

C&T Commission meeting 28-Apr-18

This is my documentation from the aspect as a reporter. This is NOT any official documentation of the Cumbres & Toltec railroad. If you saw this document via some other web site, the original site of this document is train.sbseiber.com. Videos of the commission meetings can be viewed at:

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

The official commission site is:

<http://commission.ctsrr.com/>

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.

Content of this document is copyright 2018, Samuel B Seiber, all rights reserved.

New Mexico Commissioners: Dick Cowles, Billy Elbrock
Colorado Commissioners: Dan Love, Mark Graybill
General Manager of the C&T railroad: John Bush

Glossary:

CO Colorado

NM New Mexico

RR Railroad, the C&T railroad

1. Call meeting to order

2. Pledge of Allegiance

3. Introductions

4. Motion to approve agenda

Added item 10d. Employee agreement with John Bush. Approved.

5. Motion to approve the Minutes from the February 03, 2018 commission meeting

Minor wording changes were made, then changes approved.

6. Presidents Report

6b & 6e, Maintenance and Repair, Reservation Report - John Bush

Reservations are 13% ahead of last year at this time. Revenue (at this time, unearned), is up 38%. growth is Parlor & Tourist reservations is stronger than Coach. Reasons for the revenue growth is due to ticket price increase, discounts are being managed differently, and more tightly than before. Parlor & tourist classes reservations are growing faster than coach reservations. In the future, the seating capacity of parlor & tourist will be a factor in growth. Additional premium cars are being built to deal with the limitation. The season will open with all 5 locomotives in service, as well as guest locomotive 315. The goal this season is to service 40,000 riders. The RR has just completed rules training as well as fire suppression training. Due to increased fire hazard this season, when needed the trains leaving Chama will be trailed by two fire patrols, as well as having both fire trucks stationed up the hill. There will also be fire patrol behind the Antonito train, running to Cumbres as required. There are several special charters scheduled this season. The Friends of the Cumbres & Toltec hosting one early June, as well as one in the fall. Trains magazine is chartering a 50th anniversary special of the last revenue train to cross Cumbres Pass. The annual Geology train is sold out. The RR is now pushing the annual botany train as well as the dinner trains. New Mexico granted \$111,800 for commission support. Also this year NM granted \$750,000 for capital spending. A big change in the NM capital outlay is the RR can decide where to spend the capital money, vs. the State dictating where each dollar is spent. NM has now seen the RR knows how to manage the capital funding. The RR has gained a great deal of trust from NM. Funding from Colorado has been gained. \$224,000 for the commission, \$1,071,000 for capital projects (track, locomotives, passenger cars). It is waiting for the governor of CO to sign the bill. No problems are expected. CO capital moneys are directed as the RR sees fit (no change in policy there). The Maintenance of Way (MOW) department will grow, to assist in getting caught up on the track improvement program. June 2019 is the target date to complete the tie replacements. Two years from now is the planned end of the ballast installation. That should get those two projects to the maintenance level from that point on. The lease for two rider box cars at the Georgetown Loop was renewed. Two of the old rider box cars will be leased to Como for the South Park Railroad Society. A new home for the unused turntable from Denver has been found (ed. don't know the new home). A new contract has been signed with Toltec Gorge Catering (lunch) as well as with Mountain View (the buses). Four buses will be provided. The 292 project (the first car in the historic car fleet) is nearing completion. Target completion is 26 May with plans to display it in Antonito. The locomotive 168 received a \$20,000 grant from El Pomar Foundation (spelling wrong?). A grant application has been filed with the Gates Foundation for \$50,000. A fund raising drive started beginning of April. The general public was encouraged to donate \$168, which was to be matched by an anonymous donor. That has generated \$16,296 in direct donations. Donations of other amounts generated a total amount of \$24,674. The matching donation brings in an additional \$15,250. To date, the project has raised \$452,000 of the

estimated \$501,000 required for the 168 project. The work on the 168 project is going well. Stathi Pappas will update us later in the meeting.

