

Cumbres & Toltec Scenic Railroad
Notes from the C&TSRR Commission Meeting
June 15, 2011
Conejos, CO

Note: The following are Notes from the C&TSR Commission meeting of June 15, 2011. The official Minutes of the meeting will be provided by the Commission when they become available. Not all agenda items were recorded; certain omissions may be present.

The June 15, 2011 meeting of the Cumbres & Toltec Scenic Railroad Commission was held at the Our Lady of Guadalupe Parish Hall in Conejos, CO.

Vice-Chairman Randy Randall called the meeting to order at 10:08AM. He opened by reporting that Commission Chairman Lon Carpenter had very recently stepped down from the Commission due to professional commitments, and that Dan Love of Colorado had been named as Commissioner Carpenter's replacement.

Chairman Randall then asked those in attendance to introduce themselves.

In attendance were: for the Commission – Vice-Chairman Randy Randall (NM), Pete Foster (CO), David Love (CO), Leo Schmitz, Maria Schmitz, and Stephanie Gray. For the Cumbres & Toltec Scenic Management Company – Chairman Frank Turner, President Elmer Salazar, Vice-President and Secretary Tim Tennant, and Director Amos Cordova. For the Railroad were General Manager Marvin Casias, John Matthews, Roberta Martinez, and Glenn Avery; and from the Marketing Department were Roger Hogan, Nick Quintana, Chris Czmyrid and Eric Jacobsen.

Others included: Matthew Abbey, Dick Cowles, , Brenda Felmlee (from CO Congressman Scott Tipton's office), Stephen Flowers, Steve Forney, Geoff Gordon, Ted Grove, Bonsall Johnson, Marty Knox, Jean Leonard, Mark Looper and Teresa Howell of the Indiana Jones Bed & Breakfast, Erin Minks (from CO Senator Mark Udall's office), Jim Poston, Dan Pyzel, NM lobbyist Tom Rutherford, Frank Stapleton, and Richard Tower.

The day's agenda and the Minutes of the March 16, 2011 meeting were approved.

Agenda Item 5 - Report of the Vice-Chairman: Vice-Chairman Randy Randall gave the floor to new Commissioner Dan Love. Commissioner Love stated his founding of Frontier Airlines, his role as Director of Colorado Tourism, that he had strong relationships in the Capital (Denver), and that he was retiring as the president of Colorado Preservation, Inc.

Chairman Randall said that on a scale of 1-10, former Commissioner Carpenter rated 'a 10-1/2' and had done an excellent job on the C&TSRR Commission. Commissioner Pete Foster echoed those sentiments, and added that Commissioner Carpenter will be missed.

Continuing, Chairman Randall reported that New Mexico Governor Susana Martinez is in the final stages of appointing that state's Railroad Commissioners, but that Commissioners Foster and Love from Colorado were 'for sure' (appointees).

Item 6 – Report of the Executive Director: Executive Director Leo Schmitz reported that the tie installation on Lobato trestle was complete, the walkway was in work and needed for installation of the 90-lb. rail, and that the projected date for trestle availability was June 19th. He added that inspections by the highway department and other organizations had been performed last week, resulting in only a small 'punch list' to be addressed.

Chairman Randall stated that the Commission was disappointed that Lobato Trestle was not available for the start of the season, but added that it was no fault of the parties involved. He continued that Reiman Corporation's concept of using gantry cranes for the repairs was 'semi-new' and required re-work in the field, and he expressed his regret of the effect of the delayed opening on the Chama Chamber of Commerce. John Matthews added that Reiman was well-qualified to perform this work and had come up with some 'ingenious' techniques to effect the repairs on the trestle.

Continuing the Executive Director's report, Leo Schmitz reported that work on the Osier section House was nearly complete, and that the Colorado Historical Society was scheduled to perform their inspection on June 23rd.

Commissioner Foster asked about the status of any change orders; Mr. Schmitz replied that none were outstanding.

Chairman Randall stated that the Capital Development Committee from Colorado was to visit the Railroad, and that the Committee has been 'very supportive' of the Cumbres & Toltec.

Mr. Schmitz continued that the Department of Labor audit was performed and the Railroad was "OK", and that funds from the "American Recovery and Reinvestment Act" had been instrumental in continuing the operations of the Railroad.

