

Cumbres and Toltec Commission meeting 25-Jul-20

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The official commission site is:
<http://commission.ctsrr.com/>

I may not have all of the “legal” terms correct. There may be spelling errors of 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.

I would like to extend thanks to Steve Forney. He provides the bulk of the equipment used to produce his videos of the meetings (link above). From his efforts I can gain a copy of the audio so I can rehear the meeting for this report.

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New Mexico Commissioners: William Lock, Billy Elbrock
Colorado Commissioners: Dan Love, Mark Graybill
President & General Manager of the Cumbres & Toltec railroad: John Bush

Glossary:

CO: Colorado
CRF: Car Restoration Facility, Antonito
CTO: Cumbres Toltec Operating company
D&RG: Denver & Rio Grande Railroad
D&S: Durango Silverton Narrow Gauge Railroad
DFA: Department of Financial Administration (NM)
FY: Fiscal Year
HPA: Historic Preservation Account
JBC: Joint Budget Committee (CO)
LFC: Legislative Finance Committee (NM)
MOW: Maintenance Of Way
NOI: Net Operating Income
NM: New Mexico

ROW: Right of Way

RPO: Railroad Post Office

RR: Railroad, the Cumbres and Toltec Scenic Railroad, unless mentioned otherwise

SHF: State Historic Fund (CO)

TABB: Tracks Across Borders Byway

VIHR: Victorian Iron Horse Roundup

YTD: Year To Date (fiscal normally)

"the Friends": The Friends of the Cumbres & Toltec Scenic RR, the museum arm,

<http://www.cumbrestoltec.org>

Please Note, this was a phone in meeting due to the Covid-19 virus. I recorded the meeting, but some audio was garbled.

1. Call meeting to order

2. Pledge of Allegiance

3. Introductions

4. Motion to approve agenda

It was decided to remove agenda items 11d, & 11e, as there is not enough information at meeting time to complete those items.

5. Motion to approve the Minutes from the April, 2020 commission meeting

6. Presidents Report

6a Reservation Report, 6b, Maintenance and Repair - John Bush

Special NM session \$751,300 for operational support & commission. \$1,000,000 in capital support. CO session resulted \$218,500 for commission support. No capital money was given. Permission was given to use up to \$1,000,000 of FY 2020 capital funding for operations. The season began June 13 with 3 trains a week from Antonito. Authority to run out of Chama has yet been received. Starting on July, the RR ran 6 trains a week out of Antonito. That will continue to the end of July. To date, 2,702 people rode. This represents 25% of ridership last year at this date. Current earnings this year is \$184,000. Due to the Covid-19 restrictions, the Geology train, the Wild Flower train & the 4th of July train were canceled. The dinner trains & the Chris Collins trains were also canceled. The August dinner trains will be canceled. It is hoped that trains can run out of NM in September. The friends trains was also canceled due to a drop in ridership. The VIHR and the Galloping goose events have been postponed until next year. Most people that purchased tickets for those events have decided to hold on until next year. NM governor Grisham had a press conference 7/23. She announced that NM had it highest new case

count on that date. There looks to be no coming approval for the train to run out of NM at this time. With the current virus situation, the following will be the schedule. Starting in August, 4 trains a week will run out of Antonito, running Tuesday, Wednesday, Friday & Saturday. If conditions change, the schedule will be updated as needed.

Work continues on a limited basis in Chama. Boiler washes, locomotive maintenance, and return 463 to service. A new commercial is being prepared for the CO market. The RR is again in the voting portion of the USA Today best train ride. It is currently in #2, behind the Cass RR (Note, when I posted this report, it was #1!). In Antonito, the 489 1472 is on hold, as well as work on the new premium cars. MOW is operating on a reduced pace, keeping the RR safe. 2 fire patrols are running behind the train out of Antonito. The fire danger is being reduced by the monsoon season that has arrived. A new 4,000 gallon water tank was purchased to assist in fire control. The historic car project is running two crews, working on coach 256 and RPO 65. Those two cars should be done by the end of August. When done, pay car F will begin its work.

To vote for the C&TSRR in the USA Today poll [USA Today Poll](#)

Reservations are coming in at a rate to minimize losses. They are made very close to ride date.

The audio to the general public dropped at this point due to a technical problem.

6c. Tracks Across Borders Byway - John Bush

None Presented

6.d Train Operations, 6e Historic Car - Stathi Pappas

The beginning of this report was missing due to technical problems. This begins where the problem was resolved.

