

# NRHS 2012 CONVENTION

## Cover Memo for Final Financial Report

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January 6, 2012

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### **BACKGROUND**

This is a supplement to the final report of the 2012 NRHS Convention. That report was submitted to the Board of Directors at the October 2012 meeting in Claymont, Delaware. There were still a few financial settlements in progress at that time, however, and the Board requested a final financial statement before accepting the convention final report.

### **SUMMARY**

The final financial statement is attached. Numbers were assembled from financial reports dated 12/31/2011 (to capture 2011 spending) and 11/27/2012 (to capture 2012 transactions after all 2012 convention bills were settled). Although sales for the 2012 convention were opened in late 2011, all convention income was deferred into 2012. Some financial accounts contained income and expense not related to the 2012 convention, such as 2010 and 2011 follow-up, 2013 pre-work and investigation of future convention possibilities. The unrelated charges have been adjusted out as shown.

The 2012 NRHS Convention resulted in a net loss of \$50,502. This is a larger loss than was previously estimated. We believe that working numbers used in previous estimates were based on 2012 income and expense only and may have overlooked \$10,645 of 2011 expense incurred in 2011. The 2011 spending was already reported in the NRHS audited financial statements and IRS 990 for 2011 and thus will not impact the Society's 2012 financial results.

Background information on the 2012 NRHS convention plan and financial decisions are included in the convention final report already submitted.

Greg Molloy

**NRHS 2012 Convention Final Financial Outcome**

Expenses	Total Charged	Not Applicable to 2012	Net to 2012 Convention
2011 Expense - corrected 12/31/2011			
2011 Convention Staff Travel	\$5,252	\$0	\$5,252
2011 Convention Oversight Travel	\$13,715	\$8,322	\$5,393
2012 Expense - 11/27/2012			
2012 Convention Printing	\$5,419	\$0	\$5,419
2012 Convention Distribution	\$2,302	\$0	\$2,302
2012 Convention Association Management	\$10,938	\$0	\$10,938
2012 Convention Staff Travel	\$6,155	\$2,150	\$4,005
2012 Convention Oversight Travel	\$8,418	\$5,623	\$2,795
2012 Convention Financial Fees	\$17,946	\$0	\$17,946
2012 Convention Transportation	\$345,174	\$0	\$345,174
2012 Convention Insurance	\$62,731	\$0	\$62,731
2012 Convention Supplies	\$36,444	\$0	\$36,444
2012 Convention Other Expense	\$1,169	\$479	\$690
Total Expense	\$515,663	\$16,574	\$499,090
2012 Income - 11/27/2012			
2012 Convention Chapter Sponsored	\$7,816	\$7,816	\$0
2012 Convention Ticket Sales	\$441,922	\$0	\$441,922
2012 Convention Refunds	-\$60	\$0	-\$60
2012 Cedar Rapids Payment	\$5,000	\$0	\$5,000
2012 Other Convention Income	\$1,725	\$0	\$1,725
Total Income	\$456,403	\$7,816	\$448,587
2012 Convention Net Income			-\$50,502



# 2012 NRHS CONVENTION FINAL REPORT

Submitted by: Barton Jennings, Convention Chair

Cedar Rapids, Iowa – June 17 -25, 2012

The 2012 NRHS Annual Convention was based in Cedar Rapids, Iowa, with an inbound and outbound train movement from and to Chicago. During the nine days of the Convention, more than 850 individuals rode seven major train excursions, participated in three Heritage Tours, visited three area railroad preservation organizations, toured the facilities of the nation's largest private rail user, and attended five seminars. Additionally, the Convention featured an annual banquet, membership meeting, and the summer Board of Directors meeting.

As covered in a 2010 NRHS report, there has been an unclear set of objectives for the NRHS Annual Convention. Based upon this, suggestions from the report were included in the Convention planning, including financial, membership development, public relations and community outreach, education, and member socialization and benefit. These objectives will be discussed throughout this report.