6a. Train Operations Report - Ed Baudette

The RR has a normally busy June coming up. The Friends are starting off June with a two day charter. The motor car folks will also be running in June. The annual 4th of July train will run, and commissioner Elbrock promised “no rain”. The Cinder Bear trains start about that same time. The sold out Geology train will run in June. This is the fastest it has sold out. The day before opening will require cars to be moved. It will also serve the media. The media will be staying overnight, and covering the opening day of the RR.

6c. Historic Car Fleet update - Stathi Pappas

The 168 is at 90% of the funding required to complete the job. The Friends completed the new cab for the 168. The woodwork is top shelf. Painting it, though required, will hide some of the fine craftsmanship that went into building the new, white oak cab. The lead truck of the locomotive is currently being worked on, to be done in the next two to three weeks. After that, drivers will be dropped out to get after the foundation running gear. As mentioned last year, the locomotive is in good shape. The boiler is a known quantity, no extensive patching required. No surprises are expected with the running gear. Things are on target with a late 2019 completion date. Stathi reminded us that the Historic Car Fleet project is much more than returning 168 to service. There is a train set to go behind it, dating 1870's & 1880's. The current project car is the 292, which will be ready mid May to display in Antonito for opening day weekend. The car team in Antonito has kept the 292 project on time & on budget as the grant requires. Commissioner Love pointed out that once this project is complete, it will be the Gold standard in the USA. A fine display of running 1880's railroading. The commissioner sat in the 292 car the day before, and was very pleased with the work. Commissioner Graybill commented on the top notch job done on the car. John Bush pointed out that not only is the work done well on the historic car fleet, but the same level of workmanship goes into the equipment used for the daily trains. The other teams (track, reservations) also have the same dedication.

6d. Tracks Across Borders Byway - John Bush

Rich Muth has joined the project (long time docent). A phone application (a self guided tour) is nearly complete. With GPS data, the application can provide the relevant history of the area within view, as well as historic photos. The application is expected to go live in May. Down the road, the app will have narration as well as print material. A similar app is being built for the RR to add to what the on board docents provide. A brochure & logo for the byway have been created. They will be rolled out at the International PowWow (IPW) at the end of May. This should be an assist in tourism of northern New Mexico.

7a. Financial Manager Report - George Canham

This month, George and Rebecca Hardin attended the NM state audit rule training and learned of two new changes to the system. NM state requires the audit to be submitted by November 1, rather than the prior date of December 15. A loss of 6 weeks to finish that annual work. A major revision is required in reporting of the RR asset depreciation schedules. George worked with Ed Beaudette to eliminate about 100 accounts within the general ledger chart of accounts. Some were rarely used, and others very much like other accounts. Many old accounts were combined with remaining accounts. This goes with work that resulted in a new purchase order system. This gives the various managers a better way to track their spending. As John Bush had already pointed out, deferred revenue (pre-season revenue) is up dramatically this year. As of March 31st, the RR is up \$85,000, and two days ago, up \$116,000. A new audit firm has been selected for a three year cycle. This cycle can be extended for an additional three years. This is good for both the audit firm as well as the RR, as there is no relearning cycle between the two. Commissioner Cowles was pleased with the establishment of the new purchase order system. It helps the commission better see how things are going financially. He was also pleased with the clean up of the chart of accounts. Over the years, new accounts keep sneaking into the system. George

pointed out that getting the chart of account cleaned up before the next audit firm steps in makes the transition much easier. Commissioner Cowles expressed concern that the two states will have different depreciation rules. George replied that CO will go along with the NM method. Cowles pointed out that the audit firms treat the RR as a state agency, when in fact it is not. It is a two state compact. This makes some of the audit rules difficult to apply.

8a. Commissioner Reports-Local Affairs - Kim Casford

Kim has been tasked with spending more time with Antonito. The welcome center in Chama had 23,000 people (May 1, 2017, to April 2018). Mr. Bush asked Kim to follow up with the merchant involvement on the web site. Kim would like to see the merchants in both towns to join their chamber of commerce, and the chambers will be represented on the RR web site. The goal being to build a strong commercial base in marketing the merchants.

