

**CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION
CONFERENCE CALL MEETING MINUTES FOR MARCH 3, 2010**

A meeting of the C&TSRR Commission was held on Wednesday,
at the Cumbres & Toltec Scenic Railroad Commission's Office
5250 State Highway 285, Antonito, Colorado

Meeting was called to order at 1:35p.m. by Chairman Lenny Martinez.

Those present in the Commission's office were:

J. Leonard Martinez, Chairman	Leo Schmitz, Executive Director
Marvin Casias, Interim General Manager	Stephanie Gray, Administrative Assistance
Gayle Martinez	Maria T. Schmitz

Those on line were:

Lon Carpenter, Vice-Chairman, Grand Junction, CO	
Pete Foster, Treasurer, Durango, CO	
Randy Randall, Secretary, Santa Fe, NM	
Elmer Salazar, C&TSMC President, Los Alamos, NM	
Tim Tennant, C&TSMC Vice- President, Los Alamos, NM	
Andrea Buzzard, Counsel, Santa Fe, NM	Bob Jennings, Denver, CO
Cliff Young, Denver, CO	Steven Forney, Denver, CO
Jean Leonard, Chama, NM	Kyle Smith, Jacksonville, FL
Richard Bulware, Denver, CO	Dave Schaff, Denver, CO
Erin Smith, Alamosa, CO, Pueblo Chieftain	Scott Fleury, Chama, NM, KRZM
Ed Lowrance, Pagosa Springs, CO	Jim Poston, Chama, NM
Frank Turner, Birmingham, AL	Alan Loomis, Chama, NM
Roger Hogan, Chama, NM	Barbara Hogan, Chama, NM
Stephen Flowers, Antonito, CO	Chris Czmyrid, Santa Fe, NM
Frank Stapleton, Denver, CO	John Matthews, Denver, CO
Craig McMullen, Colorado Springs, CO	Ed Beaudette, Chama, NM
George Lawrence, Rio Rancho, NM	

Commissioner Randall moved to approve the agenda, and motion carried with a second from Commissioner Foster.

Commissioner Carpenter then moved to table Item #4, Approval of Minutes, and Item #5, Report of the Chairman, until the next meeting. Motion was approved with a second from Commissioner Randall.

Elmer Salazar, President of the C&TS RR Management Team said the first person to speak would be Marvin Casias, C&TSMC's Interim General Manager, who would update the Commission on the preparations being made for the upcoming Season within the last month. Marvin informed everyone Engine 487's cab and plumbing had been taken care of and once the driving boxes were delivered they would start installing them next week. He also reported Engine 484 is sitting outside the shop and once the ice is removed it will be in the shop for maintenance repair work. Marvin said there was nothing to report on Engine 463 since they would not be doing any work on it since they were preparing the other engines for the Season.

Marvin said passenger cars 517 and 513 were being addressed and would be ready for Opening Day. He further added by Friday, Engine 488 would be inspected and the boiler will be filled with water to do the hydro test. Also, the first Hopper Car needed the axles to be replaced on the front wheels and the work would be done in Chama. Marvin added there would be two passenger cars whose brakes needed to be converted to AB Style.

Concerning the purchase orders and invoices, he had worked with Leo and Stephanie to bring them up to par and getting the purchase order system functioning to be more efficient when processing purchase orders and invoices for payment. Also, he added the snow removal plan had been sent out yesterday, and much would depend on the weather. However, the track and roads will be opened by Opening Day.

Commissioner Randall asked for an update of the tourist cars. Marvin said the tourist cars would have maintenance work done on them; however, to upgrade them or do any other work would have to be done next year. He also said they were going to work on the parlor cars to make sure they have all the extras installed to be ready for Opening Day.

Commissioner Randy asked Elmer to prepare a list of improvements needed with tourist cars and an estimate of the cost. Elmer asked Marvin if he could work with Leo and assess to see if there were monies available to do some upgrade work on the tourist cars. Marvin said he would work with Leo to research if there could be monies found to do more work on the tourist cars.