## **PLANNING AND STAFFING**

Initial agreements and planning for the 2012 Convention were conducted by the former National Convention Committee, starting in 2009. With the elimination of the former NCC, Dr. Jennings was appointed chair of the Convention in 2010 and numerous changes were made in the Convention plans, many of which will be addressed throughout the report.

The 2012 Convention was operated by the National NRHS organization with approximately three dozen volunteers with homes from coast to coast (Connecticut to California) as the officers of the Iowa Chapter declined to participate in the planning or operation of the event. Instead, the convention planning was organized and chaired by Barton Jennings, an At-Large member living 2-1/2 hours from Cedar Rapids, but who has connections in the Cedar Rapids area due to his work with the railroads and industries in the community. Additionally, financial and planning oversight was provided by existing NRHS officers and legal staff. Specific operational oversight was provided by NRHS members from across the country with both volunteer and professional experience. For example, Steve Miller of the Central Coast Chapter headed up the bus operations. Steve works on the excursion committee of that chapter and recently retired from managing the bus fleets and contracts for California's Amtrak bus connections. Likewise, Stan Hunter managed many of the passenger car mechanical issues, and he manages the passenger car mechanical and design issues for the California Amtrak service. Joe Williams handled many of the legal issues before his untimely passing, and then John Fiorilla assumed these tasks. Finally, John Goodman, a former employee of Amtrak, handled agreements with Amtrak and Union Pacific, as well as with the individual car owners. Numerous additional examples of professionally qualified volunteers can be cited.

## **CONVENTION CHALLENGES**

As previously mentioned, this Convention was operated by the National NRHS organization with volunteers. Few of these volunteers were from the Iowa area, requiring a great deal of planning and information exchange prior to the convention dates.

An additional challenge relates to the Train Fest event held in the Quad Cities area of Illinois in 2011. This event was well publicized, attracting large numbers from across the region. With this event less than 100 miles from the location of the 2012 NRHS Convention, there was a great deal of uncertainty what its impact would be. There was speculation that the 2011 event would drain interest away from the convention while there was also thought that it might create more interest in the 2012 Convention. It is hard to determine the impact of Train Fest on the ticket sales.

A second impact of Train Fest is one that was not predicted by anyone at NRHS. This impact was created by the unpaid bills left behind by the operators of the Train Fest event. With bills unpaid at railroads, hotels, and food providers, many of the suppliers for the 2012 Convention suddenly changed their requirements. This impacted the NRHS severely as suddenly many of the contractors were requiring full payment in advance, often 60 to 90 days before the Convention. There was also a great deal of confusion as some companies felt that the NRHS was the same organization that had sponsored Train Fest. A great deal of time was required to correct these impressions, and the need for advance payments impacted the cash condition of NRHS until several weeks after the Convention when the last ticket payments were received.

### **FACILITY OPERATIONS**

The Convention was based at the Cedar Rapids Clarion Hotel & Convention Center, but also used blocks of rooms at five other area hotels (Holiday Inn Express, Hampton Inn, Fairfield Inn, Red Roof Inn, and a Super 8 Hotel). Convention activities such as the Help Desk, seminar and meeting rooms, and all bus departures occurred at the Clarion Hotel. The Clarion Hotel reported that Convention participants booked approximately 950 room-nights during the convention, or about 120 a night. The Holiday Inn Express, Hampton Inn, and Fairfield Inn each reported approximately 200 room-nights, or about 25 per night on average. The Red Roof reported a peak night of 45 rooms, with more than 250 room-nights. The Super 8 had seven rooms occupied each night with mechanical forces. Other hotels in the area, including the Motel 6, Comfort/Quality Inn (it changed brands days before the convention), and Econo-Lodge also reported room-nights sold due to the convention, but no official block of rooms were available at these hotels. Based upon the comments from the hotels, peak nights were Wednesday through Saturday, with all hotels sold out Friday and Saturday nights.