8b. Commissioner Reports Capital Projects - Dan Love

Capital projects have been previously mentioned, and Dan pointed out that the goal is for the RR to become self sufficient. It is important for the RR to be independent from the two states of capital money. This year, \$1,000,000 has been allocated to track work. Once the track upgrade is complete (about two years), will require about half of the million dollars per year. This reduction in capital costs could be funded from operation revenue.

8c. Commissioner Reports Finance - Dick Cowles

No formal report, as much of this topic has/will be covered in other areas of the meeting.

8d. Commissioner Reports Marketing - Mark Graybill

Mark is happy with Launch advertising. Now the relation between the RR and Launch is two years old, is good. The increase in reservations reflects the success Launch has achieved. Clearly, digital marketing is the future.

8e. Commissioner Reports CO legislative outcomes - Dan Love

Dan reported being pleased with getting both the capital appropriation, as well as operation of the commission from CO. This will complete this three year cycle of appropriations. Work will have to start over with fiscal 2020 to get the RR into the budget. CO will have a new governor as well as many new members in the legislature and the joint budget committee. Mark & Dan have been working on how to gain the funds needed in the future. The commission budget may need to increase. Capital requests will remain the same. If the \$1,100,000 capital funding is granted in the 2020 budget, that should complete the track upgrade. Dan feel pretty good about future funding. There are three people the RR has to lobby for the RR. One of those people work with higher education, which is where most of the RR funding comes from. One is an ex-senator. The final person on the Governors legal staff. Dan expects success in gaining about \$1.3 million per year from CO for the next few years. Mark feels that state funding comes from the success seen of the RR.

8f. Commissioner Reports NM legislative outcomes-Dick Cowles

NM is in a recovery period, after being almost bankrupt. Oil and Gas severance tax has helped the RR gain capital funding. This year, \$1.1 million was requested (same as CO), and received \$750,000. Dick hopes that NM can soon match what CO has put in. The interstate compact says each state is supposed to support equally to the maintenance & improvement of the RR. Each state kind of has an out when funding gets tight. Also, some years ago, NM was funding more than CO. Over the last few years, CO has been funding roughly \$2 for each NM \$1. Due to NM budgeting, the commission operations received roughly \$112,000. Over the last 6 years, NM is about \$600,000 light on funding commission operations. There are some basic costs running the commission, such as insurance. Currently, insurance is being covered via ticket sales. Dick asked NM lobbyist JD Bollington to stand up, for his fine work with representing the RR.

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

The Friends wrapped up building the cab for 168. The first two work sessions will occur just before & after the opening of the RR in May. Tim agrees with commissioner Cowles that the cab must be painted. If you can see before being painted, what a sight. The 315 charter has been mentioned this meeting. A few tickets are available for Sunday. This year marks 30 years the Friends have existed. 22 June will see the Friends have their annual dinner up at Cumbres, catered by Steven Flowers. Commissioner Love will work in the carpenter shop for session C this year. Mr. Love will also attend the dinner as well as doing a speech. The moonlight & wine tasting train will run July 27th. The Friends will host a final charter the end of September. 315 will be used, as well as 463 being renumbered some RGS engine. The tourist sleeper car work continues in Colorado Springs (part of the historic car fleet). After the sleeper is done, the next project needs to be determined. The Dick Dorman photo collection keeps growing, and needs work from the Friends to catalog. John Bush thanked the Friends, as they are of great help to the RR, as well as the communities in the area. This fall, the RR will be attending a convention in Sante Fe, Heritage Rail Alliance, which will showcase the C&T RR. One of the sessions at that conference will showcase volunteers. The Friends are the Gold standard of such organizations. The RR will showcase the Friends, as well as let the rest of the world know how to organize something like the Friends. Tim mentioned that he & Bob Ross will be talking about the Friends at the convention. Commissioner Love mentioned the reason he is joining a work session. He wants to better understand the depth of work the Friends perform. He would like to better understand all aspects of the work involved, and its management. Mr. Love also pointed out that getting the RR self sustaining would not be possible without the Friends. If the commission had to pay for what the Friends provide, it could not be afforded. It is too bad that the states of NM & CO don't really know about the value of the C&T. Tim went on to describe other areas the Friends need to manage, scheduling docents, buying materials for projects, managing the projects. Many moving parts.

