

Cumbres and Toltec Commission meeting 14-Nov-20

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<http://www.coloradonewmexicosteamtrain.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 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:

C19: Covid-19 virus

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)

DTS: Dynamic Ticket Solutions (the ticketing company)

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 C19.

- 1. Call meeting to order**
- 2. Pledge of Allegiance**
- 3. Introductions**
- 4. Motion to approve agenda**
- 5. Motion to approve the Minutes from the July 25, 2020 commission meeting**
- 6. CEO Report-Eric Mason**

Eric mentioned the areas of focus in his role as CEO. Team support, team development, business process development, company and departmental procedures, policy reviews, consumer customer engagement, product evaluation and development, marketing development, systems review, customer insights, financial planning, strategic development, diversify revenue streams, community development. He has met with most of the people hosting the meeting. He has been getting immersed in the organization over the last few months. He is excited to be a part of it.

7. President Report

7a Reservation Report, 6b, Maintenance and Repair-John Bush

It was a challenging year. Due to spacing restrictions on the train, it was decided to run just round trips to Osier and back. The season began June 13, with trips running out of Antonito and back 5 days a week. In July, trips ran 6 days a week. In August trips were reduced to 4 days a week. September 14, returned to a 6 day a week schedule. To maintain spacing requirements, a maximum of 120 riders per train occurred. Trips out of Chama was pushed back several times, to finally resume September 21. By then CO had been declared a safe state, where people could move back and forth both states freely. When service out of both towns resumed, train schedules were modified so both trains were not at Osier at the same time, to give time for Osier to clean the lunch room. The special trains for the season were canceled. 7 of the 8 fireman/engineer trains ran, as the class sizes are small. The Galloping Goose runs as well as the VIHR were canceled, to run 2021 if possible. Most ticket holders for those events held on to their reservation. This allowed the RR to hang on to the funds, rather than refund them. The RR hauled 11,180 passengers, 8,874 rode out of Antonito, 2,370 out of Chama. Gross revenue for 2020 is as follows. The rotary snow plow event produced \$174,150, regular ticket sales \$1,618,084, the engineer schools \$210,500, a recent movie shoot \$64,500, retail \$128,147, donations \$4,475 for a total revenue of \$2,201,156. A brief review for FY 2021, NM appropriated \$251,000 for operational support of the commission, and \$1,000,000 for

capital support. CO provided \$218,500 for commission, but no capital funds. Permission was granted by CO to use up to one million from the 2020 capital funds for operations. Available NM capital funds are \$1,951,800 and CO capital is at \$183,200. This year the RR won the USA Today best scenic train ride for the 3rd consecutive time. The Troy Research customer satisfaction results remain very high at 89 even with this years C19 protocols. In 2018, the score was 90. In August, a widget was placed on the RR's home page so customers could review Trip Advisor ratings and comments. 97% of those reviews have the RR at an excellent level, the highest score in the industry. John thanked the entire staff, which make these high scores possible. The reservations agents were very busy this season with ticket rebookings and refunds due to the C19. A C19 manager was assigned to make sure customers were healthy and the trains sanitized throughout the day. Other challenges were the long trains out of Antonito (ed. sometimes 16 cars) and the new dispatching system. Four premium cars were on the Antonito side, served by two staff. Antonito was largely charged with train maintenance, with reduced hours. Fire mitigation was also a challenge due to this being such a dry year. MOW had reduced man power. Track improvement between Lava and Big Horn were accelerated. Without the support of all departments, the RR would have had to shut down, as so many other RR's did this year. The tourist RR association, known as the Heritage Railroad Alliance predicts that as many as 40% of its members may not survive due to C19. Staffing is now reduced to winter levels and shop rules are being finalized. The 1472 day inspection and renewal of locomotive 489 will be done in Antonito over the winter. The Chama shop will perform the annual work on 463, 484, 487 and 488. For 2021, all locomotives will be available for service. 11/13, NM had a surge in C19 cases, resulting in a shutdown until 12/01. The shops and depot in Chama will not operate during that date range. The CO side will work, with CO crews. MOW will continue its work as weather permits. The goal is to improve the track from Antonito to Sublette, allowing for higher track speeds. All trains this season were followed by two fire patrols due to the very dry conditions. Dry conditions are expected next summer. The motor cars will be worked on over the winter for next season. On the historic car fleet, coach 256 and RPO 65 have been completed with the passenger style trucks. Coach 292 will gain its new trucks by year end, thus allowing those cars to be used next year. Pay car F was moved into the shop September 30. Also targeted is completion of one of the new premium cars in Antonito. The supply stream is sound during the C19 challenges. The manpower in Chama is being impacted by C19 for the next two weeks.

