



C&TS Dispatch

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Friends Appoint Brian A. Shoup President and CEO




*From the Friends' Web site:
www.cumbrestoltec.org
January 21, 2003*

The Friends of the Cumbres & Toltec Scenic Railroad, Inc., have announced the appointment of Brian A. Shoup as its president and chief executive officer. He succeeds Terri Shaw, who announced her retirement last fall.

Shoup brings with him 22 years of experience as a chief executive of nonprofit corporations. From 1979 to 1999 he served as executive director of a specialized nonprofit healthcare organization in Wisconsin. During his tenure, the organization grew from a staff of 4 to over 60 employees, and annual revenues grew from \$80,000 to \$3 million. For the last three years he has been the managing partner for Briggs, Campbell and Shoup, LLC, a for-profit firm that provides management consultation in the areas of behavioral health and general nonprofit leadership. Shoup has also been active with a number of United Way campaigns, having served as a loaned executive and as chair of major employer divisions. He has a bachelor of arts in sociology from Lakeland College and a master's of public administration from the University of Wisconsin-Oshkosh.

"We are very pleased that Brian will be joining us," said Jim Herron, chairman of the Friends' board of directors. "In addition to his leadership and management experience in the nonprofit field, Brian has a passion for the railroad, and a keen sense of its unique qualities and challenges. I know that I speak for all of our directors in welcoming Brian on board. His enthusiasm for tackling the many challenges facing the railroad is infectious and we look forward to working with him in preserving this priceless piece of Americana for future generations."

Brian has been a member of the Friends for three years and has recently served on its fund development committee. He

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No Track, No Trains!

The Story of the 2002 Track Season on the Cumbres & Toltec Scenic Railroad

by Rich Casford, Treasurer, Rio Grande Railway Preservation Corporation

The 2002 operating season for the Cumbres & Toltec Scenic Railroad was a challenge for the Rio Grande Railway Preservation Corporation (RGRPC), the C&TS Railroad Commission and the towns of Antonito and Chama. The May 17, 2002 instructions from the Federal Railroad Administration (FRA) to replace the track at MP 316, known as The Roller Coaster, and to have a geotec engineering study performed on MP 319, Martinez Point, before the 2002 operating season was not expected by the Railroad Commission or the RGRPC. Needless to say, the entire RGRPC organization got to work on solving the thousands of details that would have to be changed, added, adjusted or replaced for train operations and track construction. This report chronicles the track construction during 2002 and the outstanding efforts of the track department to restore the railroad to complete operating condition as quickly as possible.

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Milepost 316 east of Osier before track repairs, May 2002. This stretch of track was known as The Roller Coaster because of fill settling. (Photos by Rich Casford.)

C&TS Dispatch

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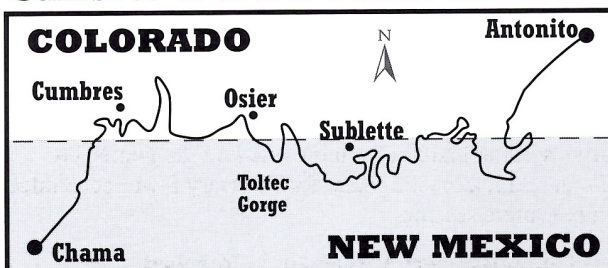
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The Friends is the official museum support group for the Cumbres & Toltec Scenic Railroad, a 64-mile-long operating railroad and museum of railroad history and technology between Antonito, Colorado, and Chama, New Mexico. The railroad is owned by Colorado and New Mexico and is operated by the Rio Grande Railway Preservation Corporation. As the museum support group, the Friends is dedicated to the preservation and interpretation of the railroad. The Friends is an Affiliate Member of ARM (Association of Railway Museums) and a Member of TRAIN (Tourist Railway Association).

Family membership in the Friends is \$25.00 per year; outside the USA membership is \$35.00. All contributions are fully tax deductible and will be gratefully accepted. Please write us in Albuquerque or call us at (505) 880-1311 for information about the Friends. The Cumbres & Toltec Scenic Railroad is both a National and a State Registered Historic Site.

Cumbres & Toltec Scenic Railroad



Denver & Rio Grande Railway—1880 to 1886
 Denver & Rio Grande Railroad—1886 to 1921
 Denver & Rio Grande Western Railroad—1921 to 1970
 Cumbres & Toltec Scenic Railroad—1970 to 2003

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PRESIDENT'S COLUMN

He Says Hello, I Say Good-Bye

This year the volunteer railroad preservation initiative that became the Friends begins its third decade and has a third chief executive to lead us in the development and adventures that await.

My decade with the Friends began at a Board of Directors' meeting in 1992, and three years later I succeeded Bill Lock as president. I had reservations as I assumed the presidency because of my lack of expertise in the subject matter, but I was determined to use my skills to build an organization that would provide a wonderful group of people with an ongoing opportunity to work for the benefit of a unique railroad and one that would endure long after me.

