

C&T Commission meeting 21-Oct-15

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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. This document serves to give the readers not present at the meeting a "pretty good" idea of what happened.

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Dan Love introduced Lucy Kay, the newest CO commissioner. She is the CEO of the Breckenridge tourism office. She was with the ski resort before that. She has been a consultant to the RR for about the last 3 years.

Dan asked permission to move the Friends report up higher on the agenda. Craig McMullan will present it, then needs to get to Durango for Friends meeting over there. He also informed us that that before the 483/478 locomotive swap, they will go into executive session with lawyers from the NM AG's office.

Introductions.

Minutes from July 16, 1025 approved.

Minutes from special session, October 12, 2015. Commissioner Randall moved to approve after removing one sentence. Approved.

Next, the Presidents Report from John Bush.

149 days of operation, 298 excursion trips, 14 dinner trains, 2 dinner trains for the Friends, a concert train, 18 charter trains including school trains, 23 helper trips. Galloping goose, for a total of 412 trains operated this year. 1 train was canceled due to air compressor problems. This works out to a 99.75% performance rating.

With regard to maintenance and repair, 487 completed its 1472 day inspection, went into normal service July 31 and has been running since. This winter 488 will be rebuilt. The final charter of the season will be 10/24, after which, the 488 will be stripped down for its 1472 day inspection. Over the winter one of the old type passenger cars will be rebuilt to the current "generation 2" car in Antonito along with the normal off season car work. Last winter the passenger cars were painted & clear coated. The stayed in very good condition with the exception of some roofs.

Tracks Across Borders Byway update, got approved may of last year. There have been 4 meetings of the byway commission. There will be another meeting 10/25 in Durango. They have set up an LLC. They are working on mission statement & bylaws. Preparing to apply for non-profit status. Working with the two states to get way finding signs and other promotional materials.

Historic Car Fleet update, the master plan has been completed which have been submitted to History Colorado. It was accepted. A grant has been requested for car 292. About a \$400,000 project. Local people will perform the work, including RR employees. A baggage car has been to the property, but is not yet part of the historic car fleet.

Reservations, Final audited numbers are not yet available, ridership is counted by the number of tickets printed by the DTS ticket system, 36,170, a 9.8% increase over last year. It is above the original goal of gaining 6%. Troy Research discovered the RR had a 92% satisfaction rate from the customers.

Marketing Report, Lee Bates, The season started out slow, rainy weather in June slowed things down. To pick things up in July, used more television & radio, and focus driven marketing. The 2016 brochures will be ready by this Thanksgiving. Thus they will be available for people attending train shows. Troy research reports that 60% of riders used the brochure or some other

printed matter is how those riders found the train. In 2014, the RR printed a little over 100,000 brochures. For 2015, in three printings, the RR printed 250,000 brochures, with 4,000 left.

John Bush mentioned he missed a few operational things. It is the railroads intent to run Christmas trains this year. December 5 out of Antonito, December 12 out of Chama. Admission will be food items or a toy, as was the case last year. The reason for it being in "intent" status, is due to work being done on the Chama River bridge after the Chama Steam Charter runs 10/24. It is hoped the bridge work will be done in time for the Christmas trains. The repair is expected to take 6 weeks. On September 3, the 45 lease for the 168 was signed. Over the winter, the locomotive will see in depth inspection to prepare a master plan on its restoration. To date \$17,976 has been donated to the restoration.

Finance report, George Canham, we paid the bills, and there is money in the bank. John Bush reported that CO provided \$1.1 million and \$645,000 from NM in capital funding. To be used for locomotive, track, bridge and water systems. Some money will be used for a visitor center. This is the third and final year of CO funding at the current rate. A five year plan has been submitted to CO in hopes it leads to stable funding from CO. As far as work done over the summer, 31,000+ tons of ballast spread over 5 miles of track, 3400 ties, replaced 7 switch stands in the Chama yard. The Chama River bridge work is part of that capital plan. Candelaria has supported the upgrade of the RR radio system, a carry deck crane, purchase of a shop air compressor, approved the purchase of another back hoe as well as a grapple bucket. They have been approached about getting a mobile restroom system for use at Cumbres Pass, as well as a vehicle to transport passengers. Commissioner Randall thanked Candelaria for their support. Commissioner Love mentioned they have committed over \$1 million over 10 years. George reports a net profit of \$86,000 in the last FY for train operations. Capital projects come to zero, as all of those funds are spent.

Craig McMullan with the Friends report (Tim Tennent is in Durango for the Friends board of director meetings): There were 7 work sessions. Had a 30% increase in number of people participating. 7 weeks were done in Antonito. The restoration facility there is really getting used. There was extensive landscaping at both depots. The Osier section house saw extensive work. Many tank/stock cars were worked on. There was a record number of people on the moonlight train. The friends operated a MOW train. The immigrant sleeper car is being worked on in Colorado Springs. Probably 3 years left to go on it. Tim is working on getting the C&T as a World Heritage Site. It is a complex, probably 10 year process. John Bush & Ed Beaudette were thanked for their help in the yard when the Friends needed it.

Commissioner reports, Chairman (Dan Love/capital projects & CO appropriations update), fortunate to have Governor Hickenlooper ride a few weeks ago. He seemed to have fun, and Mr Love had a chance to talk to him about budget requests. With regard to the track (capital project)

and getting caught up with deferred maintenance (track upgrade), has about 5 years left. At that point, we can shift into maintenance. After the track upgrade, costs will be better know, and much less than the cost of the upgrade. All locomotives have gone through a 1472. The first of which is always more expensive then the ones following. The older passenger cars will need upgraded as they are getting worn. They need to be completely torn down, and rebuilt to have a consistant look. That will improve the customer experience. There are concerns with the funds available from CO due to its TABOR law. By the end of next May, we will know if CO has the RR as a budget item over the next 5 years. Having the Governor on our side “ain't too bad”.