After Marvin gave his update report, Elmer said Gayle would update the Commission on the marketing plan and how it is preparing for Opening Day. Gayle said there has been extensive work done on marketing the Railroad through their website, social media and updating the management of the Railroad's website. Analysis of the website's two year program had been done, and it shows it does help the Railroad bring in reservations. Their goal is to expand the social media by getting into *facebook* and other areas addressing the masses and marketing the train.

Gayle said they would not be receiving the \$10,000 grant from New Mexico's Tourism Department this year. Commissioner Randall said the opportunity may be not \$10,000, but to try to at least get \$5,000 or possibly \$7,500 from the Co-op program. Gayle said she would follow through and make a request.

Commissioner Randall asked what plans were being made for the C&TS RR's 40th Anniversary Celebration. Gayle said they were working on the promotion of the Railroad's 40th Anniversary and would have more of a plan for the Commission at their next meeting. As for New Mexico's 100th Anniversary, it would be addressed in the following year's budget, and they would work to help Commissioner Randall promote the Railroad as being New Mexico's past history display. Planning can and must take place this year.

At this time Elmer informed everyone the train would open on the 22nd of May; however, the Opening Day Celebration would be the following weekend, Memorial Day weekend. C&TSMC were only going to have two buses on schedule which would be a savings, and they would find other ways to promote different trips. Also, he said they would have a more succinct plan developed for the 40th Anniversary Celebration at the next Commission Meeting.

Tim then gave a report of where C&TSMC stood financially. He said C&TSMC laid off five employees which was a savings of \$2300 for this past month. They have also decreased their expenditures by cutting down on their spending to buy only what is needed for preparation of the engines, cars and property for Opening Day and the 2010 Season. He said Elmer, Marvin and he were looking for other ways to use what they have in inventory instead of continuing on additional purchases. He said he was monitoring expenditures to try to get within budget.

Chairman Martinez asked if these actions were causing a decline of employee morale. Elmer said he would let Marvin address this question. Marvin said the employees understood the importance of getting the work accomplished for Opening Day and the success of this upcoming Season. He added they all understood how important the Railroad's continuation was to the communities, employees and businesses. They were all working together and no problems of low morale.

Since there was no business to discuss under Unfinished Business, Chairman Martinez then moved to the next item on the Agenda, New Business. First item to be discussed under New Business was the Approval of Amendment to C&TSMC Management Contract. He presented Addendum 1 Revision B to the Commission.

Chairman Martinez began the discussion by letting everyone know there were six major elements of the amendment which the Commission felt C&TSMC needed improvement. He said the Commission would deal with each item separately and have a motion and discussion for each. He said the Commission had reviewed the wording and worked extensively on the material, and they felt the changes made were fair. Chairman Martinez added the purpose of this addendum is to clarify and provide specific direction to "Commission policy and priorities" referred to in Section 5-A of the Management Agreement.

Chairman Martinez read Element A: C&TSMC BOARD COMPOSITION: The memorandum of understanding between the States of New Mexico and Colorado defines the business skill requirements for members of the Commission. Railroading is not one of those required skills and the Commission seeks to obtain these skills through the contract with the C&TSMC. To the extent that any of the skills on the Board of C&TSMC are diminished through Board composition changes. C&TSMC will communicate in advance potential changes and how those changes will address the strengths needed by the management company to adequately operate the Railroad.

Chairman then asked the Commissioners for input of this element. Commissioner Carpenter felt the Commission should be informed when there are changes being made by the C&TSMC's Board of Directors. Commissioners Randall and Foster both agreed the Commission should be kept in the circle of communication of what is happening with their Board of Directors. After further deliberation and discussion, Commissioner Randall moved to have Element A read as follows:

C&TSMC BOARD COMPOSITION: The memorandum of understanding between the States of New Mexico and Colorado defines the business skill requirements for members of the Commission. Railroading is not one of those required skills and the Commission seeks to obtain these skills through the contract with the C&TSMC. To the extent that any skills on the Board of C&TSMC are diminished through Board composition changes. C&TSMC will communicate *in writing* in advance potential changes and identify how those changes will address the strengths needed and or skills lost by the Management Company to adequately operate the Railroad.