7c. Tracks Across Borders Byway - John Bush

TABB is in a holding pattern as it is difficult to meet at this time. The update and completion of the OnCell app is in the works (the phone application that provides a guide to TABB). Related to TABB is the relocation of the Gomez Mercantile Store (originally located at Gato), which will be mentioned in new business below. It is currently located in Pagosa Springs. The RR is looking to move it to Chama on C&TS property.

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

He began with thanking everyone for their optimism in getting things running with the C19 challenges. The operating plan sometimes changed on a daily basis. Flexibility was key. The

dedication of the entire staff enabled the season to operate. 94 trains ran out of Antonito, 25 out of Chama, 18 school trains, 2 rotary snow plow trains, 2 historic trains all with a minimum of delays and problems. There were 3 delays due to locomotives, 8 car delays, 17 minor fires which were quickly resolved by fire patrol. There were 6 medical issues on train, which were taken care of as necessary. This was all done while trying to preserve cash, and reduced staff hours. A new dispatching system was implemented, requiring new training. Greater teamwork between departments kept operations on time and on budget. Stathi then went onto historic car fleet. As mentioned by John, coach 256 & RPO 65 are complete. The trucks for 292 should arrive shortly. About 120 miles have been put on the consist with engine 168 this year with test runs and a documentary. There are some exciting plans for this engine and consist in the works for next year.

8. Financial Report - Ed Beaudette

First an update on the FY 20 audit. Meeting with the state (NM) auditor has been tricky this year due to C19. In the past, the financial reports have been of good news. Not this year. The far reduced passenger numbers this season have hit the books hard. There are four balance sheets for the RR. The capital, the HPA, the commission, and operations (CTO). The first three have been not that much impacted by C19, but CTO took a beating. The revenue generated by the trains season have been able to handle the out of pocket operating costs. The fall color trains generated a modest positive cash flow which will go toward the fixed costs of the RR. Cash is way down from desired. The RR currently has incurred the Paycheck Protection Program debt. Most, if not all of that debt is expected to be forgiven. The P&Ls for the HPA, commission and the LLC (ed. not sure what Ed refers to) are in pretty good shape. The revenues are as expected, spending is down. Labor and insurance costs are lower due to reduced number of trains. Professional fees are as expected, thus the commission is where it should be. CTO has been the challenge. A budget was passed during the last meeting. It expected a loss of \$1.5 million. With the first quarter of FY 2021, plus October, things are looking better for the budget than planned. Revenues are better than expected due to a good September and October. There were two seasons this year. A poor summer season, and a much better fall color season. YTD income is about one third of last year, but better than expected. Retail is doing well considering current conditions. The yields from retail and passengers have improved slightly, even with reduced loads on the trains. On the expense side of things are largely labor and operations. Labor exceeded budget, largely to running more trains than expected. Coming up will be higher costs of health care renewal. Workers Comp costs will go down due to number of worked hours. Payroll expenses will be an ongoing challenge. Insurance costs are derived from operating revenue, which is down, thus reducing insurance costs. Operating expenses are down. Buses were eliminated this year due to C19 restrictions, a big expense. Another cost reduced were the meals at Osier. Supply costs and professional fees are about as expected. Advertising and marketing have been a challenge. They were reduced by about 20%, but when ridership is down more than that, the per ticket costs are up. When the budget was approved, it was anticipated the P&L would be down \$400,000. With the strong September & October, the RR is showing a net income of \$10,000. Nothing like last year, but a small positive to report. Capital spending has some challenges. The capital support from the two states is tricky, as both states have their own problems. There is about \$2 million in available capital funds, about what is spent each year. This money needs to stretch out over two years this time. With the track upgrades already performed, the RR is in good shape. Locomotives & rolling stock are in good shape. While the cash position is weaker than last year, there should be enough to get through the winter and open next season. Next year is still an

unknown, with C19, and customer demand. The RR must be really careful with the money. The audit was questioned, and Ed reported it should be completed in December. Other items regarding the state audit were discussed (ed. I am not a financial guy, thus will not try to describe this discussion). No major problems.

10a. Friends of the C&TSRR Report - Tim Tennant Presented by Ed Beaudette (moved up)

The Chama and Antonito relief fund has proven to be an excellent community outreach initiative. Both communities have been struggling. A gift of \$12,250 was given to the two towns food banks. The friends have also paid \$67,781 to the town of Chama toward water projects. Another \$8,718 will be paid toward the Chama water invoices. The friends plan to use Launch marketing (same as the RR) to try to grow membership. Work continues on the tourist sleeper 470 (historic car fleet), it is now in Antonito. Work has stopped for the time being due to C19. It is hoped that 470 will be ready to go for the 2021 season, barring new issues.

Several commissioners thanked the friends for coming to the aid of the communities. Granted, daily the friends come to the aid of the RR. Commissioner Lock mentioned the fine work done on 470, and the costs incurred by the friends to do so. About \$500,000 was spent (not including any labor). Commissioner Elbrock wanted to pass on a big thanks to the friends from the mayor of Chama for their outreach to the community.

