

Cumbres & Toltec Scenic Railroad
Notes from the C&TSRR Commission Meeting
September 30, 2010
Chama, NM

Note: The following are Notes from the C&TSR Commission meeting of September 30, 2010. 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 September 30, 2010 meeting of the Cumbres & Toltec Scenic Railroad Commission was held at the High Country Restaurant in Chama, NM.

In attendance were: for the Commission - Chairman Lenny Martinez (NM), Randy Randall (NM), Pete Foster (CO), Leo Schmitz, Stephanie Gray and Maria Schmitz. Commissioner Lon Carpenter of Colorado was absent. For the Cumbres & Toltec Scenic Management Company - Vice-President/Secretary/Treasurer Tim Tennant, Board member Bill Hume; General Manager Marvin Casias; and Chris Czmyrid, Roger Hogan, and Nick Quintana of the Marketing Department.

Others in attendance included: Don Bayer, Roxanne Bayer, Ed Beaudette, Stephen Flowers, Scott Flury, Steve Forney, Geoff Gordon, Laura Grant, Che Johnston, Tom Kneib, Jean Leonard, Ed Lowrance, Bill Mackey, Carol Mackey, Rose Martinez, John Matthews, Jim McGee, Sharon McGee, Clif Palmer, Margaret Palmer, Jim Poston, Bob Reib, Jeremy Rutherford, Tom Rutherford, B.J. Samora, Frank Stapleton, Dennis Wells, Brooks Wilson, and Jay Wimer.

Chairman Lenny Martinez called the meeting to order at approximately 10:08am and asked those in attendance to introduce themselves.

CHAIRMAN'S REPORT: Chairman Martinez stated that it has been an 'interesting summer' and that the Lobato trestle fire has been a 'defining event' for the Railroad, Chama, Antonito, and the surrounding counties; 'phenomenal marketing' has somewhat offset the 'Railroad is shut down' reporting by the media; reduced ridership numbers were somewhat offset by modified train rides and community support; and the Railroad is part of the area's 'economic ecosystem', along with hunting and the parks and recreation organizations.

Chairman Martinez continued that as of yet, no funds (for the trestle?) had been secured from State or Federal governments. Commissioner Randall commented that e-mails and phone calls from residents of the affected communities would increase the impact of communication to the respective Governor's offices; and Commissioner Foster added that the Commission had not been 'sitting on their hands', but had been working on obtaining funding for work on the trestle.

EXECUTIVE DIRECTOR'S REPORT: Leo Schmitz stated that ridership is approximately 67% of 2009; the Georgetown Loop has received two more rider boxcars; and foundation work on the Osier section house is progressing. Also, the Tourist Railroad Association, Inc. (TRAIN) will be holding its convention in Alamosa, CO on November 3-7, 2010, and the Commission and other C&TSRR representatives have been requested to attend. Regarding trestle funding, capital request hearings will be conducted by the states of New Mexico and Colorado in late November/early December, with Lobato funding as the primary request of the Railroad.

Commissioner Randall inquired about photos of C&TS cars on the Georgetown Loop, and Ed Lowrance asked how many cars had been loaned to Georgetown.

REPORT OF THE C&TS MANAGEMENT COMPANY: Tim Tennant stated that pre-fire ridership numbers were good, but even with the 10% discount for the Cumbres turns, current numbers were down. In creating a revised, post-fire budget with Leo Schmitz and Marvin Casias, Mr. Tennant reported that, based on the new numbers, revenue was up, and the fall ridership numbers were also up. Concerns included: less cash would be available; excluding variables, the Railroad would be out of money by April; additional funding for track work, the trestle, and for operations was needed; and that April 2011 would be a 'problem date' (-JP) for the Railroad.

Adding to the financial discussion, Chairman Martinez stated that the states (of Colorado and New Mexico) would be approached for trestle funding, with operational funding to be requested from the Federal government. Commissioner Randall added that NMDOT may be another source of money.

