

Cumbres & Toltec Scenic Railroad
Notes from the C&TSRR Commission Meeting
December 16, 2010
Conejos, CO

Note: The following are Notes from the C&TSR Commission meeting of December 16, 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 December 16, 2010 meeting of the Cumbres & Toltec Scenic Railroad Commission was held at the Our Lady of Guadalupe Parish Hall in Conejos, CO.

Chairman Lenny Martinez called the meeting to order at approximately 10:05am and asked those in attendance to introduce themselves.

In attendance were: for the Commission - Chairman Lenny Martinez (NM), Lon Carpenter (CO), Randy Randall (NM), Pete Foster (CO), Leo Schmitz, and Maria Schmitz. For the Cumbres & Toltec Scenic Management Company – President Elmer Salazar, Vice-President/Secretary/Treasurer Tim Tennant, Board members Amos Cordova and Bill Hume, and Chairman Frank Turner. For the Railroad were General Manager Marvin Casias, Ducky Martinez, Tommy Garcia, and Glenn Avery, and from the Marketing Department were Roger Hogan, Nick Quintana, Chris Czmyrid and Eric Jacobsen.

Others included: Ed Beaudette, Dick Cowles, Stephen Flowers, Steve Forney, Laura Grant, Barbara Hogan, Rich Muth, Jim Poston, Renee Richardson, Sam Seiber, Frank Stapleton, and Jim Trowbridge.

The day's agenda and the Minutes of the September 30, 2010 meeting were unanimously approved.

Agenda Item 5 - Report of the Chairman: Chairman Lenny Martinez stated that he would be resigning from the Commission for personal reasons, and that Lon Carpenter of Colorado would likely be the next Commission Chairman.

Chairman Martinez expressed his appreciation of community support for the Railroad in 2010. He added that \$825K had been made available for repairs to the Lobato Trestle, and reported that \$480K had recently been made available from Colorado for trestle work and for operations. He cautioned that shortfalls from reduced ridership and the trestle fire should be kept in mind, but the plan for 2011 was to get the trains up and running and to 'keep the intensity' the Railroad had displayed during the 2010 operating season.

Item 6 – Report of the Executive Director: Executive Director Leo Schmitz reported that Stephanie Gray was absent due to her son being in a serious motorcycle accident. (Ms. Gray arrived later in the meeting, and in a brief conversation with this writer, said that her son was home and doing well.)

Mr. Schmitz stated that Paxton and Vierling Steel of Omaha, NE was one entity taking part in procuring the new steel for Lobato Trestle; Intermountain Orient of Boise, ID would supply railroad ties and walkway timbers, and (company unknown) would be a vendor for the required hardware. With the Louis Berger Group participating, environmental and/or biological reports will be reviewed by the New Mexico Department of Transportation (NMDOT), with the New Mexico State Historical Preservation Office (SHPO) coordinating.

Sothern Colorado Construction has installed beams and a concrete pad under the Osier section house. The section house had been sitting directly on a rock foundation, but over time, the rocks had been crumbling.

Commissioner Randall asked if updates to the trestle budget had been performed, and added that the budget needed to be kept as current as possible when real numbers were available to replace budgeted dollar amounts. Mr. Schmitz replied in the affirmative.

Item 7 – Report of the CTSMC:

7A - President's Report: President Elmer Salazar stated the 2010 operation season was an interesting challenge in that the fire at Lobato Trestle 'ate up all of our resources', but that the Railroad's 'greatest asset was the employees'. He added that the Railroad had demonstrated 'efficiency and safety' during the equipment moves from Chama to Cumbres.

Continuing, President Salazar stated the track work performed was a 'shining symbol of success', and the goals of the CTSMC included working on the business aspects of the Railroad, e.g., Human Relations, procurement, drug testing, payroll dependability, and to develop a quality management team that would smooth out variability (of any transition to subsequent management organizations).

President Salazar stated the more than \$120K overage reported at previous Commission meetings had been reduced to less than \$40K by June 2010, and the Richard Tower model on the costs of operating regularly-scheduled trains would be updated.