The decade I've been part of has been remarkable. Membership and participation in work sessions have more than doubled, the volunteer time donated has quadrupled, and the funds spent on mission programs are five times higher. In 1992 member donations were about \$32,000; in 2002 they were \$459,000. In providing financial, human, and leadership resources for the railroad, we have become a powerful force for its preservation.

As I step down from the presidency, I feel satisfied that I have paved the way for the next era. Brian, our directors, and other activity leaders are enthusiastic, dedicated, capable, and creative. The Friends is in good hands.

—Terri Shaw

"I always entertain great hopes." —Mark Twain

The line over Cumbres Pass weathered a storm or two over its history. Snow, avalanches, and washouts tested railroaders to their limits. In that same tradition, the C&TS continues to challenge its stewards. As a living museum, the railroad continues to portray the struggle of men and women with elemental forces in an unforgiving mountain environment.

Add to that a challenge the Denver & Rio Grande Western never faced—relying on passengers as its only source of earned revenue. There's no more gas pipe to carry west or oil to lift over Cumbres Pass. The margins for carrying only people are small, indeed. But, the line survives to teach all who visit it about this essential part of the history of the American West.

2002 will be remembered for its own perilous events: the closure due to the wild fire threat, the roadbed work that interrupted service at the start of the season, and a stressed economy. Yet, there's a renewed sense of optimism in the wind high on Cumbres. The commission and the RGRPC are forging a new kind of partnership. One that requires the highest level of accountability for both organizations and

holds the promise of achieving what has eluded the C&TS from the beginning—adequate financing.

The Friends, the RGRPC, and the Railroad Commission are now seated on the same side of the table, holding a better hand of cards. We've been given another chance to play against the usual opponents of weather, gradient, and time. Let the good times roll. And thanks, Terri.

—Brian A. Shoup

The New Commissioners

Carl Turner is a graduate of the Law School at the University of Mississippi. In 1958 he was elected to the New Mexico House of Representatives, and after serving one term, he became associated with the New Mexico Rural Electrification Cooperative Association, serving as its executive director until he retired. In 1967 Turner played an active role in the grassroots movement to save the narrow gauge. He served on the Railroad Commission under appointments from three New Mexico gubernatorial administrations. Turner has also acted as unpaid lobbyist for the railroad, securing funding for the Osier dining hall, the rehabilitation of locomotive 463, and the construction of passenger coaches. Recently, his experience and know-how have been directed at obtaining increased state appropriations for bringing locomotives into compliance with new federal regulations.

Steve Malnar is a graduate of the University of New Mexico. He has been Director of Administration in the New Mexico Attorney General's office, Chief Information Manager for a large health care system, and Computer Application Development Manager with the City of Albuquerque. Upon retirement, Steve settled in Los Ojos, New Mexico, and became interested in the history of the railroad. The difficulties of this past season have demonstrated how important the railroad is to the economy of the area and stimulated him to help preserve the railroad.

Wayne Quinlan is a rancher and developer in the Antonito area and is a graduate of the University of Colorado. His position on the commission carries on a family tradition. His father, Clarence Quinlan, was a member of the Colorado state legislature for many years and introduced the legislation in the Colorado Legislature authorizing the purchase of the railroad. Clarence served on the Railroad Commission from 1970 until his death in 1987. Following Clarence's death, Wayne was appointed to fill the vacancy and served until January 2000.

News from the Railroad

by Terri Shaw

Reconstituted Commission Negotiates with RGRPC

On January 9, 2003, New Mexico Governor Bill Richardson appointed Carl Turner of Santa Fe and Steve Malnar of Los Ojos to the Cumbres & Toltec Scenic Railroad Commission, replacing John Swartz and Medardo Sanchez. Turner and Malnar attended their first commission meeting two days later.

At the January 11 meeting, New Mexico Lieutenant Governor Diane Denish was a surprise visitor. She came to welcome the newly appointed New Mexico commissioners on behalf of Governor Richardson. She was also bringing the message that she and the governor understand that the railroad is the lifeblood of the region and they are committed to supporting it. She pledged they would both work with Colorado's governor and legislature to provide the funding that the railroad needs. She added that the two new commissioners had been appointed to carry out these purposes and to keep the governor and lieutenant governor informed.

At its previous meeting on December 9, 2002, the commission had conducted an initial screening of the four proposals for operation of the railroad. Commissioner Swartz, after summarizing the proposals, noted that none of them followed the historic pattern and all involved shifting funding responsibilities to the commission. Consequently, further action was deferred in order to consult with people at the state legislatures about what features of the proposals the states were willing to support.

The main business of the January 11 meeting was to review and score the four proposals and to make a decision about proceeding with negotiations. On conclusion of an executive session, the commissioners reconvened in public session and passed the following motion: (1) to cancel the RFP process; (2) to initiate exploratory negotiations with the Rio Grande Railway Preservation Corporation (RGRPC) to serve as operator of the railroad under a new contract model; and (3) to continue commission activity on locomotive and track work to ensure operations of the railroad for the 2003 operating season. The commission designated Steve Malnar and commission executive director Bob Johnson to meet with representatives of RGRPC beginning Wednesday, January 15, 2003 and set a meeting for January 25 to receive a report on the progress of the negotiations. At the January 25 meeting, Commissioner Malnar reported that the parties had met four times in the preceding week but had not reached agreement on all issues. Discussions included holdover issues from 2002 about debts owing from one party to the other and the terms for a new contract. They were modeling a new agreement along the lines of a contract for management and consulting services.