Commissioner Randall asked for an estimate of the 'was' and 'is' budgets to show to the States what reductions in

expenses the Railroad had already made. Leo Schmitz reported a 14% reduction, but fixed expenses were more difficult to cut.

Per Commissioner Randall, with Congressman Ben Ray Lujan having an opponent in his re-election campaign, now might be a good time to contact the Congressman regarding his support of rebuilding Lobato Trestle.

GENERAL MANAGER'S REPORT: Marvin Casias recapped the move of two locomotives from Chama to Cumbres to support special trains, the engineer/fireman schools, and the federally-required maintenance and inspections. No trains had been cancelled, especially during the fall, and the Railroad would soon start moving rock-crushing equipment to Martinez Point in support of the ballast project.

Regarding winter work, Mr. Casias stated that a limited number of employees would be in Antonito and Chama until November 15th, and layoffs would occur from November 15th to the first week of February. The number of shop personnel would increase in approximately mid-March, and two train sets would be ready for Opening Day on May 28th, 2011.

Regarding the track crew, work would cease at the end of the operating season vs. working based on weather conditions.

Questions from the Commission to Mr. Casias included: whether the Chama and Antonito shops would be reduced by the same amount (yes); how many personnel would be laid off when the shops were closed (10); had shop personnel already been informed of the layoffs (personnel 'will be informed'); will locomotives be worked on in Antonito (yes - and as required in Chama); will the Opening Day be moved back (no - Memorial Day is still the scheduled date); is the marketing effort in line with the operations plan (yes); and is there a plan for on-going locomotive care/rebuilds (yes). To the last question, Chairman Martinez stated the locomotive maintenance is part of the capital plan, and Leo Schmitz remarked that the first major locomotive work is targeted for winter of 2012.

MARKETING: Chris Czmyrid of the West Agency presented the printed and ready-for-distribution rack cards, and stated that the 2011 brochures were to follow. Mr. Czmyrid stated the "media mis-information" of the Lobato Trestle fire accounted for much of the reduction in ridership, and his phone calls to media representatives requesting correction mostly fell on deaf ears.

For the next season, there must be a very strong effort stating "The Railroad Is Opening In 2011", and a good May/June is essential for a successful operating season. Direct communication and one-on-one contact with tour groups (vs. trade shows) will be more efficient; Bill Hume has been great on quick press releases; and twelve months of free publicity has been arranged with Channel 5 in Albuquerque. Pledges leading to Cumbres & Toltec Railroad tickets have had a 3:1 ratio over the other ticketing options.

Tom Kneib reported that tickets from the KNME/Albuquerque pledge drive were 'not materializing'. Per Mr. Czmyrid, the Railroad's Nick Quintana has approximately 600 vouchers to be passed to Mr. Czmyrid, who will personally deliver the vouchers to KNME.

Commissioner Randall asked about the effectivity of the \$14K advertising that was leveraged into \$50K. Mr. Czmyrid reported that the Denver/Dallas advertising was not particularly effective, but marketing along the Colorado Front Range (Pueblo to south of Denver), as well as early-morning marketing on Denver's Channel 9 helped with the 50+ demographic.

Teddy (last name unknown) of Chama asked whether the Cumbres & Toltec Railroad had 'piggybacked' on advertising with the Durango & Silverton, and added that the Management Company had 'dropped the ball.' Tim Tennant stated that the C&TS had worked with the D&S, and Roger Hogan stated the D&S and the Georgetown Loop Railroad had offered help the Railroad with advertising.

TRACK WORK/LOBATO TRESTLE: John Matthews reported that the 2010 track projects had gone well, with 8237 ties installed (vs. a planned 12K); resurfacing of the entire Railroad had taken place with one-third undergoing a second resurfacing; and 6,268 tons of ballast had been spread, with 1,300 tons remaining in Antonito.

Two track projects had been funded with \$1M from Colorado and \$200K from New Mexico. However, due to the Lobato fire, track work had been reassigned to allow the transfer of \$580K to the trestle project. This reassignment would result in somewhat slower progress, but would expedite efforts at the beginning of 2011.