Regarding special trains (Item 7B), GM Marvin Casias, Leo Schmitz and Stephanie Gray had reviewed/were reviewing the cost of operating special trains, and President Salazar stated the Railroad wants to do 'what's right, ethical, and honest' in operating the specials, and that breaking even (dollar-wise) was the minimum acceptable performance level.

Additionally, he stated that Frank Turner and Jim McKeel had been working on a re-write to the Railroad's Operating Manual, this effort to include drug policies and procedures that followed FRA guidelines, and three self-directed teams – one each at the Chama and Antonito shops, and one with the marketing team - had been established (to resolve any issues that might arise).

Addressing the marketing effort, President Salazar stated that 'Baldrige Criteria' (i.e., leadership, planning, customer focus, etc. –JP) would be utilized in training the reservations team and those connected to the Railroad's publicity and customer relations for a 'better, stronger marketing presence.'

Repairs to Lobato Trestle is to commence in April 2011, and overall, the track is in good shape with minimal unexpected work to be performed in the spring. Per GM Marvin Casias, crews have been laid off for the winter, but work on locomotives and cars has been performed and will continue early next year; and effective January 1, 2011, Bill Hume will replace Tim Tennant as CTSMC Treasurer.

Item 7B – Special Trains: President Salazar stated that the 'CTSMC is absolutely, positively committed to special trains' and that 'special trains are important to the Railroad.'

The spreadsheet provided to the Commission showed a net of \$21K after total special train revenues of \$135K. (This amount includes the Engineer/Fireman schools, Cinder Bear trains, and 2010 special trains.)

Per President Salazar: chartering special trains require a down payment, with total payment due before the train leaves the station; although the Cinder Bear trains did not show a profit, they are a good public relations tool for the Railroad, and Marketing will investigate ways to improve receipts for these excursions; and the Engineer/Fireman schools will be scheduled for fewer days but will be a 'better experience' for attendees.

Commissioner Carpenter stated that the efforts last year of the Railroad's employees did not go unnoticed by the Commission, a sentiment that was echoed by the other three Commissioners. He also complimented the work of the new Marketing team.

Commissioner Randall inquired about marketing for the special trains. President Salazar replied that planning was in work, but was awaiting further analysis of special train data. The Commissioner added that while breaking-even was the minimum goal to aim for, it was OK for 'some trains' (emphasis mine – JP) like the Cinder Bear not to break even, and suggested the plans for marketing and special train information be available in the spring.

Regarding special trains, President Salazar stated that the Black Mesa Winery of Velarde, NM, with 7,000 wine club members, might be interested in a wine-tasting/dinner train event and referenced similar trains on the Georgetown Loop Railroad and the Durango & Silverton. He added that, with the liquor license having been approved, liquor had been served aboard Cumbres & Toltec trains in very limited, selected service.

Commissioner Randall asked about changes to the reservation/ticketing system. President Salazar stated that too often a ticket agent would be with a customer at the window, but the phone would start ringing. As a result, a call center has been proposed to handle telephone customers.

President Salazar stated that being a parlor car attendant is a 'tough job'. Cross-training the parlor car employees with the ticket agents has been suggested, with the Docents as another training resource. The training would take place in advance of Opening Day, and the Northern New Mexico Community College will provide a computerized training lab.

Chairman Martinez said that while the repair budget for Lobato Trestle had first been estimated in the \$4M range, the efforts of Commissioner Foster, Marvin Casias, Leo Schmitz and John Matthews allowed that estimate to be lowered to approximately \$2M.

Continuing, Chairman Martinez also said that the 'tension' between the Railroad and its surrounding communities was due to the amount of information provided by the Railroad, and was an indication of how much the people cared about the Cumbres & Toltec. He again thanked the communities, the Friends of the Cumbres & Toltec, and the people whose livelihoods depended on the Railroad for their support.

Harvey Lee (last name unknown) inquired about right-of-way and track inspections. Frank Turner replied that the Railroad meets all FRA requirements, and that the FRA does review the records of the Railroad. President Salazar added that the Cumbres & Toltec had zero reportable derailments in 2010.