10b. Community Relation Liaison - Kim Casford (moved up)

She was pleased that the RR operated without any C19 events. Moving 11,000+ people through Antonito, Chama, and all through Osier safely. This allows the RR to show the governors that things can run safely. The communities have very few C19 cases. She reported that the friends wanted to better integrate into the communities. The friends have proven that they not only want to help the RR, but the communities as well.

10c. Public Comment (moved up)

Carlos Garcia is requesting permission to build a crossing over the RR at Los Pinos, on his property. Only some of his property is accessible due to the RR and forest service land in the area. He was told what the commission needs from him to grant the easement. The RR needs to be free of any liability. He will provide the commission what they requested. The crossing would be near the station marker east of MM 325.

9. Commissioner Reports

9a. Chairman Report - Dan Love/capital projects

Commissioner Love mentioned the purpose of the track upgrade program. Once the upgrade program was complete, operations money could pay for continued maintenance. The current C19 has delayed the goal of self sustainability. This has been a core goal of the commission for several years. What will be done over this winter as well as the next will be more for survival, rather than the goal

of self sustainability. At this time, the RR is just treading water on the upgrade program.

9b. Vice Chairman Report - William Lock/finance

Ed (above) has already laid out the financial situation. Things look positive for getting through next year.

9c. Secretary Report - Mark Graybill/marketing liaison

Commissioner Graybill thanked the team for their work this year in getting through this years struggles. Everyone did a fantastic job given the daily changing conditions. Marketing plans are made months in advance, as well as their commitments. A lot of this years marketing funds were allocated before C19 hit. Marketing cuts of greater than the 20% should have been done, but couldn't, due to lead times. The RR can't be spending \$700,000-\$800,000 if ridership stays near the 2020 numbers. Marketing must be done conservatively until the future is better known. The marketing team did a good job of pulling back costs. Things moved more to the digital side of marketing, where things can be more flexible. Marketing was effective in getting media placements, news stories about the RR, up 40% over 2019. There were 156 mentions in articles this year. More of the marketing was moved over to digital, as it is much more flexible. The digital campaign had over 5.7 million impressions, a lot of exposure. It generated 87,000 clicks, and 5,000 conversions, resulting in 4,315 ticket sells. The 89% customer satisfaction reported is the highest in the industry. That reflects well on the entire team. Marketing funds will again need to be flexible for 2021. Facebook followers were up 10% this year (44,000), and 8,000 instagram followers. Digital marketing was largely targeting the 8 hour drive time, concentrating on the 2 hour peak times. A younger demographic was targeted more than in the past. That will continue next year. CEO Eric Mason took over to mention Customer Relations Management (CRM). The RR hasn't had a CRM platform in the past. A CRM solution is in the works, and its databases will be loaded over the next few weeks. With this messages can be constructed to groups of individuals of a certain interest. There are currently about 5 systems to gather information from. It is important to learn more about the guests of the RR. It is targeted to get the CRM well established during the off season. John Bush commented that most bookings occur within two days of travel. This can be used to develop an outreach plan to the public. In the RV era, people know they are going to vacation in NM, or CO. Once they get here, they decide what they are going to do. Leave it up to the marketing of the states to get them here, then the RR can then target those people once they get here. Commissioner Graybill mentioned that people this year didn't make any long term commitment. Getting here first, then decide, based on what is open, what to do. Commissioner Love had some comments. In the 1980's, he was the director of tourism for CO. Back then, as now, things worked as John Bush pointed out. Mr. Love also pointed out how even when a customer booking might need to change due to the restrictions this year, the RR is still getting great ratings. This highlights the fine job the entire team performed, thus keeping the customers happy.

9d. Treasurer Report - Billy Elbrock/local affairs

He thanked the entire team for the monumental job done this season. It was a changing landscape this season, keeping everyone informed what was going on. Keeping the Chama side informed when the RR would open on that side. Kim Casford was the main contact with the merchants. John Bush

had some comments. Early on, it was considered to call all reservations to cancel them. He felt that it was important to stay in the mind of the customers. To offer option to ride the train out of Chama (ed. I think he meant Antonito). That put a lot of pressure on the reservations staff to rebook tickets again and again. It was important to not disappear from the marketplace. As mentioned above, many members of the Heritage Railroad Alliance will not survive. It was important to run, to survive. This year felt like being in the comic strip Peanuts, where Lucy kept pulling back the football from Linus. It wouldn't have been fair to Chama to not run out of Chama, even if given permission.

