better. The commissioners felt that every effort should be made for all 4 to attend all meetings. If needed, with proper notice, the date might change if needed to have all 4 commissioners at the public meeting. Approved.

There was an executive session to discuss compensation issues.

10g Approve/disapprove personal compensation. Approved.