Concluding this Item, President Salazar stated that the CTSMC's working relationship with the Commission was now 'solid' (vs. the relationship earlier this year).

Item 7C – Treasurer's Report: Tim Tennant stated that while the Railroad had been behind in its budget before the Lobato Trestle fire occurred, an outstanding job in cost reduction had been performed.

Mr. Tennant reported that while an estimated \$900K in revenue had been lost due to the fire (and its resulting negative publicity), the Railroad had watched its payroll expenses, monitored administrative costs, and controlled purchases to where a total of \$452K had been cut.

Based on the Railroad's financial situation in August, money was expected to run out in January 2011. However, the recent funding by Colorado is expected to extend this time until June 2011 when income from train operations will begin.

Commissioner Carpenter thanked everyone for watching the finances of the Railroad. Commissioner Randall added that the states of Colorado and New Mexico recognized the Railroad's cuts of \$452K, and it was later stated that these cuts played a part in the financial decision-making in Denver and Santa Fe.

Item 7B – General Manager's Report: Marvin Casias reported that the Railroad had accomplished a lot in 2010. He emphasized that there were no employees laid off due to the trestle fire, and that 'this good news kept the employees happy,' and added that the employees worked for the Railroad 'not (just) for the job, but from the heart as well.'

Continuing, Mr. Casias said the track crew had been laid off at the end of the operating season; the annual inspection on Locomotive 484 was complete; the five-year inspection on Locomotive 488 was also complete; and as the most recent locomotive to have major work performed, No. 489 had a smaller number of items to be addressed.

In Chama, a cracked counterweight on Locomotive 487 was being fixed; and drive box repairs are being performed and will continue in January 2011.

Regarding Locomotive 484, Mr. Casias stated the running gear will be coming off, shipped to Chama for machining/repairs, then returned to Antonito for re-installation.

The passenger cars are in Antonito. Some need work on the end platforms, and as the weather improves, work can be performed outside the Antonito shop. Also, if Chama shop personnel are available, some of those employees may work in Antonito.

The rehiring of a few employees may take place approximately January 10, 2011; the Antonito office is open and staffed with one person, the Chama office is closed for the season, and the buildings have been winterized. The safety program for the Railroad includes regular safety meetings and a safety officer.

Access to the Lobato Trestle will be extremely limited; the written requirements are under attorney review.

Track progress included the installation of 8852 ties, 13-1/2 miles of track surfaced, and 2500 tons of ballast have been obtained from the operation at Martinez Point.

Commissioner Randall inquired about the bids for Lobato Trestle and whether a date for receiving the bids has been established in order to get the information to the Legislature(s) as soon as possible. He suggested a due date of no later than January 15, 2011. Per Leo Schmitz, the Railroad has received the plans from contractor HDR, and he concurred on the need for the due date(s) on the bids.

Item 7E – Marketing Report: Chris Czmyrid of the West Agency presented the Integrated Marketing Approach that he, Bill Hume, Nick Quintana, Roger Hogan, and Eric Jacobsen will be using for 2011.

Mr. Czmyrid stated the Railroad's website must be user-friendly, the misinformation and miscommunication with the media must be remedied, and the Railroad needs to wake consumers up to the 2011 Cumbres & Toltec Scenic Railroad.

With Mr. Czmyrid, Eric Jacobsen presented the ready-to-go, 30-second commercial. The scene opens with a slowly ticking 1880's-era pocket watch, changes to a 21st-century setting, progresses to a very clean Locomotive 489, and closes with the Railroad's dual-flag logo. Actor Gene Hackman has been suggested to do the voice-over. A trip guide that differed from the commercial was already in work, but GM Marvin Casias directed Marketing to go with the all-new, integrated approach.

Next, Roger Hogan stated the software for the Railroad's website was being modified so the Railroad would have better control over updates and revisions. The website and the on-line reservation system are to be connected, and starting in mid-January, the geo-tourism industry will see an ad for the Cumbres & Toltec on the National Geographic website.

