

Cumbres Toltec Scenic Railroad Commission Meeting

C&TSRR Commission Minutes

October 27, 2018 9:00a.m.

Chama Village Hall, Chama, N.M.

Public Input – *Public comments/questions will be allowed during each topic upon being recognized by the Chairman. Comments and questions may be no longer than 3 minutes and must adhere to any other requirements established by the Chairman. All public speakers must indicate their desires by registering in advance of the meeting on the available sign-up sheet which will become part of the record of the meeting.*

1. Meeting was called to order by Chairman Billy Elbrock at 9:05 a.m.
2. Pledge of Allegiance was led by Commissioner Elbrock
3. Introductions – John Bush
4. Approval of Agenda – Commissioner Elbrock moved to approve amended agenda, swap Item D to Item E Commissioner Elbrock moved to approve, Commissioner Graybill moved to approve, Commissioner Love seconded the motion, motion carried.
5. Approve the Minutes from July 28, 2018 Commission meeting - Commissioner Elbrock moves to approve, Commissioner Graybill moved to approve, Commissioner Love seconded the motion, motion carried.
6. Train Operations Report/Presidents Report – Ed Beaudette- Train Ops- Uneventful summer, things went very well, we carried a lot of passengers. Very minimal service disruption issues. It was an odd summer in respect that we had a normal beginning. The fire season started in June, we had a block buster month for June we had 2,000 riders better than it normally would have been due to the fire situation over in Durango.
Financial Report – The financials reflect a good season, September turned out to be a good month. Overall the plan we had going into the season, the ticket pricing plan and the changes we made with the discount management, really put us in a good position. Cash position is good.
7. President's Report- John Bush-2018 has been an exciting and successful year. Regular season ridership was 42,815 an increase of 12.64%. Seasonal ticket revenue was up 23.8%. Ridership including all charter operations FOCTS, TRAINS, D&RG # 425, and the Fireman & Engineer Schools- 43,168 people, that number will go up when we run the Christmas trains by about 5,000 people. Our analysis indicates that bump in ridership this season directly attributed to the shutdown in Durango resulted in a windfall of 1800 riders. We are predicting a 6% growth over the 41,000 we would have carried had the windfall not occurred. We anticipate a regular train ridership of 43,460 during the 2019 season. For the 2019 season we do not plan to change the trip offerings, schedule, or pricing. Due to the drought conditions fire danger was abnormally high. Thanks to our very strong fire mitigation plan we developed, we were granted an exemption from the stage 2 and 3 restrictions all three jurisdictions. We ran 50 doubled headed trains this year compared to 25-30 in the previous years. All the capital money has been approved and is available to us for the year the \$ 750,000 from New Mexico as well as the \$1,071,000 from Colorado which is going into capital projects.
Maintenance and Repair Report – John Bush- We have a very busy schedule coming for this winter. Including new driver tires on the 487 we do not have any major re-build on any of the engines we will begin to do that next year. When the 489 comes due next winter.

a. Historic Car Fleet update – Stathi Pappas- Moving along nicely. This year was the first year 292 was returned to service number of photo charters. Coach 256 work began on that on June 1st. On time and on budget with that grant work. 168 fund raising is nearing completion. We did receive a matching grant from the Narrow Gauge foundation for \$ 15,000. Complete with the frame repairs. New tires have been ordered. Running gear should be done in early 2019.

b. Tracks Across Borders Byway update – John Bush- Would like to thank you Roger, he has been filming along the Byway. We have permission to film on the Jicarilla Nation and the Southern Ute so that we can start to get pictures of what is available out on the Byway to see. We have gotten approval for Wayfinding signs, it directs you on the Byway where to turn are up and done in Colorado. We have gotten approval from the Lodgers board to use \$ 4,300.70 of Lodger's tax money and the Railroad will provide the balance. The goal for TABB is to help educate people and to bring business to Chama and to C&TS. We have an app. We have been approached to be part of the filming for an Orphan Train movie.

c. Marketing Report – Mark Graybill- While we do celebrate a good season, we need to look at why that season was so positive and one component is our Marketing through our contractor Launch. It's really hard to look at a 23.8% in revenue and not be so happy with that number that is spectacular that is a gigantic increase in any company. And the increase in ridership even with the anomaly of June is great and when you back June out and still have what would have been an 8 % increase that is significant. We have to give kudos to a lot of different people and Launch is definitely doing their part. Launch continually do customer satisfaction surveys and those come back very high. We are still driving people to the website that continues to be very successful.