The RR wants to take care of the employees as well as it can. Keeping our loyal employees is important. Employee turnover harms the brand. Some of the funding for the premium car project has been provided, which helps. SHF has proved a check. That should keep things running through the winter.

7. Marketing Presentation (Launch advertsing)

Covid is affecting travel. There is more in state travel. More drive & family travel. People are planning their RR trips very close to trip date. The economic situation is also having an effect on travel plans. There is pent up demand. People are looking to get out. People are also trying new things. This an opportunity to bring in new customers. Launch is currently marketing to CO and TX. The TX numbers are good, so continued effort will go there. The age group being targeted is

being reduced. The Georgetown loop has seen younger riders. Shifts have been done in the digital campaign as well as via social media to reach those potential riders. Digital and social media can be changed as needed quickly. TV ads are running in CO, where in Albuquerque, they are not. If NM opens up, TV ad in NM can be turned on. Even with 25% in budget cuts, Launch has figured how to do more with less. 2021 planning is currently difficult, due to the unknown future of the virus. This is the normal time where print advertising is put together for the following year (eg. Annual travel guides). As far as messaging, the key is keeping optimistic, positive. Highlighting the open air car, fresh air, etc. The message needs to be balanced against the safety procedures the RR is taking.

Web traffic is down for the year. People are spending more time on the web, but less in travel planning. Before Covid, web traffic was up, things were looking good. Afterwards, things took a drop. Things picked up in June when there was information on the RR opening. July is down. The e-mail platform has 68,000 contacts. It is a great way to communicate with that audience. Facebook is up 10% for the year. The Instagram platform is being built. There are already 2,000 Instagram followers, growing rapidly. This will attract more younger people to the RR. There have been 76 media placements to date. The most notable being USA today which was picked by 40 affiliate newspapers. There have also been TV interviews for Denver, CO Springs, and Albuquerque. Commissioners Graybill & Love thanked Launch for their work during this trying time. Launch donated time to marketing the RR, and it is appreciated.

8. Financial Report - Ed Beaudette

There were audio problems during this agenda item. Ed highlighted the need to keep a close eye on funds during this pandemic. The financial challenges have been great. The third quarter FY 20 balance sheet was pretty good, which helped get through the fourth quarter. Things should be OK for starting the 2021 season. The participants of the VIHR agreed that it is OK for the RR to hold on to the cash that was going to go out this year for the event. Inventory and retail are down. The 50 year celebration has been extended into next year, thus that merchandise can be sold next year. The funds from NM have helped the commission balance sheet. Revenue is down in the 75-80% range. The RR has incurred some very tough cost cutting. The current ridership has pretty much been able to fund the out of pocket costs. Expenses are lower. Labor costs are a bit lower. Insurance is a bit lower, due to less ridership (use of the RR). Capital spending has been reduced dramatically. Commissioner Love mentioned that he understands that cash reserves required to open the 2021 season is something like \$950,000. Ed confirmed that figure is about right. He also mentioned the goal of being self sufficient in 3 more years is going to be delayed due to this year's challenges. Commissioner Graybill thanked the staff for the sacrifices they made to ensure the RR can open next year.

8a. Audit Report-Ron from the audit firm

Ron mentioned that now the audit is done, they will turn to advisor. They will advise the RR on how to report to the new auditor, to reduce any problems in the future. This last audit lead to a clean opinion. A job well done by the RR finance people. The report was late sadly. There were some reconciliations that needed to be made. Improvements to procedures will be made to prevent a late report next year. All requirements for NM have now been met. Several suggestions for the next audit were made. I didn't understand the "CPA" talk.

9. Commissioner Reports

9a. Chairman Report - Dan Love/capital projects

Nothing to report at this time, due to the covid situation.

John Bush pointed out that the NM capital money will be used for the winter capital projects. The CO capital money will be used to keep other parts of the company alive. The CO capital money is essential a loan against future earnings. Ed spelled out that the CO capital money is needed to keep things running. The funds will need to be paid back to the capital funds as the RR returns to normal.

9b. Vice Chairman Report - William Lock/finance

Commissioner Lock was pleased with the results of the audit. He is proud of the work Ed has done to provide good data for the audit, as well as keep the RR afloat during this time.

9c. Secretary Report - Mark Graybill/marketing liaison

Commissioner Graybill mentioned that the marketing discussion has been covered. He thanked Ed for his late night work & e-mails.