Commissioner Randall asked if the unused track west of Cumbres was showing any problems. Mr. Matthews reported the track was inspected twice monthly from Cumbres to Lobato, and that coincidentally, the last section of track to be resurfaced was from Cumbres to Cresco.

Chairman Martinez remarked that the reallocation of the \$580K resulted in approximately \$1M for Lobato Trestle - a good job by the management team.

Mr. Matthews continued that four 'coupons' (steel samples) had been removed from the trestle for engineering evaluation. Some of the samples had proven to be stronger, but more brittle, making it necessary to replace all the spans.

In concert with the State Historic Preservation of New Mexico, the purchase order for design work will be/has been sent to HDR, Inc. It is estimated to take one month for the preliminary design, one month for the bid for bridge beam fabrication, and approximately four months for beam fabrication. Some of the steel may have to be specially rolled, setting back the time line, but actual removal and replacement of the trestle beams should take less than one month.

With the funds currently available, bidding on and fabrication of the beams can begin; funds for beam R&R will take place concurrently.

Also, the repairs to Lobato trestle will meet the new FRA standards. Upgrades to Cascade Trestle will take place at a later date, but the suspense date for those upgrades is September 2012.

Commissioner Randall re-stated that the repair of Lobato Trestle is a \$2M project and that no short-cuts should be taken; Chairman Martinez remarked that the trestle project should move as fast as possible, but 'wisely'; and Commissioner Foster commented that while funding for Cascade Trestle and the Rio Chama bridge should be kept in mind, the focus must stay on Lobato.

Geoff Gordon asked if the SHPO had been part of the discussion regarding the trestle. Mr. Matthews reported that SHPO required a public meeting; Chairman Martinez added that SHPO requirements could be worked in parallel with other trestle endeavours.

CAPITAL PROJECTS: Per Leo Schmitz, the New Mexico cutbacks resulted in \$3K being returned from the Railroad; overall income is down due to the decreased ridership; and the Railroad's cash flow will be in the red in April/May timeframe. Revenues will increase once the trains start running.

FRIENDS' REPORT: Tim Tennant stated the next Board of Directors meeting and Fall Banquet will be held October 22-23 in Pueblo, CO. Discussions will include the work sessions for 2011 and the challenges facing the Railroad.

Three-hundred and eighty Friends volunteers participated in 2010, down from approximately 415 in 2009, and additional tank car trucks were delivered to Chama from the Alder Gulch Railroad in Montana.

\$30K in trestle contributions had been received by the Friends office in Albuquerque, \$20K has been committed from "Another Century of Narrow Gauge Steam", and donations to the Lobato Trestle effort are still coming in.

Tim Tennant and Fred Springer supported the Narrow Gauge Convention in St. Charles, MO, where 1,700 people were in attendance.

The Tourist Railroad Association, Inc. (TRAIN) convention will be held November 3-7, 2010, in Alamosa, CO. The San Luis & Rio Grande Railroad will have a special train from Alamosa to Antonito on November 3rd, with the Cumbres & Toltec offering a round-trip excursion from Antonito to Sublette. Other events include a tour of the Car Restoration Facility, a demonstration of Pile Driver OB, an overview of wooden car restoration, and visiting the Antonito engine shop.

Two-hundred and fifty students from the Chama Valley area visited the Railroad in September. Supported by the Friends and by the Los Alamos National Laboratory, this event included two round-trips from Chama to Lobato.

The application for National Historic Landmark continues, with grant-writer John Hinckey and SHPO participating. Commissioner Randall stated the response of the application was 'extremely positive', as was the response from the National Park Service. Current Secretary of the Interior Ken Salazar also supports the Landmark effort.

Work on Locomotive 463 is progressing. The timeline is 'moving pretty well' with July 2011 as the planned date for the return of the K-27 to operation. Per Marty Knox, the boiler's front tube sheet was reworked at Historic Machinery; drive boxes will be machined at the C&TS engine shop in Chama; and the frame/running gear are in work at G-Force Choppers in Chama.