8. Commissioner Reports

- a. Chairman Report – Billy Elbrock- Because of the success of ridership, the business communities this year have been extremely happy with the results. Full restaurants full motels on both sides of the hill. Asked last fall to engage in helping with the legislative process more than in the past. We ran the ERDC train. We have the legislature's attention. Due to the windfall from oil and gas New Mexico is going to be more generous with their appropriations. Very optimistic this is going to be a good year for funding from New Mexico.
- b. Vice Chairman Report – Dan Love- Couple of remarks for the Colorado funding: Colorado is in the midst of changing State Government, new Governor, and new legislatures. So predictions of how well we are going to do or poorly are just that. Can't commit to anything. We do have a track record of six years of very consistent funding from Colorado including paying a lot of Commission expenses. For the coming session nothing has really changed. It helps that the Railroad is being as successful as it is, and making as many advances as it is, in terms of expanding. The Marketing that we are doing now, is paying off, the legislatures have heard of C&TS. We believe Colorado will continue its pattern. We should be in very good financial position for next year. The historic preservation fee that we charge on top of our tickets which goes into a dedicated fund is used for preservation and restoration of our historic equipment including the cars and 168. And last the grants have come largely from Colorado.

Our capital program is paying off, we will continue to invest. Expedite RPO, the Trucks and the storage facilities, it's just the beginning of spending the funds that are in the historic preservation fee to provide additional resources. We see another locomotive as well as other projects that relate to increasing our capacity, increase revenue and to serve people and to be more reliable.

c. Secretary Report - Dick Cowles/capital projects- New Mexico's funding of the Commission, as our lobbyist JD Bullington can attest, things are looking much better than they have. There is a growing understanding of New Mexico's obligation in that regard and our capital requests there is reason to be very optimistic about what's going to happen at the legislative session this year. The one thing that comes through after 25 years being involved with the Railroad not only what Dan has already mentioned and his comments about the significance about the historic fleet. This is as near flawless as it's going to get. Don't think it can get any better than this. The progress is truly extraordinary and would like to thank everybody involved, the crew that made this possible, nothing but good news.

d. Treasurer Report - Mark Graybill- See Marketing report.

9. Friends of C&TSRR Report - Tim Tennant- The Friends work session season came to a close when session "G" was held the last week of September. The season ended with 452 attendees vs. 572 attendees in 2017 which represents a significant drop. Discussion has taken place in an attempt to curb this and do what we can to rebound the number of attendees in 2019. This drop in overall attendance affected the number of team leaders available and in turn hampered project productivity. John Eng's Projects Committee report gets into this in more detail.

a. General info

10. New Business*

a. Motion to approve the use of HPA funding to support car body rehabilitation of RPO 65 in the amount of \$ 130,000 in fiscal years 2019 and 2020, fabrication of historic passenger car trucks in the amount of \$ 200,000 in fiscal year 2020, and Chama car storage buildings in the amount of \$ 230,000 in fiscal year 2019, and \$ 250,000 in fiscal year 2020 -Commissioner Love moved to approve, Commissioner Cowles seconded the motion, motion carried unanimously.