The initial plans for the Convention had it located at the Crowne Plaza and the Cedar Rapids Convention Center in downtown Cedar Rapids. However, the City was planning to rebuild the complex, and despite assurances that the facility would be usable, a decision was made to relocate the Convention to the smaller Clarion facility in the south part of the City. This was fortunate as in 2011, the Crowne Plaza was closed and much of the Convention Center was removed as part of a major upgrade. Additionally, several other conventions began looking for meeting space, and the 2010 efforts to lock in meeting and hotel space guaranteed the ability to conduct the Convention in Cedar Rapids. A comment should be added that on the nights of June 22nd and 23rd, all hotels in the immediate area were sold out and those seeking rooms were being directed to hotels more than 30 miles away.

The agreement with the Clarion Hotel & Convention Center provided free meeting space to the NRHS in return for a minimum block of rooms. Additionally, the Clarion provided catering service on the train as well as staffing of the snack sales car, and the banquet. The agreements with all hotels required the availability of breakfast at 5am so that all staff and participants in early events could have ample time to eat.

### **RAILROAD OPERATIONS**

Rail excursions took place on Union Pacific (in cooperation with Amtrak), Iowa Interstate (IAIS), Iowa Northern (IANR), and the Cedar Rapids & Iowa City (CIC). All but one of the trips at Cedar Rapids were operated out of CIC

facilities, only the Cedar Falls to Manly trip did not directly impact CIC operations. In total, 1100 miles of excursion trips were operated, with most trips operating ahead of schedule.

A challenge with the passenger operations was that no regular passenger service operates on any of the routes, thus train servicing, boarding, and other tasks took place in areas not designed for the purpose. However, efforts of the railroads and contractors produced more than satisfactory results. Photo runbys were operated as planned, meals were provided off the train at turn around points, and all passenger equipment operated as planned. Access to the railroad shops at Waterloo, the Manly Junction Railroad Museum, and participation in the 100<sup>th</sup> anniversary of the CRIP station at Newton were additional features of the rail excursions.

Satisfactory passenger cars were not available locally, thus cars were rented from the Washington D.C. and Collis P. Huntington Chapters, Friends of 261, and Iowa Pacific. The Chicago-Cedar Rapids Amtrak movements served to bring passengers to and from the Convention, as well as the required passenger equipment. A significant issue involving passenger cars was a change in demographics in the ridership compared to previous conventions. As sales came in, it was obvious that the normal pattern of heavy ticket sales for the more premium classes was not happening and that the heavy local sales were more toward coach seats. Because of this, two lounge cars and a dome were removed from the consist in December-January and an additional coach was added. Additionally, the Dover Harbor was removed from the consist as the Washington DC Chapter planned to pay for its movement to and from Chicago through inbound and outbound sales. However, they experienced no sales and the capacity was not required at the Convention.

#### **TOUR OPERATIONS**

Tours of Midwest Old Threshers of Mount Pleasant (IA) and their Midwest Central steam railroad and Midwest Electric interurban and trolley operation, the Boone & Scenic Valley Railroad's steam and electric operation, and the Hub City Railroad Museum in the former Chicago Great Western office complex at Oelwein, provided Convention participants the opportunity to visit area preservation railroads and groups and to learn about their efforts. The tour of the ADM rail car shops and dry grind facility allowed participants to learn about the largest area shipper and their rail operations. Finally, the Heritage Tours of Cedar Rapids, Amana, and Kalona allowed participants to learn more about the history of Iowa.

#### **TICKET SALES**

The following are ticket sales for each of the ticketed events, as of the June 28, 2012 automated report.