Regarding insurance, Mr. Schmitz stated that the Railroad's property values had been reviewed and updated. He noted that the increase in insurance coverage was not proportional to the increase in the deductible, i.e., savings on premiums were achieved by allowing a higher deductible while increasing Lobato Trestle coverage to \$2M.

Inquiring about the Commission's approval of the new insurance limits, Commissioner Randall agreed that this item would be on the next meeting's agenda.

Item 7 – Report of the CTSMC:

7A - President's Report: President Elmer Salazar welcomed Commissioner Love to the Cumbres & Toltec Scenic Railroad organization.

President Salazar reported that due to less snow during the 2010-2011 winter, the cost for snow removal was only \$2500 (vs. \$25K-50K), was performed in-house, and he thanked Marvin Casias, Ronnie Lopez and the team for the work they'd performed.

Continuing, President Salazar reported that three locomotives were ready, the passenger coaches were in good shape, and that all FRA issues had been addressed. There was no overtime without approval of the GM; and controlling payroll hours had resulted in saving tens of thousands of dollars.

Regarding track-work, the track had survived the winter in 'stellar shape', and funding had come from revenue, vs. capital appropriations.

Shop hours had been revised from 7:00AM-4:00PM (plus longer hours, if necessary), to staggered shifts of 7:00AM to 3:00PM, 3:00PM to 9:00PM; plus a night crew to cover the graveyard shift. In addition, accountability, as well as the efficiency and effectivity of the employees, were now part of the plan.

Uniforms of the train crews, ticket agents, and personnel at Osier Station were creating a consistent and professional appearance of Railroad personnel; Marvin Casias and Jim McKeel had conducted a rules class; with the assistance of the Friends' docents, the history of the Railroad was part of the training received by the customer service representatives; and training classes will continue throughout the year.

Regarding fire suppression, GM Marvin Casias has taken a pro-active approach to contacting the appropriate State and Federal agencies. Two 'stages' of fire alert mentioned were 'Stage One', i.e., the present fire-watch level, and 'Stage Two', a higher level of fire-watch awareness.

President Salazar stated the new website administered by Roger Hogan, Nick Quintana and Steve Forney was having some issues resolved, and that the Railroad's demographics of white, male, 57, making \$120K per year were participants on the social networking sites.

Also, the goal is to have 90% of tickets sales performed on the website, essentially giving the ticket windows a 'will-call' responsibility.

Ed Beaudette has been reviewing the customer service aspects of the Railroad, e.g., parlor car service, reservations, and ticket window performance, and will have a report available within the next couple of weeks; (administrative) policies and procedures are being updated, with shop procedures to be addressed in the future; the Railroad's computers are being R&R'd by Roger Hogan and others; Wi-Fi will be provided at both the Antonito and Chama depots; and under the direction of Roberta Martinez, personnel files will converted from a paper to an electronic format.

Opening Day liquor sales were 'phenomenal'; however, sales in New Mexico appear to be awaiting the opening of Lobato Trestle.

The Management Company and Reiman Corporation have coordinated their respective work on the Lobato Trestle, i.e., good communication between the organizations has expedited the repair of the trestle. New Mexico DOT had only a

small punch list on the trestle work; HDR had performed their inspection; and a ribbon-cutting ceremony was being planned for the Fourth of July.

Budget-wise, the \$800K shortfall reported earlier had been reduced to below \$140K. With 40,000 riders targeted for the post-Lobato operating season, 2011 is to be a come-back year for the Railroad; and a 4%-6% decline in New Mexico ridership seems due to passengers wanting the full ride from Chama to Osier.

President Salazar closed by saying the Railroad needs to make enough money in 2011 to allow for a full schedule of winter work.

Item 7B – Treasurer’s Report:

In the absence of Treasurer Bill Hume, Tim Tennant thanked Marvin Casias and the Railroad, Leo Schmitz, and Stephanie Gray for their efforts in helping to survive a 29% drop in ridership.

Highlights reported by Mr. Tennant included: a \$980K loss in ticket revenue; receipt of ARRA funds from Colorado; \$193K, \$63K, and \$28.5K saved in the payroll, locomotive parts, and shop supply categories, respectively; and through eleven months of FY 2010, overall expenses were \$645K under budget.