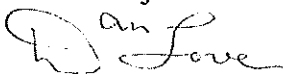
b. Appropriation process discussion-Agreed to better communication between both States

c. Motion to Ratify 2019 pricing and scheduling plan- Commissioner Love moved to approve, Commissioner Cowles seconded motion, motion carried unanimously.

d. Motion to Renew G. Berry Corp Contract- Commissioner Love moved to approve, Commissioner Cowles seconded the motion, motion carried unanimously.

e. Move to approve Commission officers and Slate assignments for October 2018 to October 2019- Commissioner Cowles moved to approve, Commissioner Graybill seconded motion, motion carried unanimously.

11. Adjourned at 11:30a.m.



Dan Love, Chairman

C

C

C

Motion For Use of HPA Funding 10-27-18

Motion to approve the use of HPA funding to support car body rehabilitation of RPO 65 in the amount of 130,000 in fiscal years 2019 and 2020, fabrication of historic passenger car trucks in the amount of 200,000 in fiscal year 2020, and Chama car storage buildings in the amount of 230,000 in fiscal year 2019, and 250,000 in fiscal year 2020.

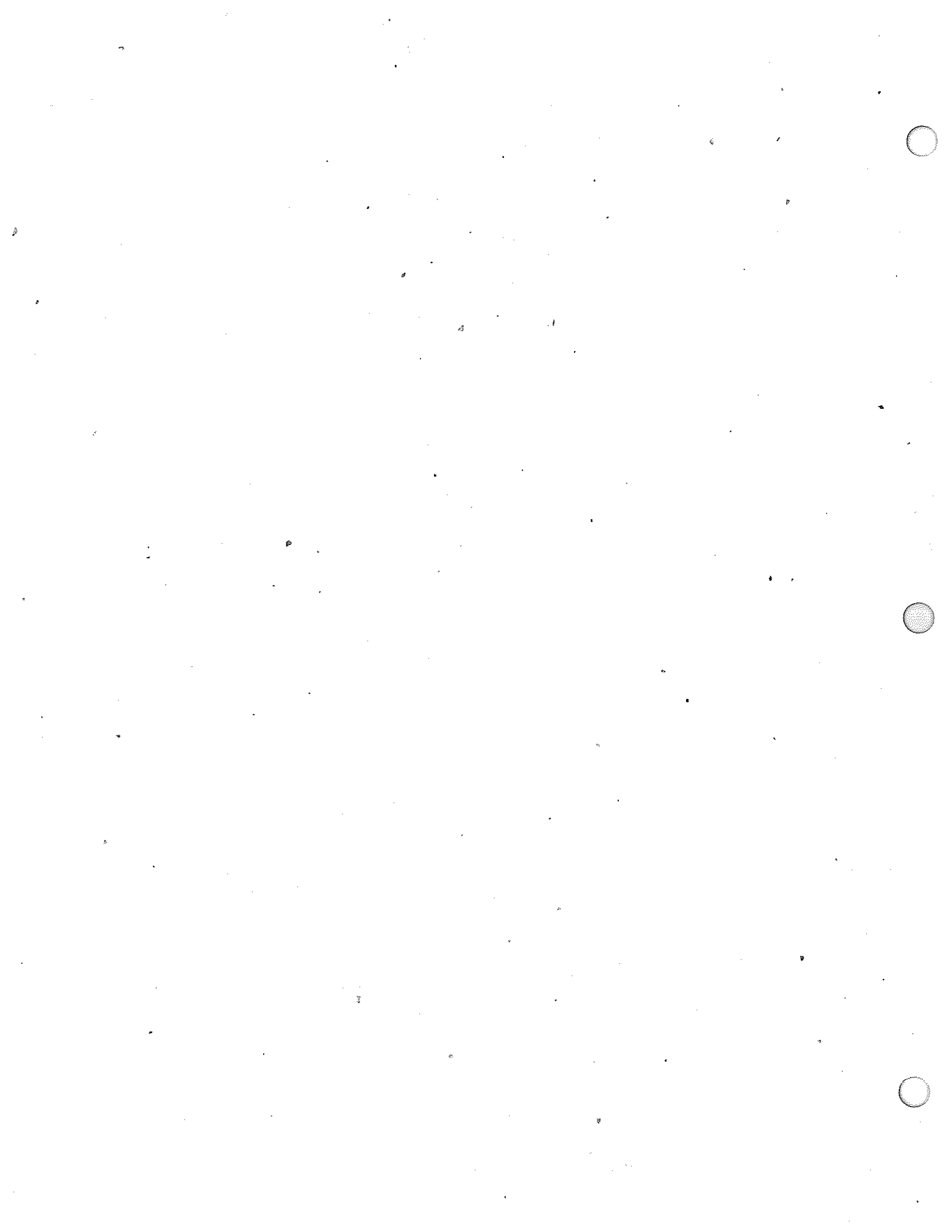
C

C

C

Resolution for 2019 season pricing and
operating schedule

I move that the C&TS continue to utilize the 2018 pricing plan through the 2019 season and that scheduled operation of trains begin on May 25th and end on October 20th.