9d. Treasurer Report - Billy Elbrock/local affairs

Kim Casford mentioned this has been a challenging year due to covid. She has been working with the communities due to not running out of Chama, directly related to the NM governor. She pointed out how this commission is totally committed to seeing this RR survive. The community appreciates the cleanup done at the end of the wye in Chama. Chama is open, even though the train is not running out of that end. John Bush pointed out that Kim has problems moving between states for face to face meetings due to quarantine requirements in NM. While other train staff can move between states, it is due to the fact no passengers are getting off/on the train in NM. It has not been specifically asked about Kim.

10. Friends of the C&TSRR Report - Tim Tennant Presented by Ed Beaudette

The Friends activities have been affected by covid as well. Chama sessions this year have been canceled, but Antonito sessions are active, as well as the car inspectors house on Cumbres. Work continues on the tourist sleeper car (historic car fleet) in CO Springs. The annual Friends wine tasting train this year has been canceled, in part due to the erosion of bookings. The Friends have raised nearly \$100,000 for the Chama relief fund. Commissioner Love asked about the status of tourist sleeper car 470, expecting it on the RR this season. Ed answered that some of the delay in completing 470 was a reduction in the work force due to the virus. Work stopped for 3 months as well. Commissioner Lock wanted to note the fine progress on the car inspectors house on Cumbres Pass. John Bush reported that work was nearly done (in the Antonito CRF) on 05635 (caboose?). This will leave room in the CRF for car 470 when it leaves CO Springs. This will open up the spot in CO Springs for the baggage car.

10a. Public Comment

Terry Cory, owner/operator of the Cumbres Suites
She mentioned she has lost 100 reservations, and \$20,000 in the last 3 months. Why was there a lack of communications to the businesses of Chama? Why was there not a plan in place to approach the NM governor face to face? Maybe the train from Chama could run. There was no communication on what is going on. She learns more from her people canceling than from the RR. Why can the tram in Albuquerque run, but not the train? Commissioner Love thanked her for her comments. The commissioners will discuss the problem to come up with a resolution.

Roger Hogan regarding Marketing.

He mentioned we are in a different world, and need to think out of the box. Contacting the nearby RV parks to promote the RR, back in the 90's that worked real well. They are nearly full at this time. The CO RV parks within 100 miles of Antonito are nearly full. Have they been contacted directly? John Bush answered that he would pass the info off to Launch Advertising. They are currently limited by their budget. Roger suggested that Launch contact him for the details of the 90's program.

Andy Genivevs employee of the RR

He would like to report some safety concerns of the RR. The commission wants John Bush to initiate contact with Andy. Andy wants to talk directly to the commission first.

11. New Business

11a. Approval of CTO and Commission FY 20-21 budgets

Ed Beaudette said this was a rather unusual budget request. Prior history sets future budgets. This year is different. There are to be cuts in both fixed and variable costs. In operating year 2021, buses will be back. Other cost cuts involve reduced working hours, as well as a 20% management cut through FY 2021. Marketing budget cuts of 25%. A full rebound is not expected in the 2021 operating season. The beginning of next season is expected to be around 50%. The budget presented is designed to get through the current season, and leave things so next season can begin successfully. Instead of a modest positive NOI for FY 2021, it is expected to see a negative NOI of \$1.57 million. This will involve incurring some debt, as well as borrowing from capital funds. The commission budget is much more stable than the CTO budget. It has a much more predictable model regarding revenue and costs. It is known that for FY 2021, there is about a 6 1/2% reduction from the two states. Labor costs are expected to drop. Insurance costs will drop slightly, due to less use of the property over the FY. In the last few years, both states have been much supportive of the commission. Commissioner Graybill mentioned the CTO budget is devastating, but within the reality of current conditions. Commissioner Love thanked everyone who contributed to the budget to get it ready. CTO & Commission budgets approved.

11b. Approval of Community Liaison contract

Approved

11c. Audit Presentation and Acceptance

Approved

11d. Approval of Operational Plan for August, September and October 2020

Deleted

11e. Allocation of HPA funds

Deleted

11f. Final Comments

John Bush thanked the commission for their help in getting the RR through these tough times. He also thanked the management team, as well as the hourly employees in their dedication to the RR. Things change on an almost daily basis. Everyone's efforts are very much appreciated.

The next meeting in late October is expected to be a teleconference, but it is hoped by Commissioner Love to be in person.

11. Adjournment

Next Commission Meeting: November 14, 2020