Chairman Randall stated that the Railroad had done a good job of controlling costs, and that some of the efficiencies (good habits) should continue.

Commissioner Love said that he was ‘amazed’ at the response to the Lobato fire, and offered his congratulations (to the parties involved). Chairman Randall reminded the attendees that the Colorado ARRA funds were spent on items that would have otherwise consumed the dollars necessary for other activities.

Item 7C – General Manager:

General Manager Marvin Casias opened by saying that, due to the continuing repairs to Lobato Trestle, the eastbound Opening Day trains ran out of Cumbres. Rail installation was to begin the next day (6/16/11), followed by ballasting. Saying that (the Railroad) wanted a finished product, test trains would be run over the trestle before operating passenger trains over Lobato.

Two locomotives were available for the Antonito-Cumbres turns: the 489 and the 488. (487 was available on the Chama-Lobato trackage. –JP). Work on Locomotive 484 was continuing and was expected to be available approximately July 5, 2011. The passenger cars were in good shape and had passed the requirements of the FRA.

Chairman Randall asked if the track between Chama and Cumbres was OK. Mr. Casias replied there was one culvert that had washed out, but that it would be repaired/replaced by the New Mexico highway department.

As part of the fire suppression plan, Mr. Casias reported that the Railroad had built a weed sprayer, and acknowledged the efforts of Ronnie Lopez and Glen Avery in getting the machine built.

Item 7D – Marketing:

Chris Czmyrid reported that the marketing effort now included advertising on Albuquerque television stations, in the Denver Post and the Albuquerque Journal, and countering the misconception that the Railroad was ‘out of business’ was taking place as well.

PBS marketing was occurring in Colorado, and advertising in the Texas drive markets was also being performed.

Opening Day attendance was 40% over 2010 (approximately 200 passengers), opening weekend was +50%, and overall, the Memorial Day weekend ridership was up 18% over 2010.

Reservations to-date were down 9% vs. 2010, with group reservations down 15%, and individual down 5%. Reasons given for these lower numbers were the economy and the transition to the new reservation system.

Regarding reservations, the 186 tickets sold for 6/7 and 215 sold for 6/8 outpaced sales for the same days in both 2009 and 2010. Referencing his conversation with Director Amos Cordova, Mr. Czmyrid stated that the Durango & Silverton had seen a huge increase in walk-up ticket sales. Mr. Czmyrid added that New Mexico historically lags in ticket sales in June, but that both coach and parlor car reservations were higher than this period in 2010.

Percentage-wise, Chama (Cumbres) ticket accounted for 56% of ticket sales; Antonito had the other 44%.

There had been a lot of positive response to the Railroad’s marketing via PBS, and word-of-mouth publicity has also been helpful.

Commissioner Foster observed that the decline in group sales was a function of the tour operators and not the Railroad; Mr. Czmyrid stated that (he) would see if other attractions such as kayaking were also down. Chairman Randall noted that the Railroad needs to be sure they are being sensitive to the price of tickets.

Dr. Bonsall Johnson asked if the group tour operators had been able to ride the train, and a representative from the Indiana Jones bed & breakfast inquired whether foreign sales were tracked. Replying to both, Mr. Czmyrid stated that among other operators, Mayflower Tours of Illinois had been a long-time participant with the Cumbres & Toltec, and although the Railroad has a global attraction, analysis has shown that most of the ticket sales are 'local' (vs. international).

Continuing, Mr. Czmyrid stated that talk radio, Facebook, and PBS were playing a big part in advertising the Railroad, and that Colorado's \$19M tourism budget, plus New Mexico's \$3M budget for tourism were helping, too.

Chairman Randall recognized Roger Hogan's efforts during the Lobato Trestle situation, stating that Roger had played a critical role in telling the 'photographic story' of the trestle, and thanked Roger on behalf of the Commission.

Item 10 – Report of Legislative Activity:

Due to time constraints and with the approval of the Commission, this item was moved ahead on the agenda.

New Mexico lobbyist Tom Rutherford reported that the legislature is considering a permanent source of funding for the tourism advertising, e.g., a room tax, Governor Martinez is backing an initiative that supports small businesses, and the Railroad has a good relationship with the Legislative Finance Committee.