As an executive session had not been included on the published agenda for January 25, a meeting date for February 8 was scheduled to include an executive session.

A Third New Commissioner; Agreement Is Reached

On February 7, Colorado Governor Bill Owens appointed Wayne Quinlan of Antonito to fill the vacancy created by Lewis Entz's resignation. Having been an observer at two previous meetings, Quinlan attended his first meeting as a commissioner the next day.

At the February 8 meeting, the main item of business was negotiations with RGRPC.

Commissioner Malnar reported that he and RGRPC negotiator Rich Casford had been having ongoing conversations and that they had made progress. He said that a conversation between the New Mexico and Colorado lieutenant governors had empowered the commission to enter into a contract with RGRPC if the commission believed it was in the best interest of the railroad. He further commented that the federal Economic Development Agency (EDA), to whom the commission and Friends have applied for funding to overhaul locomotives, had expressed its desire that the commission make progress in areas where commission oversight and leadership is particularly needed, including selection of a qualified entity to manage work to be funded by the grant. And, he reported that the commissioners had received a letter from the leadership of the New Mexico House and Senate stating they would recommend to the legislature that it support the railroad's financial needs but on condition that an operator for the 2003 season be in place.

Following this report the commission went into executive session. They requested that Rich Casford join them to answer questions about the concepts in the new contract model being discussed. When it reconvened, the commission approved a motion to enter into a letter of intent with RGRPC to be the management company of the C&TS for the 2003 operating season and to continue negotiations with the assistance of the New Mexico Attorney General's office to arrive at a written contract.

The commission then went into a second executive session for further discussion of contract details. The result of this session was a signed Letter of Intent and the setting of a date for Commissioners Malnar and Quinlan to meet with RGRPC officers Bill Albert and Rich Casford to draft contract details.

The New Contract Model

With all previous operators of the railroad, the contract created a landlord-tenant arrangement. The commission leased all of the property and equipment to an entrepreneurial company to operate the railroad and it, in turn, assumed most of the financial risk, paying a fee to the commission and using the remaining revenues to cover operating and maintenance expenses, and capital improvements. Marginal profits kept lessees from making substantial capital improvements and, as a consequence, improvements that the basic infrastructure needed were largely deferred.

The events of the past year have brought the commission to an understanding that it must replace the past model with one where it assumes greater financial responsibility. Under the contract being worked out by RGRPC and the commission, the commission will be purchasing management and consulting services from RGRPC and paying it a fee for these services. RGRPC will work closely with the commission to develop budgets, plans, and policies which RGRPC will then carry out for the commission. The commission will provide funds for all expenses of operations.

Holdover Issues from 2002

In addition to negotiating a new operations agreement with the commission, there were issues to be settled concerning payments and reimbursements owing from one party to the other. The closures resulting from Federal Railroad Administration (FRA) and Forest Service actions in 2002 reduced ridership and revenues last season. Because of this, RGRPC was unable to make two kinds of payments provided in the operating lease. One was a payment to the Capital Improvement Fund of five percent of net operating revenue (ticket sales minus refunds and charter fees). This amount is calculated as of October 31, 2002, based on the previous twelve months revenues and is about \$54,000.

RGRPC has entered this amount on its books and will pay it as revenues from the new contract become available.

The other issue was what portion of monthly rent should be excused under the "Force Majeur" clause of the lease because of "circumstances beyond the reasonable control of the party affected, including...request of governmental authority..." In an August 2002 letter to the commission, RGRPC proposed to adjust rent payments based on the percentage of days RGRPC was actually able to operate.

On the other side of the ledger, the commission had withheld reimbursement payments to RGRPC pending satisfactory justification of the amounts. These included about \$19,000 for work on locomotive 484 to be paid by insurance upon satisfying the underwriter that it was related to the April 1999 derailment; an amount that the commission believes was overpaid on the state funded locomotive repair contract that turns on interpretation of the contract; about \$54,000 for extra work required by the FRA for concrete footings in Mud Tunnel; and about \$52,000 for FRA mandated work at Martinez Point.

The difference between the total amounts claimed by one party from the other is about \$30,000.

Though there were several discussions between RGRPC and the commission in September and October, no agreements had been reached. However, terms for settling these debts have now been worked out in the most recent negotiations with the reconstituted commission. Some RGRPC debt will be satisfied by offset against reimbursements owed by the commission, and some will be satisfied by the transfer of fixed assets necessary for the operation and maintenance of the railroad that were purchased by RGRPC but which, the parties agree, should belong to the commission.

New Mexico Steps Up to the Plate

As reported in the C&TS Dispatch, political and fiscal issues during the past two years produced delays and