10a. New Business Selection of Auditor

Dick Cowles recommended that the suggested auditor be selected. George, Ed & John assisted in the selection process. Getting RFP's out, and reviewing the responses. The RR has made a choice, and now NM state auditor has to review and approve the auditor applicant. George followed up by saying that the RFP made it clear that the applicant should visit the RR, as it is a different kind of beast to audit. The RR is a square peg, for a round hole. Two of the five audit firms dropped out. One of the remaining three was not interested in meeting with the RR in person. The original 5 were selected based on past experience with the firms. Burt and company (ed. typed name as I heard it, so it may be wrong) was favored due to prior experience going back to 1985. One of the people that performed RR audits 4, 5 & 6 years ago is back with Burt and company. Dick Cowles then proposed a ratification to go with Burt and company for the next 3 years. Passes.

10b. New Business Budget

John Bush pointed out that the RR runs on money, and thus needs good budgets to keep things running right. Ed Beaudette was recognized for working on the budget. Ed was then asked to comment on the commission budget. The work to condense the chart of accounts described earlier has been of great help in coming up with this years budget. First, Ed talked about the CTO (Cumbres Toltec Operating) budget. This years budget was started on the basis of carrying 40,294 passengers this year. With this years pricing structure, it is assumed that \$4.45 million will be ticket revenue. About \$417,000 are expected in retail sales. The goal of cost of goods for retail sales is less than 50%. Looking for a gross profit of \$4.7 million dollars this season. Premium service is expected to continue to outgrow coach service. There are some challenges on the expense side. The expected expense budget is \$4.3 million. Payroll is the largest item of expenses. Colorado's constantly growing minimum wage puts pressure on this budget item. Insurance is another issue, and it is proposed to have the liability insurance carried by the CTO, with the property insurance being carried by the commission. The rest of the budget is fairly stable. There are some inflationary items. The meal costs are expected to go up quite a bit. Since there will be more passengers this season, the cost of providing meals will go up, along with increases in the cost of each meal. There is an expectation of a \$400,000 net operating cost profit. Since the

commission is working in a deficit, some of that profit will be moved over to cover those costs. Mark Graybill moved to pass the operating budget. Passed. Gross revenues for the commission budget from the two states is about \$345,000. Even with splitting insurance costs, the cost of running the commission is expected to be \$465,000. That leaves about a \$120,000 deficit. The CTO will have to fill that gap. Commission budget passed. Dan Love mentioned that the budget for the commission will be addressed. In the future, when the RR is self sustaining, the two states will still need to address funding for the commission. The two states will always own the RR. It is important for the legislators of the two states to be aware of their shared asset. It is important for the states to have their commissioners be responsible for the RR. There are concerns, as both states will have a new governor, and a lot of new legislators. The capital budget is looking better this year. Colorado has provided strong support. This year, NM will be providing \$750,000, which is a “zillion” percent much better than last year. This year, there is about \$1.8 million to allocate. Of that money, \$200,000 to go to the locomotive program, \$1 million to the track program, \$435,000 to the rolling stock and \$200,000 to the historic car program. John Bush pointed out that in the past that capital budgets were not passed by the commission. Now that the RR can allocate capital money as they decide (rather than the states dictating where it is to be spent), this becomes something the commission needs to vote on. In the future, when the RR is self sustaining, it will be important that the RR can decide capital fund allocations. Dan Love pointed out that when the historic car fleet project started, that the funding would be via new money (incremental increase in capital funding). That money was matched by the State historic fund (CO). Nothing for the historic car funding impedes on the needs of the RR. Approximately 3 or 4 years from now, the historic car fleet will be complete, reducing the capital requirement of \$200,000 per year that are presented to the legislators. Ed pointed out that once the final \$2 million are spent for capital improvements, the requirements will drop to half that in the future. It is expected that operating revenue can then cover those capital costs. Mark motioned to pass the capital budget. Passed.

10c. Executive Session

10d. Employee agreement with John Bush

Mark Graybill said that John Bush will see an increase in compensation, and reviewing his contract, including incentives. Mark made it an official motion, as well as recognizing his fine leadership and the fine work of his team. Passed.

11. Adjournment