\$409K has been spent on the project, and a 463 'debut' is planned - the date to be 'fine-tuned' as work progresses. Marty Knox will present more information at the Friends meeting in Pueblo.

Chairman Martinez stated his thanks to the Friends, and added that obtaining NPS status is important.

LEGISLATIVE ACTIVITY: New Mexico lobbyists Tom and Jeremy Rutherford were present. Tom stated that the Railroad was 'almost certain' to have the next operating budget approved, and that the layoffs plus other financial cutbacks would show the Railroad's efforts in adjusting to this year's reduced income. He also encouraged New Mexico

residents to call Governor Richardson's office at 505-476-2200.

The changes in the New Mexico (and Colorado –JP) legislature due to the 2010 elections make it important for state representatives to be aware of the Railroad. Chairman Martinez asked if a letter to campaign staffers would be effective; Mr. Rutherford suggested a list of talking points for the legislators.

Commissioner Randall offered that the trestle fire and its after-effects should be included in the above-mentioned letter. Mr. Rutherford said the Railroad should be introduced first, then the crisis mentioned, to which Commissioner Randall recommended the correspondence should start with the problem. He also encouraged the input of Director Bill Hume.

Continuing, Mr. Rutherford stated the annual Balloon Festival would be starting soon, and the announcer would be mentioning the fall colors along the Cumbres & Toltec.

Chairman Martinez suggested a letter to southern New Mexico legislators regarding the Railroad; Commissioner Foster recommended a similar letter for Antonito and Conejos County.

For Colorado, Commissioner Foster stated that the Governor's office and the Colorado Historical Society have been helpful in supporting the Railroad; the Colorado Development Council will hold (financial?) hearings on December 2nd; three ballot issues could severely impact Colorado's tax revenues and, consequently, funding for the Railroad; and the support of State Senator Gail Schwartz should be verified.

PUBLIC INPUT: Frank Stapleton expresses his support of the ballast/rock-crushing project; the new rack cards were a plus; and he thanked the Railroad's employees for their support of the Railroad's 40th Anniversary.

In response to Mr. Stapleton's statement regarding the workforce, Chairman Martinez apologized for not asking earlier about the employees and asked GM Marvin Casias how they were doing. Mr. Casias stated the employees were 'tired', that management was 'trying to make things happen', and that there were 'high-quality employees on the Railroad'. He also remarked that the public-to-employee relationship was doing well.

Chairman Martinez asked that the Management Company forward the Commission's appreciation of the work done by the employees.

Teddy (last name unknown) asked how many people from Chama and from Antonito were in attendance; approximately ten people raised their hands. Teddy stated the 'locals were fed up to the teeth' with the Management Company, that CTSMC President Elmer Salazar had offered transparency, and that he (Teddy) wanted the CTSMC to 'get out of Dodge.'

He added that all Commission members should tender their resignations, and that while Commissioner Randall was "OK", he (Teddy) would not give a 'plug nickel' for the rest of the Commission.

Chairman Martinez stated that the Commission serves at the pleasure of the two states' Governors, to which Teddy replied that the convention was for appointed individuals to tender their resignations (with their potential re-appointment pending the decisions of the new administration. –JP).

Rose Martinez of the 187-member Chamber of Commerce remarked that information about the Railroad was not being disseminated. However, Roger Hogan was passing information to Ms. Martinez who distributed the news to the general public. Ms. Martinez also stated the website for Chama vicinity was www.chamavalley.com, and that individual community members were welcome to join.

A(n unknown) person stated that the hospitality of the Railroad was 'horrific', and that her customers were asking her about clothing and other recommendations for riding the train – information that should be available from the Railroad itself. She offered to help train the Railroad's employees, remarked that other transportation organizations benefit from the Railroad, and closed by saying that the Railroad's 'hospitality has to improve'.