Element A, with the noted changes was approved unanimously with a second from Commissioner Carpenter.

Next Element discussed was B: NOTIFICATION REGARDING KEY EMPLOYEES which Chairman Martinez read. The Commission sees the hiring or termination of the General Manager of the C&TSRR to be a critical component of the overall management responsibility. While it is understood that the General Manager is an employee of the C&TSMC and reports to the Board of C&TSMC, advance concurrence from the Commission is required before hiring or termination can be finalized.

Chairman Martinez pointed out there might be potential liability for the Commission if they were involved in the concurrence of the General Manager hiring or termination. Andrea Buzzard clarified the term 'concurrence' had the same legal implication as an approval. Chairman Martinez wanted to take out concurrence and change it to notification. Commissioner Carpenter agreed with Chairman Martinez, and he too felt the word had strong legal implications, and it should be the C&TSMC hiring the General Manager.

However Commissioner Randall felt the word should be left and Element B left as it read; therefore, he moved to leave Element B as read. Commissioner Foster seconded the motion. After further discussion, a roll call vote was called for:

Commissioner Randall voted yes;
Commissioner Foster voted yes;
Commissioner Carpenter voted no; and
Chairman Martinez voted no.

Since there was not a majority for or against leaving the wording as is, the motion died and resolution of the wording in this element was deferred to the end of the discussion.

Chairman Martinez presented Element C part 1:

OPERATIONAL EXPECTATIONS OF THE MANAGEMENT COMPANY.

1. Establish Operational Stability

- a.) **Performance to budget must be attained in operational and capital budgets.**
- b.) **Re-establish a common documented direction for the C&TSRR and communicate same to all employees.**
- c.) **Continue to monitor and improve overall employee morale. A baseline can be established by utilizing commonly used employee survey tools.**
- d.) **Document and prioritize all work projects with specified time lines and responsibilities.**
- e.) **Communicate immediately and effectively with Commission with regard to all incidents that may impact the enterprise.**
- f.) **Conduct an immediate search, both internal and external, for a permanent replacement for the General Manager. Provide a search plan to the Commission and include progress in the report to the Commission as specified later in this Addendum.**

Commissioner Randall moved to approve Element C part 1 as read along with the addition of items e which Chairman Martinez indicated had been inadvertently eliminated from the draft. Motion carried unanimously with a second from Chairman Martinez.

Next Chairman Martinez presented Element C part 2: **OPERATIONAL AND CAPITAL PROJECTS**, known or unknown to the Commission that need to be integrated into a work schedule and addressed in a timely manner to support the objectives for this Season:

OPERATIONAL AND CAPITAL PROJECTS

OPERATIONS:

- a.) **Locomotive Maintenance: Develop a report detailing the work needed and develop a monthly plan to ensure four (4) locomotives are ready for Opening Day on May 22, 2010.**

- b.) **Locomotive 487 Running Gear Rehab:** Provide a plan for completing this project by May 22, 2010 and include the progress in the report to the Commission.
- c.) **Passenger Coach Maintenance:** Detail the work needed for the Passenger Coaches, Parlor Cars, Tourist Class Cars, Snack Cars and Observation Cars providing progress in the report to the Commission. There is an expectation that the second Parlor Car will be completed, improvements will be made to the Tourist Cars and Passenger Coaches and modification will be made to the Snack Car after its first year in service.
- d.) **Purchase Order System:** Coordinate with the Commission's Executive Director to establish a timely, cost effective and coordinated purchase order system that demonstrates financial control expected by the Commission.
- e.) **Reservation System Software:** Review the terms of the contract and insure through Fulgen that maintenance service and web site hosting are in order and clearly defined as early as possible to support pre-season reservations.
- f.) **Train Operating Budget:** Prepare a draft budget for operations as require by Section 4-C in coordination with the Executive Director. An acceptable budget will address elimination of the deficits and demonstrate break-even or better performance. Budget to include Controlled Maintenance Budget.
- g.) **Comprehensive Marketing Plan:** Prepare a draft marketing plan to be submitted with the Operating budget. The plan will include advertising, trade show participation, public relations efforts, special trains and activities and other marketing concepts within the scope of the proposed marketing budget. The plan will also indentify methods to measure the effectiveness of all marketing efforts. Special attention should be paid to the 40th Anniversary of the C&TSRR and pre-planning for the 100th Anniversary of the State of New Mexico.
- h.) **Special Event:** Develop a list of planned special events such as the Galloping Goose, Engine 315, planned special trains, Community events and the Engineer/Firemen School. All costs and activities associated with marketing and managing these special events should be included in the operating budget and marketing plan. These activities and costs should also be restated for each event forming a separate P & L plan for each event.
- i.) **Snow Removal From Track and Road to Osier:** Inform the Commission regarding the assessment, timing, contractors and cost estimates for all snow removal. Establish a plan and include in the progress report to the Commission.

