

**CUMBRES & TOLTEC SCENIC RAILROAD COMMISSION
MEETING MINUTES FOR JUNE 23, 2010**

A meeting of the C&TSRR Commission was held on Wednesday, June 23, 2010,
at Our Lady Of Guadalupe Parish Hall, Conejos, Colorado, at 10:00 a.m.

Meeting was called to order at 10:04 a.m. by Chairman Lenny Martinez.

Those present were:

J. Leonard Martinez, Chairman
Lon Carpenter, Vice-Chairman
Randy Randall, Secretary
Pete Foster, Treasurer
Leo Schmitz, Executive Director
Stephen Flowers
Dick Cowles
Nick Quintana
Steven Forney
J. W. Wimer
Billy Elbrock
Roger Hogan
Frank Turner
Cletus Wander
John Mathews
Thomas Kneib
Laura Grant
Erin Smith
Sharon Calvin
Ronnie Lopez
Scott Flury
Henry Rivera

Elmer Salazar
Tim Tennant
Amos Cordova
Marvin Casias, Interim General Manager
Stephanie Gray, Administrative Assistant
Chris Czmyrid
Paul Edwards
Jean Leonard
Ed Lowrance
David Lee
Jim Posten
Bill Hume
Craig McMullen
Tom Rutherford
Frank Stapleton
Dr. T.C. Grove
Dan Pyzel
Larry Mondragon
Alan Loomis
Michael Rivera
Charlotte Bobicki
Maria T. Schmitz

Commissioner Randall moved to approve the agenda with one change, move item #11: Report of Legislative Activity before #7 & Report of C&TSMC. Motion carried with a second from Commissioner Carpenter.

Commissioner Randall then moved to accept the Commission's two sets of Minutes for February 4, 2010 and March 3, 2010 as presented. Minutes were approved with a second from Commissioner Carpenter.

Chairman Martinez said he wandered through both Antonito and Chama and visited with business proprietors, local populace and some tourists. He said the train most definitely has a strong economic impact on these two towns. Chairman Martinez felt Antonito was trying harder to meet the demands of the tourist and trying to fulfill the needs of the tourist industry. However, the Village of Chama is being traumatized by the weak economy. Some businesses have closed and many others are seeing a reduction of revenue coming in. He hopes the Commission and the C&TSMC can work together to help both communities prosper and grow economically since the C&TSRR plays a major role in both terminals' economic existence and growth. Chairman Martinez also reiterated he was pleased there has not been a single accident, to date on the Railroad.

Leo Schmitz, Executive Director, then presented his report. He said there were six bidders who looked at the Osier Section House Foundation project, and three submitted their bids. Southern Colorado Construction, from Pueblo, Colorado, was the low bid of \$144, 887.71, and they were awarded the job. He said he had requested an easement from the Mondragon family to install a water holding tank and chlorination tank approximately 600 feet higher up the mountain on their property. He said Larry Mondragon was supposed to submit his proposal today; however, he is not present now.

Leo also informed the Commission 7,500 tons of rock ballast has been purchased and 3,000 tons has already been delivered to Antonito. He also let them know they are in the process of bidding production of 12,000 tons of rock ballast at Martinez Point, one mile west of Osier. Bids are due tomorrow. He updated the Commission on plans for the 40th Anniversary Celebration of the Railroad. He said the Special Trains have been scheduled for the 27th of August, and the Governors and other dignitaries and guests will be invited. The two trains will meet at Cumbres Pass with activities and a BBQ planned. He will keep the Commission informed of updated plans. He ended his report by letting the Commission know, John Eng asked him to announce the Friends' Car Repair Facility will be open today for anyone wishing to stop by and tour it.

At this time, Tom Rutherford said he was trying to get monies from the State of New Mexico; however, the state's budget was tight and monies were going to be hard to get. He said the state is taking monies back which are not spent or committed to projects. Commissioner Randall said Chairman Martinez, Leo, the Rutherfords and he are working hard to get monies appropriated from the State of New Mexico for the next fiscal year.

Chairman Martinez then asked Commissioner Carpenter to report on the State of Colorado. Commissioner Carpenter said Gayle Berry, Commissioner Foster, Leo and he were working hard to lobby for more monies in the State of Colorado. He also stated monies were tight in Colorado, and the state was seeking monies to be returned if they were not committed.

Elmer Salazar, President of the C&TS RR Management Team then gave his report. Elmer informed the Commission the quest to find a General Manager was over and the C&TSMC had chosen Marvin Casias. The C&TSMC's Board was confident with Marvin's work and dedication to the Railroad. He also reported their employees have been working hard and diligently to get the C&TS RR prepped for the 2010 Season, and they all hope this will be an outstanding year with an increase of ridership. He felt they had addressed all the demands of the Commission and were willing to continue working with the Commission.