2019 Season Pricing Proposal

10/26/18

I. Background and Discussion:

Currently we are not proposing to change HPA. We also don't feel the need to change the pricing structure. Current C&TS pricing model utilizes two "Seasons". Summer season 2018 ran from Opening Day, May 26 through August 31 and had 99 operating days. Fall began on September 1 and ran through October 21 with 51 operating days. During June, we experienced an unexpected boost in ridership due to the Durango fire and the D&S being shut down. The impact was an increase of approximately 1,800 passengers. This windfall is not projected into results going forward. With the current discount strategy, total discounts for the 2018 season are \$130,157 compared with \$330,243 last season. This is a revenue improvement of \$200,086. This revenue improvement along with projected ridership growth of 6% is projected to keep us on our ten year plan.

Ridership Comparison 2017/2018.

| | <u>Coach</u> | <u>Tourist</u> | <u>Parlor</u> | <u>Total</u> |
|------|--------------|----------------|---------------|--------------|
| 2017 | 27,317 | 5,660 | 5,030 | 38,007 |
| 2018 | 32,127 | 5,548 | 5,140 | 42,815 |

Revenue Contribution

| <u>Coach</u> | <u>Tourist</u> | <u>Parlor</u> | <u>Total</u> |
|--------------|----------------|---------------|--------------|
| \$2,745,953 | \$805,238 | \$972,619 | \$4,523,810 |