Sunday, June 17, 2012

43	Event #1702 - Coach Chicago to Cedar Rapids
8	Event #1704 - Lounge Chicago to Cedar Rapids
45	Event #1706 - Dome Chicago to Cedar Rapids (includes tour group count)
13	Event #1708 - Premium Chicago to Cedar Rapids
109	Event Total

Monday, June 18, 2012

254	Event #1802 - Midwest Old Threshers
5	Event #1806 - Midwest Old Threshers with Amtrak Pick-up
259	Event Total
136	Event #1804 - Optional Bus to Midwest Old Threshers (54% of Event #1802)

## Tuesday, June 19, 2012

181 Event #1902 - Coach Cedar Rapids to Rock Island  
29 Event #1904 - Lounge Cedar Rapids to Rock Island  
62 Event #1906 - Dome Cedar Rapids to Rock Island  
27 Event #1908 - Premium Cedar Rapids to Rock Island  
299 Event Total

38 Event #1920 - Amana Heritage Tour  
46 Event #1930 - Night Photo Session

## Wednesday, June 20, 2012

224 Event #2002 - Coach Cedar Rapids to Newton  
33 Event #2004 - Lounge Cedar Rapids to Newton  
65 Event #2006 - Dome Cedar Rapids to Newton  
27 Event #2008 - Premium Cedar Rapids to Newton  
349 Event Total

33 Event #2020 - Cedar Rapids Heritage Tour

## Thursday, June 21, 2012

162 Event #2102 - Boone & Scenic Valley  
106 Event #2104 - Optional Bus to Boone & Scenic Valley (65% of Event #2102)  
48 Event #2112 - Hub City Railroad Museum at Oelwein  
100 Event #2114 - ADM Smokestack Tour  
27 Event #2120 - Kalona Heritage Tour

## Friday, June 22, 2012

247 Event #2202 - Coach Cedar Rapids to Iowa City  
30 Event #2204 - Lounge Cedar Rapids to Iowa City  
96 Event #2206 - Dome Cedar Rapids to Iowa City  
29 Event #2208 - Premium Cedar Rapids to Iowa City  
402 Event Total

116 Event #2232 - Banquet - Steak  
70 Event #2234 - Banquet - Chicken  
70 Event #2236 - Banquet - Pork  
25 Event #2238 - Banquet - Vegetarian Lasagna  
281 Banquet Total

## Saturday, June 23, 2012

241 Event #2302 - Coach Cedar Rapids to Waterloo  
28 Event #2304 - Lounge Cedar Rapids to Waterloo  
47 Event #2306 - Dome Cedar Rapids to Waterloo  
22 Event #2308 - Premium Cedar Rapids to Waterloo  
338 Event Total

## Sunday, June 24, 2012

171 Event #2402 - Coach Cedar Falls to Manly  
30 Event #2404 - Lounge Cedar Falls to Manly

66	Event #2406 - Dome Cedar Falls to Manly
12	Event #2408 - Premium Cedar Falls to Manly
279	Event Total
143	Event #2412 - Optional Bus to Cedar Falls (51% of Events #2402-#2408)

Monday, June 25, 2012

53	Event #2502 - Coach Cedar Rapids to Chicago
9	Event #2504 - Lounge Cedar Rapids to Chicago
13	Event #2506 - Dome Cedar Rapids to Chicago
13	Event #2508 - Premium Cedar Rapids to Chicago
88	Event Total

### **FINANCIAL OBJECTIVE**

As stated in the 2010 report, Annual Conventions have been an ineffective means of fund raising. Unfortunately, the 2012 Convention also failed to produce a direct financial return to the organization. It is believed that reasons for this are numerous, including a higher than usual overhead cost and a significant change in participant demographics.

Losses for the Convention are projected to be approximately \$31,000 as of early September 2012. This includes \$10,412 of expenses incurred in 2011 and previously included in the 2011 audited financial results. While this appears to be larger than many recent conventions, several major accounting changes impacted this final number. First, as recommended, all NRHS National office/association management time and expenses related to the Convention were charged to the Convention, unlike at past conventions. For the 2012 Convention, costs such as advertising, the travel of NRHS officers, and other support expenses were directly charged to the event, providing a clearer record of the actual costs.

One item that is not in the financial report is that arrangements were made with several magazines and websites for free advertising in return for tickets and event access. These included Railfan & Railroad Magazine, Railpace Magazine, and TrainWeb. Much of this advertising was used to promote NRHS as a whole and not specifically the Annual Convention.