He said they wanted to continue working with the Commission and for the C&TSRR. He also pointed out the C&TSMC is working with Chama and Antonito to help bring everyone together to strengthen the support of the Railroad. He was willing to work with anyone for the betterment of the Railroad.

Tim Tenant then reviewed the Train Operations Budget. He informed those present that as a result of cutbacks the train operating budget was \$41,000 in the black. This is a significant improvement over the conditions in February and Tim gave credit to Marvin Casias for cutting costs and getting back in the black. Lenny congratulated CTMSC for the improvement in a short period of time. He then appointed Lon Carpenter to the Budget Team.

Marvin Casias, General Manager then presented his report. He reviewed the status of the locomotives and said there would be three locomotives in full operation this Season. All the passenger cars, tourist cars and parlor cars had been readied during the off-season and were ready for an increase of ridership.

Commissioner Foster asked Marvin about the cost of snow removal and if they had waited another week to open would it have been more cost efficient? Marvin said the cost was \$28,000, and he could not relate if they waited if it would have been financially beneficial. He added it depended on the weather and the size of the drifts.

Commissioner Randall wanted to know if opening a week earlier meant more riders? Marvin said it would be a time to offer the seats, at a discounted price, to local schools to fill the seats during the weekdays. Further discussion ensued concerning the viability of opening a week earlier versus the cost and if there was a profit made. Chairman Martinez thanked Marvin and continued to the next report.

Chris Czmyrid presented the Marketing Report. Chris said he was working on three areas which were critical to increasing the numbers of riders. First, he felt there needed to be coordination with the communities, local business and the Railroad to offer more to those coming to ride. Second, he felt the lines of communication needed to stay opened for all entities involved, affirming the continued operation of the Railroad and increased ridership. Last, accuracy of the information being delivered to the patrons, media and everyone who wants to know more about the Railroad. The ticket sales office employees need to know upcoming events, cost, as well as, know what is happening in their local communities. He could not emphasize more the need to work together and keep all lines of communication open.

He also informed the Commission the highest rate of return is the parlor car trips. He also reviewed some of the marketing strategies C&TSMC were attempting to help bring more riders to ride the C&TSRR. Chris also reviewed the events scheduled for the 40th Anniversary. The invitations would be sent out shortly, and he expected a great response. He and Leo were finishing with the last details.

Next on the Agenda were the Review and Amending of Train Operating, Capital Projects, Commission Budgets and Cash Flow. Leo presented the Commission the Train Operating budget and two revisions to the budget. Commissioner Randall made a motion to approve the Train Operating budget with the addition of the \$135,000 from Colorado for Locomotive Running Gear Work and to designate the actual unexpended amount of the Colorado appropriation as reserved fund balance for Running Gear Work. Motion carried with a second by Commissioner Carpenter

Next Leo presented the Capital Projects Budget and asked to include \$250,000 of the CO ARRA funds in this fiscal year for the purchase and installation of ties, OTM and rock ballast. Commissioner Carpenter moved to approve the addition of \$250,000 of CO ARRA funds to the Capital Projects Budget and to designate all unexpended/unearned Capital Projects Revenue and Expenses as part of the FY 10-11 Budget. Motion carried with a second from Commissioner Foster.

He then presented the Commission Budget with a request to transfer the Locomotive Running Gear Work to the Train Operating Fund and to designate the unused Osier Rent as reserved for Osier Facilities. Commissioner Carpenter moved to approve with the transfer of the Locomotive Running Gear Work to the Train Operating Fund and to designate the unused Osier Rent as Reserved for Osier Facilities. Motion was approved with a second from Commissioner Randall.

Last, Leo presented the Cash Flow. He reported the C&TSRR is in good condition financially and the cash flow will remain in a positive state. Commissioner Randall said to present a review of expenditures, at the next meeting.

Chairman Martinez then asked for the Friends report to be given. Tim Tennant informed the Commission Michelle Le Blanc's last date will be the 9th of July since her contract ended the 30th of June, 2010. He applauded her efforts and said other members of the Friends' organization are picking up the slack and helping the Friends write grants for the Railroad.

Tim informed the Commission of the upcoming specials the Friends would be hosting. On the 24th of July, a Moonlight Train Ride; during the 40th Anniversary the Friends will provide a demonstration of Pile Driver OB on August 31 and the CRF will be open for tours on Aug. 28 and 29. The Friends will be marketing the sale of model Locomotive #463 in both On3 and On30 scales.

Tim reported that work on the boiler of Locomotive 463 is progressing at Historic Machinery Services and expected completion is mid-August. Also, Tim reported that on May 24, 2010 it was discovered that seven freight cars in the Chama Yard had been tagged with graffiti. The incident has been reported to the New Mexico State Police.