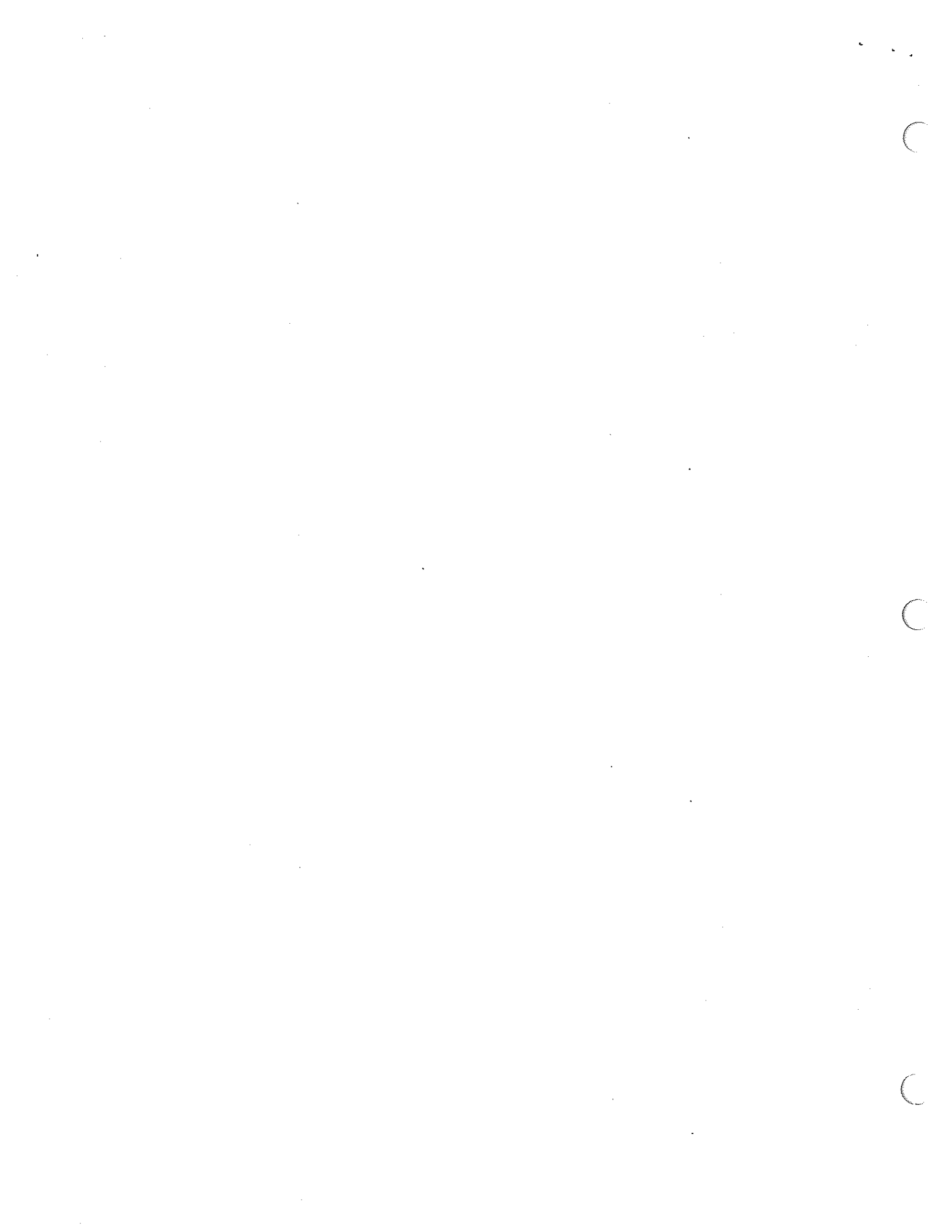
Results for the 2018 season compared with the 2017 season show the following trends:

- Overall ridership increased 7.9%
- Summer ridership increased 14.5%
- Fall ridership increased 10.4%

Ridership improvement summary:

| | <u>Coach</u> | <u>Tourist</u> | <u>Parlor</u> | <u>Overall</u> |
|---------|--------------|----------------|---------------|----------------|
| Summer | +20.6% | -4.1% | +3.2% | +14.2% |
| Fall | +13.6% | +1.6% | +0.6% | +10.4% |
| Overall | +18.0% | -2.0% | +2.0% | +12.7% |

(Overall up only 7.9% w/o D&S effect)