Chairman Martinez continued with the presentation of the second part of Element C:

CAPITAL:

- a.) **Track Upgrade:** Develop a plan and keep the Commission informed on all elements of the project including rebuilding the Hopper Cars, tie purchase,

- installation of ties, rock ballast purchases and installation, role of John Mathews and development of internal leadership.**
- b.) Track Pan Construction/Installation: Coordination with Commission's Executive Director regarding the construction and installation of the Track Pan with an appropriate design as the original design is not satisfactory. Include progress in the report to the Commission.**
 - c.) Locomotive 463 Rebuild: Develop a plan and include progress in the report to the Commission.**
 - d.) Coordinate All Capital Improvements: Integrate all capital projects, including projects proposed by the Friends, into a priority list and provide to the Commission for approval.**

C&TSMC will provide to the Commission any additional projects that were not listed above along with plans and progress in the report to the Commission.

Commissioner Randall asked why had the previous item C-2j., dealing with liquor plans been removed. Commissioner Foster agreed it should be left in since it was discussed liquor would be served in the parlor cars which sell tickets to only adults. After further discussion, Commissioner Randall moved to approve Element C as read by Chairman Martinez; however, to add item j to Element C. J should read: **Provide information for options for wine and liquor on the regular trains and for special event for the Commission to consider as initiated last year.**

After a second from Commissioner Carpenter a roll call vote was taken:

Commissioner Randall voted yes;

Commissioner Foster voted yes;

Commissioner Carpenter voted yes; and

Chairman Martinez voted no. Motion carried with the majority of the Commission voting yes.

Chairman Martinez then continued to read Element D:

C&TSMC TO ADHERE TO INDUSTRY ACCEPTED GOOD MANAGEMENT PRACTICES. The Commission expects the C&TSMC to appropriately use the authority granted to the C&TSMC under its contractual agreement and to exercise appropriate discipline to honor and strengthen its own management chain of command. It is critical to the Railroad to establish, support and grow the General Manager's function without usurping the role.

Commissioner Randall approved Element D as read. Motion was approved unanimously with a second from Commissioner Carpenter.

Element E: Communication was then read by Chairman Martinez. C&TSMC will provide to the Commission by February 28, 2010 or as soon as possible a draft of an integrated work plan to take the C&TSRR through the balance of the current fiscal year. This plan will include, but not be limited to, actions being taken to bring costs into line with budget and an inclusive project plan to include all those projects identified above along with other projects to be undertaken by

C&TSMC. After submission of this plan, the Commission will be provided with a weekly progress report to update the Commission on the status and advise of pending actions. The frequency of this update report may be revised by the Commission on the basis of acceptable progress and performance.

Commissioner Randall said the 28th of February had already passed and would like the date to be changed to say March 17th, 2010 and to get rid of the wording “as soon as possible.” Elmer said C&TSMC would be able to get the plan to the Commission by this date. Also, Commissioner Foster was concerned with weekly being too often. He would like it to read bi-weekly. Elmer also said an integrated work plan would take longer and require more staff. After deliberation amongst the Commissioners, they agreed to delete integrated and leave it as a work plan. Commissioner Foster moved to accept Element E with the noted changes. Motion carried unanimously with a second from Commissioner Randall.