The 2012 Convention was a difficult event financially due to its large fixed costs. These included insurance (\$70,000), the cost of moving cars in and out of Cedar Rapids (\$60,000), and car rental (\$170,000). Some of these costs apparently were not included in the original Convention plan. For example, early convention planning included the use of a fleet of former commuter passenger cars available on the Iowa Interstate and Iowa Northern. However, the cars available on the Iowa Interstate have no restrooms, no air conditioning, the seats are school bus seats, and more than half of the windows are badly fogged. The passenger cars on the Iowa Northern, known as the Hawkeye Express, were not used as the railroad told the NRHS that their equipment was not suitable for long distance trains and asked us to not use them. Therefore, a decision was made early on by NRHS management to not use these cars. Additionally, the railroads involved did not have insurance for such events and NRHS was required to buy policies for all rail operations. However, all other costs, including direct railroad expenses, meals, and printing came in under budget.

It should be noted that with the exception of the inbound and outbound special trains, every convention event made a positive financial contribution toward the retirement of overhead costs. The inbound and outbound specials were required in order to have suitable passenger equipment available for other passenger operations.

NRHS management evaluated the situation and determined that operating the full convention program would produce better financial results than selective or total cancellation of events.

#### **MEMBERSHIP OBJECTIVE**

Historically, the Annual Convention has been ineffective as a source of new membership. However, the 2012 Convention resulted in approximately 100 new members, plus many additional prospects still being recruited, with most new members from the Midwest, outside the normal center of NRHS memberships. Efforts were made from the start to attract new members, including conducting a press conference and issuing multiple press releases in advance of the start of ticket sales. Non-members could join the NRHS at the same time that they bought tickets for the event. Ticket sales also began more than seven months before the Convention dates with tickets available immediately to new members. Early sales allowed the NRHS to adjust their event capacities and to alter promotion techniques as needed. While single event tickets were available to non-members starting 60 days before the Convention, pricing was such that it still encouraged people to join the NRHS.

Additionally, the promotion of the 2013 Convention in Alaska encouraged event participants who had bought just day tickets to join the NRHS for early information on the event.

An interesting demographic about the 2012 Convention was that attendance from the traditional NRHS centers of activity (east of the Appalachians) was light, with heavy attendance from the Midwest. Some interesting percentages of attendance are Iowa 34%, Illinois 9%, California 5%, Pennsylvania 4%, New York 3%, and Virginia 2%. The 12 most common states, in order, were: Iowa (283), Illinois (80), California and Minnesota (40), Pennsylvania (35), Wisconsin (27), New York and Ohio (26 each), Florida (22), Michigan and Virginia (21 each), and Maryland (20).

#### **PUBLIC RELATIONS AND COMMUNITY OUTREACH OBJECTIVE**

While efforts were made to promote the Convention in the traditional rail enthusiast press, along with the traditional after-event reporting, major efforts were made to promote the Convention and the NRHS through more general press sources. During the Convention, coverage of the event was made by CBS, NBC and Fox local channels, with a 2-1/2 hour live broadcast from the train on Tuesday morning by the local CBS channel. Iowa Public Radio and several other radio networks covered the event, and more than two dozen newspapers had significant articles about NRHS and its Convention.

Much of this regional coverage was due to a local press conference, held several months in advance of the Convention, and press releases being sent on a regular basis to more than 100 regional newspapers, starting more than a year before the event. A blitz of press releases was possible just weeks before the convention thanks to the appointment of Elrond Lawrence as Director of Public Relations for the NRHS. Each press release promoted the NRHS and the Convention, and included information on how nonparticipant could view the activities or learn more about the organization. Additionally, the Convention worked with local Convention & Visitor Bureaus (CVB) in all communities that events took place, and this work was promoted locally, encouraging the CVBs to provide information about our events.

In several communities, local organizations played major roles in Convention events. For example, in Newton, the local historical society brought out their steam tractor and the owner of the former CRIP station opened the building for tours. After the Convention, letters were sent to many newspapers to thank those who assisted in the event and as a final promotion of the NRHS.