11. New Business

11b. Motion to support relocation of the Gomez General Store

The Gomez store was built at Pagosa Junction (Gato) along the D&RG in the early 1900's. It was moved to Pagosa Springs in 2000. Now it must be moved again due to a situation in Pagosa Springs. Thus there is a possibility for it to be moved to Chama as an attraction to the Chama visitors. Commissioner Lock has prepared a motion, approved by the friends, as well as the TABB board. Now he would like the commission to do that as well. Would the commission support moving the store and its contents onto the property of the RR? Would they explore the feasibility (along with the friends and the TABB board) of the move? Commissioner Graybill expressed his strong support of this move. Anything to make Chama a stronger destination is important. This structure will help explain the RR as a whole on the communities it served. Passed.

11c. Motion to approve locating the Gomez General Store on C&TSRR property

Commissioner Lock continued with the second part. If it is feasible to move the store, that the commission approve the placement of the store on C&TS property. Commissioner Love mentioned that the location desired does not interfere with ongoing RR operations. A location has been discussed with John Bush. Also mentioned by Lock was that the building will probably have decent support from the friends. There are also other visitor experiences that can be gained from the desired location. (ed. Location was not revealed in the meeting). Motion carries.

11d. John Bush announces his retirement

John said time has come for him to step down from his position at the RR. He thanked everyone that has contributed to making the RR what it is over the last eight years, as well as the last 50 years. Back when the RR was purchased by the states, it was in doubt if it would last 5 years, let alone until the present day. 50 years of efforts by many people, as well as their money, a National Historic Landmark has been created. The best property in the industry. Mr. Bush wanted to read a statement, here it is word for word:

Engine 483 was running east at Laboto under its brand new name of Cumbres and Toltec the first time I rode the railroad in the fall of 1970. It was the first trip eastbound after the 483 brought the equipment to Chama. The crew allowed me to ride from second road crossing in a gondola car to the top of the pass as the rail was rusty and there were tent caterpillars, if I was willing to sand track. I said I would, and I felt it was a good trade. I was only 22, but already I knew it was an amazing that

this opportunity was even possible. Even then railroads like ours, and the lives built around them were fading from memory. I grew up in the twilight of steam and wild dreams about my own life, of warming my hands over the firebox one October storm of the satisfaction I would feel disconnecting the lead engine at Cumbress and knowing the train got there on the power of my shovel and the idea that some day the train back to Chama yard I would look up to the homes on Terrace Avenue and see my family waving back to me as we passed the coal tipple. They were dreams that I felt so fragile that I even worried that even given voice to them would surely prevent them from becoming a reality. They did however become a reality and so many more, more than I ever expected and more than I deserve. I've always taken great pride in the fact that Colorado and New Mexico hold mutual stakes in the existence and preservation of the C&TS. Investments by both states legislatures ensure our railroads survival. They're really making it a railroad for all of us. Our railroad, our history, our dreams, and our memories. It has been my privilege to be a steward of our railroad during a time that brought more riders, features on film and television and residents around the world that our railroad and the community that exist here, the last place on earth where the spirit of the west does not just live but thrives. That is why it is hard for me to say this is my last letter I will write as president of the Cumbres and Toltec Scenic Railroad. Fulfilling dreams as impossible as mine would have been impossible without the tremendous support of the community, of the friends, of the enthusiasts for the west, and mine in particular without the help of my wife Veronica, who has followed me to all corners of the earth as I have tried to pursue this career. This is why in retirement I am excited now to help her fulfill her dreams when the covid crisis has passed of running a Victorian bed and breakfast here in Chama. Lucky for me, it happens to be only a block away from the railroad, and the people I love most. I am excited for what is in store for the future of our railroad and our community and I will do what ever I can from my side of the tracks, and you can guarantee you will see me cheering you on and welcoming you home. Near that overlook on Terrace Avenue above the coal tipple. With gratitude and a full heart I thank you for the opportunity to have served these last 8 years. Thank You.

(ed. A great deal of emotion could be seen on the web version in this portion of the meeting, me included).

Commissioner Graybill mentioned his thanks to John. He is glad that John will still be in the area, available for advice. The other commissioners passed on their thanks for his 8 years as president and GM of the railroad, as well as past efforts on the RR.

Mr. Bush then commented how he is honored to have been the first president under the new operating plan, started when the CTO came into being. This new model really committed the commission to make the RR work. The bed and breakfast will rely on the railroad. Thus he is committed to the success of the railroad.

11e. Executive Session (private)

Move to approve John Bush resignation, and the agreement he has signed. Passed. Commissioner Love will sign as his last moments as chairman of the commission.

11a. Move to approve Commission officers and Slate assignments for November 2020 to October 2021 (moved)

Commissioner assignments will now be:

Love-Treasurer

Lock-Chairman

Graybill-Vice Chairman

Elbrock-Secretary

A press release will be going out regarding John's resignation. John will also be contacting the staff to announce same.

12. Adjournment

11. Adjournment

Next Commission Meeting: Februrary ??, 2021. Dates for 2021 have not yet been set.