The approved Element E now reads:

COMMUNICATION: C&TSMC will provide to the Commission by March 17, 2010, a draft of a work plan to take the C&TSRR through the balance of the current fiscal year. This plan will include, but not be limited to, actions being taken to bring costs into line with budget and an inclusive project plan to include all those projects identified above along with other projects to be undertaken by C&TSMC. After submission of this plan, the Commission will be provided with a bi-weekly progress report to update the Commission on the status and advise of pending actions. The frequency of this update report may be revised by the Commission on the basis of acceptable progress and performance.

Element F was then read by Chairman Martinez. DOCUMENTATION: The Commission also requires that C&TSMC document its policies, processes and agreements as a matter of bringing more formality to its operations. C&TSMC is to develop policy with regard to an acceptable level of documentation and provide a draft to the Commission by March 15, 2010. Adherence to approved policies, processes and agreement is required.

Commissioner Randall moved to accept Element F as read with the only change being changed from March 15, 2010, to March 31, 2010. Motion was approved with a unanimous vote with a second by Commissioner Foster.

Element F now reads:

DOCUMENTATION: The Commission also requires that C&TSMC document its policies, processes and agreements as a matter of bringing more formality to its operations. C&TSMC is to develop policy with regard to an acceptable level of documentation and provide a draft to the Commission by March 31, 2010. Adherence to approved policies, processes and agreements is required.

Chairman Martinez then returned to Element B to break the deadlock vote. Commissioner Randall was adamant the word concurrence should stay because it is important the Commission has a say so to who will be the C&TSRR’s General Manager. Commissioner Foster agreed with Commissioner Randall in concurrence enables the Commission to keep

control of the situation; and the word notification only informs the Commission of who was hired. Commissioner Carpenter asked what was the importance of the Commission's approval to who would be the General Manager, and does the C&TSMC need Commission's approval. Commissioner Randall said it was important because the General Manager is the person involved with the whole operation of the Railroad. He is the liaison between C&TSMC, employees, patrons and informs the Commission, through their Executive Director, what is happening with the operation of the Railroad. After further discussion and deliberation, Commissioner Randall said he was more concerned with the Commission being involved with the hiring of the General Manager and not the termination.

Therefore, Commissioner Randall moved to keep the Element B as read with on one change to get rid of "or termination" from both sentences in Element B. Commissioner Foster seconds the motion. Roll call vote was taken:
Commissioner Randall voted yes;
Commissioner Foster voted yes;
Commissioner Carpenter voted yes; and
Chairman Martinez voted no.
Motion carried with the majority voting yes.

Element B now reads:

NOTIFICATION REGARDING KEY EMPLOYEES: The Commission sees the hiring of the General Manager of the C&TSRR to be a critical component of the overall management responsibility. While it is understood that the General Manager is an employee of the C&TSMC and reports to the Board of C&TSMC, advance concurrence from the Commission is required before hiring can be finalized.

Chairman Martinez then proceeded with the next item on the Agenda: Plan for the Next Steps. He will get a copy of the Amendment to C&TSMC's Board by Monday, March 8, 2010, for their review and approval. C&TSMC will then have the Amendment back to the Commission by Friday, March 12, 2010 with their comments and hopefully agreement to this Amendment. Chairman Martinez will call the Commissioners to set up a time for the next regular Commission Meeting if there is no need for another special meeting which will be determined after March 12, 2010.

There being no other business, Chairman Martinez adjourned the meeting at 3:36 p.m. with the motion for adjournment being made by Commissioner Randall and a second by Commissioner Foster.

/s/ 6-23-10

J. Leonard Martinez, Chairman

/s/ 6-23-10

Randy Randall, Secretary

/s/ 6-23-10

Lon Carpenter, Vice-Chairman

/s/ 6-23-10

Pete Foster, Treasurer