The Railroad has been successful in getting capital funds from Santa Fe, but due to a filibuster, the capital outlay bill containing \$100M-\$200M died in the Senate. However, if approved during a special session, funding may be available later in 2011. If not approved, it may be May/June of 2012 for funding to be appropriated.

Chairman Randall mentioned the upgrade of Cascade Trestle, and it was hoped that a list of repairs and the cost of those repairs would be available in the near future.

Item 8 – Capital Projects:

Leo Schmitz reported that money for ballast and the Martinez Point project was available; work was continuing on the Chama depot electrical wiring, and the Lobato project was being supported by the Federal Highway Administration.

The Commission's budget from New Mexico had been pared by \$3,000, with next year's reduction estimated at \$3,700; the Candelaria Fund had assisted with the purchase of the property at Los Pinos, and outstanding Candelaria projects would be reviewed with Richard and Caroline Tower on June 17th.

Item 9 – Friends of the C&TSRR Report:

Friends President Tim Tennant reported there were a total of approximately ninety volunteers at Work Sessions "A" and "B". Completed projects were the second rider gondola (completed in four days at the Railroad's request); painting of the consist at the entrance to the Railroad, and landscaping the Car Restoration Facility. With the help of Marvin Casias, Leo Schmitz and Conejos County, cleanup of the trash pile west of Antonito - on private property but highly visible to passengers - was performed in less than one day.

Mr. Tennant stated that the Friends dinner would be in Conejos on June 17th, the Directors meeting was scheduled for June 18th at the same location, and the Moonlight Train would be on July 16th. The fall Director's meeting would be in Golden, CO on October 21, and the Colorado Railroad Museum was a partner in a 'co-marketing' effort.

Expenditures to-date on Locomotive 463 were approximately \$715K. With the \$660K initially raised, plus \$70K from a Friends funding drive, plus a match of \$40k from the Narrow Gauge Preservation Foundation, the total funding for the 463 project was up to \$770K. An estimated \$130K still needs to be raised to complete the project.

Marty Knox reported that the delivery of the 463's boiler from Historic Machinery in Alabama was scheduled for July (later revised to August 2011. -JP), and the plan is to lift the boiler from its transport and set it directly on the frame. Prior to boiler delivery, and in approximately two weeks, the frame - which had been inverted to perform welding and other repairs - would be turned right-side up.

Continuing, Mr. Knox stated that the drive boxes were due in August, and the drivers were in Durango awaiting machining based on that Railroad's operational needs.

Chairman Randall requested a monthly report on the 463, to which Mr. Knox added that the goal for test runs of the locomotive was March 2012.

Reporting on the Railroad's National Historic Landmark status, Dick Cowles said the request would be reviewed by the Secretary of the Interior, that several state and federal entities were participating in the process, and results are targeted for March 2012.

Item 11 – Public Input:

Frank Stapleton reported that the Colorado Railroad Museum had finished restoring a Gramps tank car similar to the cars in work by the Friends; two people in Denver were 'deeply disappointed' that they had to reschedule their vacation plans due the work on Lobato Trestle; and suggested an 'After Action Review' of the Lobato repairs and adjust (future) plans accordingly. Chairman Randall asked Leo Schmitz to talk with Reiman regarding a review.

Regarding Locomotive 463, Mr. Stapleton stated that although most of his questions had been answered, he was 'still deeply disappointed with all the things that had happened to it', but hoped the locomotive would operate for many years.

Teddy Grove inquired about the 'financial linkage' between/among the Railroad, the CTSMC, and the Friends. Per Mr. Grove, that the Friends are a 'component' (of the Triad agreement) indicates 'linkage'. Chairman Randall replied that the four-year audits of the Railroad by, in turn, Colorado and New Mexico, clarified that there was no financial linkage between the Commission/CTSMC, and the Friends, and that while there was an agreement (emphasis mine. –JP) between the Friends and the Railroad, the Commission/CTSMC has no access to the Friends' finances, and vice versa.

Maria Schmitz welcomed Commissioner Love, and asked about commemorating the work done by former Commissioner Carpenter. Chairman Randall stated that the former Commissioner will be both recognized and thanked.

Item 12 – Unfinished Business:

Leo Schmitz reported that thanks to the Candelaria Foundation, the land providing access to the Los Pinos right-of-way was now Railroad property.