II. Capacity Utilization 2018:

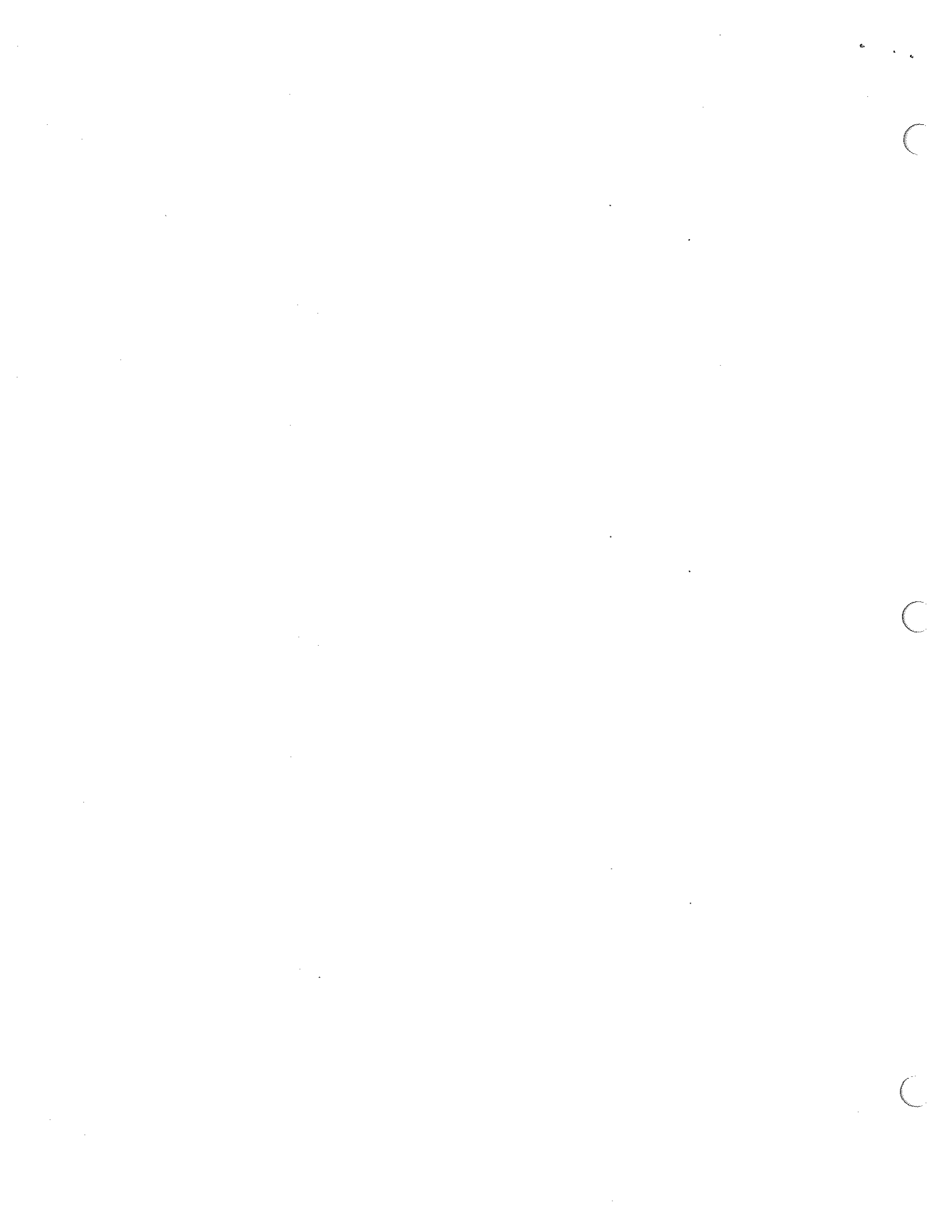
| | <u>Coach</u> | <u>Tourist</u> | <u>Parlor</u> |
|---------|--------------|----------------|---------------|
| Summer | 33.0% | 72.1% | 81.5% |
| Fall | 48.2% | 88.1% | 95.3% |
| Overall | 44.9% | 77.6% | 86.2% |

III. Performance:

| | <u>Ridership</u> | <u>Ticket</u> | <u>Retail</u> | <u>Other</u> | <u>Total</u> |
|-----------------------|------------------|---------------|---------------|--------------|--------------|
| 2018 10 year target | 40,517 | \$4,472K | \$389K | \$0K | \$4,861K |
| 2018 Result | 42,815 | \$4,524K | \$459K | \$28K | \$5,011K |
| 2019 10 year target | 40,294 | \$4,456K | \$417K | \$27K | \$4,900K |
| 2019 Projected result | 43,485 | \$4,594K | \$487K | \$27K | \$5,108K |