Vice Chairman report (Randy Randall/finance), he is a bit concerned what NM will do. Oil & Gas is the primary income from NM, and its prices are down. This is a problem for capital funding. The NM budget is being predicted based on \$55/barrel. It is currently about \$45/barrel. Mr Randall feels the RR is on weak ground as far as funding for the RR. Finance: When Leo was with the commission, the reporting was pretty good. It was a very unique system, that one just could not come in and take over. In the attempt to fix the issue, caused some problems. George Canham has been working for the last 2 years to get things on a modern system. This should assist George in assisting operations.

Secretary Report (Lucy Kay/marketing), she thanked Lee Bates for his work on the marketing plan. She said it isn't easy to be a marketing department of one. Looking to 2016, we are settling on some goals, \$3.8 million in revenue. 38,500 passengers. She is looking into variable pricing.

Treasurer Report (Billy Elbrock/Local Affairs), In May of 2015, the commission hired Kim Casford to be the community relations liaison Billy has gotten lots of good feedback on her work. Kim reported, she describes herself as a work in progress. She visited over 100 businesses in both Antonito & Chama over the last 5 months. The support for the RR is huge from both towns. She claims a lot of her pay went to the gift shops she visited, gift shops she normally would not have visited.

There was a break at this point for Executive Session as the commissioners met with their attorneys regarding the ongoing 483/478 engine swap. This session lasted roughly 30 minutes.

There were several speakers that had a comment.

Speaker one was against the swap.

Speaker two deferred comment.

Speaker three was against the swap.

Speaker four was against the swap.

Speaker five was against the swap.

At this point commissioner Love asked a vote to ratify the decision for the swap. Commissioner Kay, while admitting to not being a part of the start of this process offered her comments. She liked the additional type of motive power on the C&T this would add to its historic fleet. The 478 could possibly add to operation efficiencies for shorter runs. The arguments suggesting keeping the larger engine should be weighed against the current passenger load factor of about 50% in the coach section of the train. John Bush followed with his comments. The 497 was referenced in the comments from the speakers above. It was traded for the 482, back in 1991. The 497 is in the roundhouse, complete. It awaits a 1472 day inspection in order to be operational. The possibility of having 5 large engines to satisfy growth already exists. There should be no further cannibalizing engines has passed. The 483 is not complete. He feels that that the charter customers still look at the C&T as being Rio Grande based. They never ask to have the train lettered "Cumbres & Toltec". He thinks that adding a K-28 would represent the classic power of the Rio Grande. The commissions mission is to preserve and develop the C&T (a museum on wheels) for the future education & enjoyment of future generations. He believes that the 478 would be an additional asset of the C&T property. It helps the RR to interpret an era that otherwise could not be interpreted. While the 478 will need a 1472 day inspection, it will cost less than the 483. Commissioner Elbrock felt that while he started the motion (some months ago), he wasn't given all the information to make that motion. There were not things said when he made that motion. He can see advantages both ways regarding the swap. This year ridership was up. If it continues, the C&T will need the motive power. John Bush commented to the operation of the RR. The steep side of the hill is on the Cumbres side. There are 4 locomotives that can pull an 8 car train. With the help of the two smaller locomotives, a 14 car train could be pulled. Any future increase in ridership could be addressed by the 5 large locomotives on the property, 4 of which are now serviceable. Vote was then conducted. 2-2. Motion does not carry.

Commissioner Love apologized to the rest of the commission regarding the "flack" involved with doing this swap. He wished to put this behind his fellow commissioners. At this point commissioner Randall asked if it was OK to have John Bush excused so he could call the D&S with the decision of the commission, and alter the sequence of the agenda, so as to discuss/vote on a few topics not needing Mr. Bush's attention.

Replacement of NM lobbyist (10c), (The commissioners asked a few questions of the lobbyist, details in the video): JD Bulington Relations. Approved.

Internal Control Procedures(10b), The details are new. It was moved to table the decision.

Ticket Pricing 2016 (10a). Commissioner Kay talked about variable pricing. Defer until the next meeting. Pricing to be determined on volume. Commissioner Kay moved to table the pricing pending the next CTO meeting followed by the next commission meeting. Commissioner Randall mentioned that having the pricing is important to getting the brochure out. He was impressed that 245,000 brochures got into customer hands. He feels the rate range for each class of travel should go into the brochures. He doesn't want the brochure to be held up due to the final price. Motion carries to table the issue.

DOT grant for Chama Interpretive Center (9b), Commissioner Randall mentioned concern that if some expenditure didn't happen, that grant money could be lost . Mention was made as to any property that would need to be purchased, and the DOT rules surrounding its purchase. DOT has rules as to how a property is appraised. There was no action required for this item. Reporting only.

Commission funding for locomotive 168 (9c), The locomotive has been moved to C&TS property. A total of 27 donors \$17,976 to the project. John Bush is seeking seed money for a fund raising effort. John will work to determine the work required, so goal setting can be done for the fund raising. John guesses that it will take a crew of 4, about 2 weeks to assess the condition of the 168. He would like the funding to come from the commission rather than the operating budget. John suggested using the historic preservation funds. Motion carried to table the issue.

Ratified addendum for Toltec Gorge Catering (9d), Randy is pretty sure it has already been approved. Motion carries.

Election of commission officers (10d). The officers rotate each year. Vice chairman becomes chairman, Secretary goes to vice chairman, treasurer becomes secretary, and chairman moves to treasurer. Commissioner Love asked if that rotation is to continue. Motion carries.