Margaret Palmer said she had researched the benefit of the Railroad to the surrounding communities. According to Ms. Palmer, over the past forty years the Railroad has brought between \$500M to \$1B to the area. Chairman Martinez asked Ms. Palmer to send the results of her research to the Commission.

Maria Schmitz stated that prior to the Lobato Trestle fire, the Railroad had survived other crises such as Mud Tunnel and the fire at Ferguson's (Hangman's) Trestle. She stated the Lobato issue is 'everybody's problem' and that all should 'quit thinking negative – use your energy for the positive.'

Ed Lowrance remarked to the Commission: “Don’t go anywhere. You’re doing a great job.”

Jay Wimer stated that he was ‘pleasantly surprised that you [the Commission] were still here.’ He continued that while the parlor car and tourist class passengers could afford those ticket prices, ‘people can’t afford [the] coach fares’. Mr. Wimer added that if the Railroad’s numbers were down, the merchants’ numbers were down more.

Chairman Martinez commented that it is an ongoing activity of the Commission to look at pricing. Commissioner Randall said that setting ticket prices is ‘very, very tricky’, but the marketing team would examine fare pricing.

NEW BUSINESS: Tim Tennant stated that the operating budget was a ‘work in progress’; Leo Schmitz added that the impact of the trestle fire put the budget in the red.

Commissioner Randall asked how much of the budget reduction had come from both the operating and non-operating categories. In regard to his inquiry of a \$170K payroll in June vs. \$99K in September, Mr. Schmitz stated there were three pay periods in June vs. two in September.

With some of the financial categories needing revision, Commissioner Randall suggested using the proposed budget as a guideline for operations, deferring final budget approval to the next Commission meeting.

Chairman Martinez stated that Commissioner Carpenter would continue as the monetary liaison with the Management Company.

PLAN FOR LOBATO TRESTLE: Chairman Martinez stated the scope of trestle options had narrowed. General discussion by the Commission included - referencing John Matthews’ presentation - one option for the trestle remained on the table; funding for steel beam procurement is available, but additional money is necessary; and three bids will be required for the purchase of the beams.

A motion was made to approve a revised proposal for HDR to assist with bidding, shop drawings, and to perform ‘construction observation’. Following discussion, this motion was approved.

Per Commissioner Randall, a request for stimulus funds has been made to the State of New Mexico; \$600K is potentially available from the State, but several organizations may be requesting the money; funding may be available from the Transportation Fund; NM Transportation Secretary Rhonda Faught has been requested to contact Governor Richardson regarding the Cumbres & Toltec; Mayor Archie Vigil has called/will again call the Governor; and communication with Congressman Ben Ray Lujan is ongoing.

OTHER: Bill Mackey asked about the salvage value of the Lobato steel. Leo Schmitz stated that whatever amount could be raised from selling the beams would be deducted from the check from the insurance company.

Bob Reib inquired about items in the ‘Swamp’ that had scrap or salvage value. Mr. Schmitz remarked that actual scrap items would have to be separated from items that still had value to the Railroad. GM Casias said that the value of scrap materials would have to be negotiated with a scrapper.

Chairman Martinez asked about performing an inventory of the Swamp; this action was to be a Friends activity for 2010, but had been cancelled/postponed.

Chairman Martinez suggested funding from small groups and extended an ‘invitation’ to the Friends to research these potential donations. He continued that other funding and operational options should be explored should Lobato Trestle not be available. Frank Stapleton added that ticket prices shouldn’t be raised if the trestle is repaired earlier than expected.

The Railroad is exploring changes to its insurance coverage. Premiums for \$1M-\$1.25M coverage for each of Mud Tunnel, the Rio Chama (railroad) bridge, and the two trestles are being explored, with deductibles starting at \$50K.

ANTONITO PORTAL: A resolution showing the Commission’s appreciation for the Gray family’s donation of the new portal at the Antonito rail yard was made

NEXT COMMISSION MEETING: The date of the next Commission meeting is to be determined.