**EDUCATION OBJECTIVE**

NRHS Conventions traditionally handle the education mission through seminars and some materials about the routes that the train excursions cover. The 2012 event was no different, except additional emphasis was placed on the railroad history by providing an 88-page booklet to the Convention participants. This book included a detailed route history for every excursion, a history of each railroad, and information on the railroad history of Cedar Rapids and Iowa. Extra copies of this book are still available through the NRHS.

The 2012 Convention featured five major evening seminars, including a mix dealing with Iowa railroad history, recent railroad events, and efforts of the NRHS. These evening seminars were heavily attended and are listed below.

Sunday, June 17 - "The Railroad History of Cedar Rapids" by Darren Ferreter.  
107 in attendance

Monday, June 18 - "Abo Canyon Gets Double Track" by David Miller of BNSF.  
99 in attendance

Wednesday, June 20 - "NRHS and Photographer's Rights" by Walter Zullig, Steve Barry, Dennis Connell, and John Fiorilla.  
112 in attendance

Thursday, June 21 - "Railroads Surviving the 2008 Floods" by Mick Burkart (IAIS), Scott Woodward (IAIS), Chad Lambi (CIC), and Daniel Sabin (IANR).  
186 in attendance

Saturday, June 23 - "Who was Kate Shelley?" by Misty McNally.  
79 in attendance

**MEMBER BENEFITS OBJECTIVE**

Even with 850 people attending the 2012 Convention, attendance is still only about 5% of the membership. However, the Iowa Convention did attract a different group of participants, providing a benefit to NRHS members who may not have attended other NRHS conventions. Also, the Wednesday night seminar, "NRHS and Photographer's Rights," provided an opportunity for NRHS members to learn more about the benefits of their membership.

**SIGNIFICANT CHANGES IN CONVENTION PRACTICES**

One of the objectives given to the planning committee for the 2012 Convention was to try out several significant processes not previously used. For example, ticket sales were primarily conducted on-line, with approximately 85% of the orders received through the NRHS website instead of the more labor intensive mail system.

A second practice that was highly praised by members in attendance was the mailing of tickets before the Convention. More than 85% of the ticket orders requested mail delivery. While the cost of mailing was higher than anticipated due to delays in ticket printing and sorting, it was still within the budget planned for the Convention. An additional change was the ability for participants to pick up their tickets at their first event. For example, a number of orders were picked up at Mount Pleasant and at Cedar Falls, saving the participants the time and expense of going to the convention center before the event.

A change in bus operations was also tested. For the 2012 Convention, bus transportation for several events (Midwest Old Threshers, Boone & Scenic Valley, and the Cedar Falls to Manly excursion) was optional. For all of these events, bus sales were approximately 50-60% of the total event sales, indicating a significant local participation that did not require the bus, or members who chose to add local sightseeing to the event. This change resulted in event tickets about \$25 less than they would have been if bus transportation had been included. It also allowed better planning for bus transportation.

The use of outside contractors for several events was also tested. These included the management of ticket sales and mailing, meal arrangements, and the operation of the snack sales on the excursion trains. All showed promise as they put professionals in the positions of authority and freed the limited volunteer staff available to the NRHS. An attempt was made to work with several local colleges and universities to promote the industry and hobby, but this met with very limited success and only several students participating in the Convention.

The use of the local CVB to handle the distribution of local information seemed to be a success. Convention participants were able to choose what information they wanted without the typical problem of dealing with a prepackaged bag and its resultant creation of trash. The Cedar Rapids CVB had staff on hand most evenings and was able to make restaurant recommendations, handle tour questions, and provide directions to many area attractions.

Finally, having the capacity to sell tickets, or upgrade tickets, at the Convention headquarters, or at trainside, provided significant benefit to the NRHS. Approximately \$50,000 in ticket sales took place during the Convention and staff was available to handle these sales since Convention participants were not required to pick up their tickets.