Continuing, Mr. Hogan reported that contact via the Railroad's Facebook pages and the YouTube website received nearly 4000 hits whenever updates were posted, and that 108 updates had been posted since July 1, 2010. He added that updates continue to be posted to three external railroad-related website.

Other: A long-play video of the Railroad in 2010 is available and will be provided free to local merchants as long as they agree to play it during business hours, this video will also be played in both the Antonito, Chama depots and the railroad is waiting for permission to have it playing at the "New Mexico Department Of Tourism, Chama Welcome Center". President Salazar suggested the Railroad send a 'thank you' e-mail 24 hours after a passenger had ridden the train; and Chris Czmyrid stated the Railroad had contact information that that could be used to follow up with former passengers.

Nick Quintana stated there would be nine sales agents (vs. the 'ticket agent' job description) for the Railroad - one depot manager each at Antonito and Chama; two full-time sales agents at each end (for a total of four), and three agents at the call center. The agents would be responsible for providing information about the Railroad, up-selling fares whenever possible, promoting the Railroad, and routing calls to the appropriate individual. Mr. Quintana restated the cross-training program for parlor car attendants and sales agents.

Mr. Quintana announced the new gift card available from the Cumbres & Toltec Scenic Railroad. With the image of a train crossing Lobato Trestle, the card is available in any amount over \$5.00 and can be used for tickets, merchandise sold by the Railroad, or used on-line. Each card costs the Railroad \$1.56, has no expiration date, but after (unknown) months, will have \$1.50 per month deducted from the balance - except where prohibited by law.

Mr. Czmyrid reported that for the 2010 season, 20% of forecast ticket sales were sold before Opening Day, i.e., 7200 fares had been sold in advance; rack cards would be stocked in January/February/March at southern Colorado and northern New Mexico ski resorts; and the Railroad was on the cover of the New Mexico Tourism trip guide.

Frank Stapleton asked about the Railroad's marketing at AAA offices. Mr. Czmyrid stated the Railroad had a contract with AAA and that he would follow up on this concern.

Commissioner Randall asked how much of the fiscal year's marketing budget was available. Mr. Czmyrid stated the \$350K budget ran from July 2010 through June 2011, but that about 40% of that money remained. \$360K was planned for the next fiscal year, and that free advertising on KNME/Albuquerque valued at \$30K had been arranged.

Commissioner Randall suggested that advertising (also) take place during the early part of the season, then asked if there were plans for a video of the repairs to Lobato Trestle. (This reply not available. -JP) Mr. Czmyrid did state that PBS has an archive at 'Sky Mountain' from which their affiliated stations can draw programs to fill available broadcast time, and the Railroad might gain additional visibility through this channel.

Item 8 – Capital Projects: Leo Schmitz reported that the Railroad took in only \$700K in revenue vs. a planned 2010 revenue of \$1.5M. Approximately \$575K of the track budget was re-allocated to trestle repair; work on the Osier section house was 85-90% complete; and paperwork and engineering for work on the Chama depot's electrical system was being processed, with bids expected to go out in February 2011.

Commissioner Randall asked for confirmation that there was 'no question' about funding for Lobato Trestle. Mr. Schmitz replied that everything was OK. Mr. Schmitz continued that there may be additional budget cuts from the state of New Mexico, but that some Candelaria Fund funds may be available.

Regarding Candelaria, Commissioner Randall stated that the organization was 'looking for us to use their funds,' (i.e., the Railroad should use the funds, complete the Candelaria-funded projects, or cancel the work); and that Candelaria was expecting the Railroad to continue the associated projects. Chairman Martinez added that the Railroad needed to re-visit its capital projects (after the Lobato work is complete).

Mr. Schmitz reported that, prior to the recent Colorado appropriations, the Railroad's cash flow was potentially in the red. Commissioner Randall observed that with \$390K now available for operations, there might be a way to draw on that resource sooner rather than later.

Item 9 – Friends of the C&TSRR Report: Tim Tennant reported that \$100K for Lobato had been via the Friends, with \$80K from donations ranging from \$10 to \$5000, and \$20K from the Friends organization. The TRAIN convention in early November saw 63 passengers on the Antonito-Sublette excursion, visitors were impressed with the Pile Drive OB demonstration, and \$4K was realized from the event. The next Friends Board of Directors meeting will be on March 25, 2011 in Albuquerque.