Item 13 – New Business:

Item 13A – Approve Train Operating Budget FY 2011-2012:

Chris Czmyrid stated that money to promote special events may be available from Colorado Tourism; (unknown) reported that the bus company did not charge extra for the Chama-Cumbres runs; and Commissioner Love observed that the institutional knowledge of the Railroad could be adversely affected by the term limits of elected officials.

Item 13B – Capital Budget FY 2011-2012:

Chairman Randall discussed the funding of track work from the operating budget vs. the capital budget; and John Matthews stated the load rating of Cascade Trestle was to be done by 2017, and that \$48K was for work on three timber bridges.

Chairman Randall mentioned the need to inspect the Cascade Trestle. Leo Schmitz stated that once the trestle had been inspected, any discrepancies would need to be addressed. President Salazar asked that a time be identified to perform the inspection, and John Matthews added that \$15K would be needed to inspect all bridges.

Chairman Randall recommended the FY 2011-2012 capital budget be approved pending the result of the HDR inspection, as well as the inspection and load-rating work on Cascade Trestle.

Item 13C – Approve Commission Budget for FY 2011-2012:

As part of the budget discussion, Chairman Randall asked that all present should thank Richard and Caroline Tower for the Candelaria Fund's financial support of the Railroad.

Item 13D - Ratify Amendments to Narrow Gauge Caterer's Contract: Approved.

Item 13E – Approval of Amendment to CTSMC Contract:

This amendment was to address the Department of Labor's recommendation for more specific language in the contract.

Item 13F – Update on the Request for Information (RFI):

Leo Schmitz provided a summary of the RFI process, to which Chairman Randall stated that the CTSMC has the option to respond to the upcoming Request for Proposal (RFP). President Salazar replied that the CTSMC does not intend to respond to the RFP.

Continuing, Mr. Schmitz stated that the RFI publicized via TRAIN (Tourist Railroad Association, Inc.), the Railroad's website, and other conduits had received five responses, one of which was to decline to respond to the RFP. The next step was for the Commission to develop a full RFP.

Commissioner Foster inquired about the concessionaire model, and the profit vs. non-profit model of the operator; Commissioner Love observed that the Commission might identify the operator model, to which Chairman Randall replied that a Commission-designed model might prevent respondents from responding.

Richard Tower stated that a hybrid (operator) mode might be developed; Frank Stapleton inquired about criteria to evaluate the RFP respondents.

Roger Hogan suggested that previous operators be asked what they would have done differently in managing the Railroad, and stated that with the Cumbres & Toltec's good relationship with the Georgetown Loop, that he would get information from them regarding the RFP process.

Dick Cowles referred to the Interstate Compact that had formed the Railroad; Marty Knox suggested the option of the Commission directly hiring a General Manager and Chief Mechanical Officer (vs. a management organization). Leo Schmitz stated that New Mexico cannot direct-hire an employee, e.g., a general manager.

Item 13G – Plan for Request for Proposals:

Chairman Randall suggested that a committee be formed to guide the RFP process, with one of the responsibilities being to field questions from potential bidders.

Discussions about the RFP time-line followed, with approximate dates of August 25th for the RFP to be made public, a site visit in September, and a deadline for submissions still to be determined.

Chairman Randall observed that the time-line might be 'too tight' (quotes mine – JP), and asked if the CTSMC would be willing to work through the first quarter of 2012. President Salazar stated that his instructions from the Board were that December 31, 2011 was to be the management company's last day, but that he would take the Chairman's question back to the Directors.

Chairman Randall emphasized that key to the (RFP) criteria was to protect the people who are running the Railroad.

Jim Poston asked for a clarification of the RFP time-line; Mr. Schmitz replied that the finalized schedule would be available in approximately two weeks.

Item 13H – De-acquisition of a (Railroad) Car:

Dan Pyzel of the Friends proposed the Railroad de-acquire Car #1033. This proposal was moved, seconded, and approved.

Item 13I – Approval of Banking Resolution: Approved.

Next Commission Meeting: The next meeting of the Cumbres & Toltec Scenic Railroad Commission is scheduled for Wednesday, September 14, 2011, in Chama – location to be determined.