Leo Schmitz then presented the next item on the Agenda, Report of Grant Writing Committee. He reported the Commission was not eligible for the USDA Grant. Also, the Friends were working on two projects, and the Commission did not qualify for the Tiger Grant.

The next item on the agenda was Public Input. Chairman Martinez asked the audience to be courteous and address only issues concerning the Railroad. The first to speak was Scott Flury who expressed his thanks to the Commission and C&TSMC for their community involvement in the recent radio auction held at Chama, New Mexico. The Chamber of Commerce and local populace were glad to have the Railroad involved.

Mr. Billy Elbrock spoke also thanking the Railroad for their involvement in Chama Days. It was great to have a float, representing the Railroad, in their parade. Others spoke complimenting the Railroad's involvement in local events.

Leo then informed the Commission he was working with Larry Mondragon to discuss the possibility of an easement at the Osier Site. Chairman Martinez directed Commissioner Foster, Leo and Marvin to work with Mr. Mondragon to study the logistics of an easement and alternate plans to the Osier Site and report back to the Commission at the next meeting.

At this time Chairman Martinez asked for a motion to adjourn for a short recess for lunch. Commissioner Foster moved to adjourn for a short recess for lunch. Motion was approved with a second from Commissioner Carpenter, and meeting was adjourned for a short recess at 12:33 p.m.

Chairman Martinez called the meeting back to order at 1:01 p.m. He said he was sorry, but John Matthews had not given his report with C&TSMC. Therefore, he would like John to present his report to the Commission at this time. John reported they have installed 3,329 ties, an average of 92 and ½ ties a day. They have also dumped 1,290 tons of ballast, about 8.75 miles. They have also sprayed the weeds next to the track. He concluded by saying the Track Project's workers were doing a great job.

After other audience members expressed their concerns under Public Input, Chairman Martinez moved to the next item on the Agenda, Unfinished Business. The first item discussed was an Update on Los Pinos Siding Access. Leo reported to the Commission he had offered the \$15,000, as directed by the Commission, to Mr. Escherman. Mr. Escherman said \$20,000 was the lowest he would consider. Chairman Martinez directed Commissioners Carpenter and Randall to study the situation and to present a recommendation to the Commission

Next on the Agenda, Acceptance of Audit Report FY 08-09, was presented by Leo. He informed the Commission it was required by the auditor. Commissioner Randall moved to accept the Audit for FY 08-09. Motion carried with a second by Commissioner Carpenter.

First item addressed under New Business was Approval of 2010 Open Meetings Resolution. Leo informed the Commission this Resolution was identical to 2009's Resolution just a change of dates. This Resolution was to comply with the State's Open Meeting Requirement for the Calendar Year. Commissioner Carpenter moved to approve the Resolution as presented. Motion carried unanimously with a second from Commissioner Foster.

Tim Tennant presented the next item on the Agenda, Approval of Train Operating Budget FY 10-11. After much deliberation, Commissioner Randall moved to approve the budget as presented by C&TSMC, but they had to study the marketing budget, in reference to increasing ridership and bring the study to the Commission for review and reassessment. Motion carried with a second from Commissioner Foster.

Next item on the Agenda, Approval of Capital Project Budget FY 10-11—was presented by Leo. He reviewed the budget with the Commissioners. A motion was made to accept the budget by Commissioner Carpenter. Motion was approved with a second from Commissioner Randall.

Next on the Agenda, Approval of Commission's Budget FY 10-11 was presented by Leo. After Leo reviewed the budget with the Commissioners, they felt there should be no monies in the fund balance line item and the reduction should come out of the Osier Facility expense line item. Second, increase the Candelaria Fund Revenue and Expense line items by \$20,000. Budget was accepted with the two amendments. Motion was made by Commissioner Randall and seconded by Commissioner Foster.

Leo presented the next item on the Agenda, Appropriation Requests to Colorado/New Mexico for FY 11-12. The Commissioners reviewed the requests, and they were not sure if the items addressed the current needs of the Railroad. Chairman Martinez directed Leo to review the appropriations, assuring there would be enough monies to cover the needed projects of the Railroad, and get it back to the Commissioners for approval.

Next item on the Agenda, Approval of Amendment to 463 Contract was presented by Tim Tennant. Tim said he needed a motion to amend the 463 Contract between the Friends and the Commission, to satisfy the Colorado Historical Fund Grant. The amendment was a commitment of the funds. Commissioner Randall moved to approve the amendment as presented. Motion carried with a second from Commissioner Carpenter.

Leo introduced the next item on the Agenda, Approval of Amendment to C&TSMC contract for Colorado ARRA's monies. He said the Commission needed to amend the management agreement. to include the CO ARRA Project in the Management Agreement, to satisfy CO ARRA requirements. Commissioner Randall moved to approve the Amendment as presented. Motion carried with a second from Commissioner Foster.