Locomotive 463: Boiler work continues at Historic Machinery in Alabama; the locomotive frame, portions of the tender, and some removed parts are at G-Force Choppers in Chama; drive boxes are being machined by Scott Lindsay of Steam Operations Corporation; and to-date, \$533,796 has been spent on the project. Estimated return to operation of the K-27 is late 3rd-quarter/early 4th-quarter of 2011.

National Historic Landmark status: Dick Cowles stated that to achieve NHL status the proposed entity has to show national, historic significance. In support of this requirement, Mr. Cowles said the Cumbres & Toltec represents an 'outstanding surviving (remnant) of a 1000-mile network' and is the 'most complete and representative example of early 20th-Century railroading at its peak of national influence.'

Item 10 – Legislative Activity: Commissioner Randall stated that New Mexico official David Lucero would be meeting with the state LFC on December 20th in regard to \$500K for boiler work and track work.

Commissioner Carpenter reported that he and Leo Schmitz had visited Colorado's Capital Development Committee on December 2, 2010 regarding \$500K to replace track money that had been reassigned to Lobato Trestle. Per Mr. Schmitz, the Railroad's project was ranked #7 when funding was available only for the first six projects. (Note: the ARRA appropriation from Colorado was subsequent to the meeting on December 2. The plan(s) to use this funding will be developed early in 2011.)

Item 11 – Public Input: Roger Hogan stated that the Railroad and the Friends had attended a variety of train shows and exhibitions, most recently in November in Denver.

Jim Poston asked about the ballast operation at Martinez Point, and what effect the November 2010 election would have on the Commission. Leo Schmitz replied that 2500 tons had been produced at Martinez Point, 2500 additional tons would be available next year, and further operations would depend on the funds available. Chairman Martinez stated that, except for his resignation, the Commission would continue in its present configuration, and that with three members, a quorum would be maintained.

Item 12 – Unfinished Business: Leo Schmitz reported that the Los Pinos Siding issue had seen no movement on the price under discussion.

Item 13 – New Business:

13A – Lobato Materials: Leo Schmitz reported that Intermountain Orient had the low bid for railroad ties and walkway lumber.

Commissioner Foster stated that guaranteed delivery clauses were needed due to the need for timely delivery of bridge materials. Mr. Schmitz replied that the steel had a performance clause, and that other purchase orders would have this specification added. The ensuing discussion stated that awarding of contracts should be based on performance as well as price, and gave the Executive Director the authority, if necessary, to negotiate terms with the next lowest bidder.

13B – Request for Information Process: Commissioner Carpenter said the Commission will establish a business model for the next management company. The Request for Information (RFI) from the Commission will outline their expectations for the next company. Delayed by the Lobato situation, the Commission's RFI process has just begun.

Commissioner Foster reminded everyone that "we (the Railroad) still have a patient on the table", and the main objective was to stabilize the railroad.

13C – CTSMC Performance Evaluation: Chairman Martinez stated the evaluation was both incentive-based and performance-based. Based on ridership, safety (3 reportable accidents / zero reportable derailments), and net income, the maximum possible award of \$17,500 was unanimously approved by the Commission. Per President Salazar, upon the Commission's approval of the award, the Management Company would begin cutting bonus checks for the employees in order for them to have the checks before Christmas.

13D – Election of Officers for 2011: Outgoing Chairman Lenny Martinez gave his thanks to the Commission members for doing a 'yeoman's job' throughout the preceding year. For 2011 the Commission approved Lon Carpenter as Chairman, Randy Randall as Vice-Chair, and Pete Foster as Secretary/Treasurer.

To commemorate the former Chairman's support of the Railroad, Chairman Lon Carpenter presented Commissioner Martinez with a plaque of a C&TS freight train special crossing Cascade Trestle.

13E – Executive Session: The meeting adjourned so the Railroad Commission could go into Executive Session.

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