IV. Ticket Pricing Structure:

| | <u>Coach</u> | | <u>Tourist</u> | | <u>Parlor</u> | |
|---------------|---------------|-------------|----------------|-------------|---------------|-------------|
| | <u>Summer</u> | <u>Fall</u> | <u>Summer</u> | <u>Fall</u> | <u>Summer</u> | <u>Fall</u> |
| 2016 Actual | \$95.00 | \$99.00 | \$145.00 | \$155.00 | \$185.00 | \$195.00 |
| 2017 Actual | \$95.75 | \$99.75 | \$145.75 | \$155.75 | \$185.75 | \$195.75 |
| 2018 Current | \$99.75 | \$104.75 | \$155.75 | \$165.75 | \$195.75 | \$205.75 |
| 2019 Proposed | \$99.75 | \$104.75 | \$155.75 | \$165.75 | \$195.75 | \$205.75 |



6. **Choice of Law.** Any dispute under this Agreement or related to this Agreement shall first be subject to mandatory arbitration wherein the laws of the state of Colorado shall apply. Any disputes remaining after arbitration shall be decided in accordance with the laws of the state of Colorado.

7. **Venue.** Venue for any action commenced in conjunction with any dispute under this Agreement or related to this Agreement shall be in Colorado.

8. **Notice.** Any notice given in connection with this Agreement shall be given in writing and shall be delivered either by hand to the party or by certified mail, return receipt requested, to the party at the party's address stated herein. Any party changing its address as stated herein shall give notice of the change in accordance with this paragraph.

9. **Waiver.** Waiver of any breach or condition of this contract shall not be deemed a waiver of any prior or subsequent breach. No term or condition of this contract shall be held to be waived, modified or deleted except by an instrument, in writing, signed by the parties hereto.

10. **Entire Agreement.** This written contract represents the entire Agreement between the parties and supersedes any prior oral statements, discussions or understandings between the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates shown below.

CONTRACTOR:

G BERRY CORP

By Gayle A. Berry
Gayle A. Berry, President
1650 Fillmore Street, Unit 905
Denver, CO 80206
Phone: 970-250-9991

Date: October 1, 2018

CLIENT:

CUMBRES & TOLTEC SCENIC RAILROAD

By Dan Jones
Chairman
Address:
P.O. Box 561
Antonito, CO 81120
Phone: 719-376-5488

Date: 10/27, 2018

SCHEDULE "A"

(SCOPE OF WORK)

1. Lobby the Colorado General Assembly on behalf of the Cumbres & Toltec Railroad.

C

C

C

- work with OSPB and JBC to reflect the needs of the multi-year plan and budget funding request submitted for the 2019-20 state fiscal year and looking forward with the multi-year request needs.
 - monitor the status of Client's annual budget appropriations through the JBC and General Assembly process
 - monitor the status of the Client's funding request from General Fund
 - meet with the Governor's Budget Office (OSPB) re Client's funding requests
 - meet with History Colorado as needed ongoing to work cooperatively on Client's requests
 - lobby members of the JBC in support of Client's funding
 - educate legislators on Colorado's joint ownership of the C&TSRR with the State of New Mexico
 - target legislators whose districts include a portion of the C&TSRR
 - communicate changes in funding process to the C&TSRR Commission and work in support of the changes through the Governor's budget office (OSPB), JBC process, and legislature
2. Provide regular reports as requested. Communicate on a regular basis in person and by telephone or e-mail, to include one in-person report to the Commission annually as requested.
 3. Contractor will interface with other areas of Colorado state government upon the request of Client.
 4. Upon the request of the Commission and for specific purposes identified by the Commission, Contractor will coordinate and collaborate with the lobbyist who represents Client in New Mexico.

C

C

C

Election of Commission Offices:

Slate assignments for October 28, 2018 to October 2019

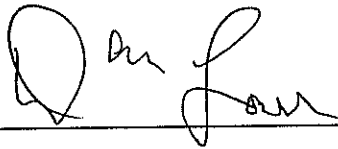
Chairman: Commissioner Dan Love

Vice Chairman: Commissioner Dick Cowles

Secretary: Commissioner Mark Graybill

Treasurer: Billy Elbrock

Moved to approve, approved unanimously.

A handwritten signature in black ink, appearing to read "Dan Love", written over a horizontal line.

Dan Love

C

C

C

2