Next on the Agenda, was Approval of Contract with C&TSMC for New Mexico Track Work for FY 10-11. Leo said this was a formality to commit New Mexico monies into a contract to keep the track project proceeding and avoid New Mexico trying to take the funds back. Chairman Randall moved to approve the contract with C&TSMC for New Mexico Track Work. Commissioner Foster seconded the motion and motion carried unanimously.

Chairman Martinez asked Elmer, President of C&TSMC to update the Commission on Approval of Liquor Concession Agreement – C&TSMC. Elmer said Leo has been helping C&TSMC acquire the necessary information for applying in both states. He reported the company with the license, which will be the management team, will be totally responsible for meeting all the requirements and criteria of the liquor licenses. After further discussion, Commissioner Randall moved to approve C&TSMC's obtaining liquor licenses from both states to serve alcohol in the parlor cars. Motion was approved with a second from Commissioner Carpenter.

Chairman Martinez then said item J, (C&TSMC Contract Extension,) and Item K, (Establish Request for Information Process,) would be discussed together. Chairman Martinez said this would give the Commissioners the opportunity to review how the C&TSRR has been operating under the C&TSMC these past years. If they were not comfortable with the current structure, it would give the Commissioners the opportunity to formulate an RIP. C&TSMC's President, Elmer Salazar, said their board had met on the 10th of June and concluded they would be operating the C&TSRR for another year.

Chairman Martinez felt C&TSMC needed to present to the Commission their future outlook of how they will continue operating the C&TSRR within the Commission's guideline. Together the C&TSMC and the Commissioners need to work together to assure both states the Railroad will continue operating and establishing a workable format to continue operations. After further discussion and input from several others, it was concluded the Commission would continue working with the C&TSMC for the future of the Railroad.

Commissioner Randall then addressed the next item on the Agenda, Establishment of an Endowment Fund. He said if the Commission would have their own 501c3, they would be able to establish an Endowment Fund which would help finance some of the much needed projects for the Railroad. Commissioner Randall elaborated he had researched this concept and felt it would benefit the Commission to establish one. Chairman Martinez directed Commissioner Randall to initiate the process and to have the paperwork ready to finalize at the next Commission Meeting.

The next item discussed was the Grant Writing Position. Commissioner Randall said the concept was great to have a grant writer; however, the timing was wrong since the Commission's operating capital was being cut by both states. He added the Friends had offered to help as well as a group called Rural Community Innovations might be a possibility to assist the Commission to seek grant monies. Therefore, at this time, he would recommend not hiring anyone for this position.

Under Other Business Leo brought it to the attention of the Commission if the Candelaria was going to help repair the Fire Truck. Elmer Salazar said he thought the cost would be approximately \$4,900. Leo felt it would be more. Marvin Casias said it is needed since the Railroad is designated as a Fire Control District. Chairman Martinez directed Leo to get a final cost and present it to Commissioner Randall and himself for a final decision.

At this time Leo said Mike Rivera was here representing Senator Schwartz and was going to talk about the Eco-Tourist Summit. Mr. Rivera said there was a Mini-Summit scheduled on Friday, August 27th to work on how the Railroad, which is the core of the tourist population for the San Luis Valley and Chama Valley, can bring in more riders and tourists to help the economies of these areas. He further elaborated plans to work with the Commission, the C&TSMC and the Friends to help promote the Railroad. Chairman Martinez thanked him for his informative presentation, and he said the Commission was willing to help. He also mentioned the 27th would be the Celebration of the Railroad's beginning 40 years ago.

Bill Hume mentioned it would be a nice gesture if both Governors would have a proclamation for the 40th Anniversary Celebration for August 27th. Chairman Martinez asked Bill if he could follow-up with the suggestion he made.

Leo then asked the Commission if the next Commission Meeting could be the 26th of August, the day before the Celebration. Chairman Martinez polled the Commissioners, and they said they would need to review their schedules. No definite date was set for the next Commission's meeting.

Commissioner Randall wanted everyone to make next Season, 2011, a grander celebration since it will be the Cumbres & Toltec Scenic Railroad's 40th Anniversary of operating 40 Seasons. He felt now was the time to work together and plan for the upcoming Season. Elmer, President of C&TSMC, said he and his crew were willing to work with the Commission.

There being no other business, Chairman Martinez adjourned the meeting at 3:03 p.m. with the motion for adjournment being made by Commissioner Carpenter and a second by Commissioner Randall.

/s/ 9-30-10

J. Leonard Martinez, Chairman

/s/ 9-30-10

Lon Carpenter, Vice-Chairman

/s/ 9-30-10

Randy Randall, Secretary

/s/ 9-30-10

Pete Foster, Treasurer