

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY
Monday, January 12, 2015 - 3:00 p.m.
Carson City Community Center – Bonanza Room
851 East William Street (Highway 50 and South Roop Street) Carson City, Nevada
89701

MEETING MINUTES

Notice: Items on the agenda may be taken out of order; two or more agenda items may be combined for consideration; and items may be removed from the agenda or discussion relating thereto delayed at any time. This is the tentative schedule for the meeting. The Commission reserves the right to take items in a different order to accomplish business in the most efficient manner.

The following minutes are a summarized explanation of the topics discussed. A taped recording of these proceedings will be kept for review. A copy is kept on a flash drive in Microsoft Word. A copy has been e-mailed to the Project Coordinator.

3:00 p.m. CALL TO ORDER

Chairman Millard called the meeting of the Nevada Commission for the Reconstruction of the V&T Railway to order at 3:00pm and asked for the roll to be called.

1. ROLL CALL

PRESENT:

Chairman Dwight Millard
Vice-Chairman Bob Crowell
Commissioner Ron Allen
Commissioner Bob Hastings
Commissioner Doug Johnson
Commissioner Jack McGuffey is replacing Commissioner Sjovangen

ABSENT:

Commissioner John Tyson
Washoe County Commissioner
Commissioner Delsye Mills

OTHERS:

Kevin Ray, Project Coordinator
Michael S. Rowe, General Counsel
Ken Dorr, Manhard Consulting
Bob Robinson, Greater Nevada Business Solutions, LLC
Candy Duncan, Enterprise Fund

Chairman welcomed Commissioner Hastings back and Commissioner McGuffey who is joining the Commission. It was noted, there has been no appointment made for Commissioner Weber, McGuffey is the replacement for Commissioner Sjovagen. We do have a quorum present.

2. APPROVAL OF THE AGENDA

This is the tentative schedule for the meeting. The Commission reserves the right to take items in a different order to accomplish business in the most efficient manner. Two or more items may be combined for consideration, and items may be removed from the agenda or discussion relating thereto delayed at any time.

Chairman called for corrections to the agenda. Commissioner Allen asked if Items 8 & 9 could be combined and heard at the same time. With the okay, Commissioner Allen made the motion to approve the agenda with change noted. Commissioner Johnson seconded the motion. Chairman called for discussion and the question. The motion carried and was so ordered.

3. **PUBLIC COMMENT ON NON-AGENDIZED ITEMS:** *Discussion may be limited to three minutes per person at the discretion of the Chairman. No action may be taken on a matter raised under this portion of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.*

Chairman called for public comment and there was none.

4. **FOR POSSIBLE ACTION - APPROVE THE MINUTES OF September 8, 2014**

Chairman asked if everyone had read the minutes of September 8, 2014 and if there were any corrections to them. Commissioner Allen made the motion to approve the minutes as presented. Commissioner Johnson seconded the motion with a notation that he was absent the last meeting and should abstain. After conferring with Counsel, the second was accepted and the Chairman called the question. The motion to approve the minutes of September 8, 2014 carried and was so ordered.

5. **FOR POSSIBLE ACTION – ACCEPT annual AUDIT for fiscal 2013/2014**

Chairman noted the auditors were not present and Kevin would give their report. Kevin said the bound copies of the Audit that were passed out along with the Financial Statement. Kevin would read into the record the report given him on Friday when he was notified the Auditors would not be present.

We have an unqualified opinion on the financials. This is the highest level of assurance they can give and no material adjustments were noted, with no fraud coming to their attention. They didn't look at everything for it cost too much and is ineffective. Their testing threshold was \$17,000.

On the Net Position, the General Fund's Assets decreased by \$650,000 from last year. The main areas of asset changes were: the cash decreased by \$310,640 due to less revenues received than expenses incurred. The due from governments increased by \$42,479 mainly due to the increased receivable due at year end from Storey County for sales tax received 60 days after year end. The fixed assets, the land increased by \$246,490. This was reflection of the purchase of right of way. The building, machinery and equipment decreased by \$627,920. This is the reflection of the current year depreciation.

The Enterprise's Assets decreased by \$24,000 from last year. The main area of changes were the Cash increase by \$46,430 due to more cash being on hand at the year-end and due to the decrease in amounts owed to the enterprise fund and to vendors from the enterprise fund. Due from government decreased by \$25,050 due to the timing of payments of money received from the general fund by the enterprise fund.

The General Fund Liabilities decreased by \$50,000 due to the General Obligation Bond going down \$55,000. The Enterprise's liabilities increased by \$40,000 from last year. The Accounts Payables increased by \$32,019 due to the timing of payments on current year bills. The General Fund Net position decreased by about \$599,831, and the Enterprise Fund Net position decreased by \$15,489. This is the reflection of the current year loss on the statement of activities.

When looking at the Statement of Activities, the General fund Revenues increased from the prior year by \$320,000 due to grant funding received for the purchase of a right of way and no grants received in the prior year. There was also an increase of \$36,617 in funding received from sales tax revenues.

The Enterprise fund Revenues increased by about \$865,000 due to this is the first full year of activity for the Enterprise fund under the Commission. The prior year only reflected from 1/1 – 6/30/2013 which did not include Polar Express sales.

The General fund Expenses increased from prior year by about \$145,000 due to the purchase of right of way in the current year but also reflects other expenses for the Commission have decreased due to the enterprise fund taking over some of the track

maintenance expenses and depreciation on fixed assets. The Enterprise fund Expenses increased from prior year by \$880,000. This is due to this is the first full year of activity for the Enterprise fund under the Commission. The prior year only reflected from 1/1 – 6/30/2013 which did not include Polar Express expenses or a full year of contracted expenses.

A recap of the balance sheet, the General Fund decreased by about \$273,000 due to current year loss on the statement of revenue, expenditures and changes in the fund balance budget to actual.

On our expenses there is an increase on funding from the general fund to the enterprise fund of \$200,000 to assist in the operations of the train. There was decrease in services and supplies of \$53,345 due to the enterprise fund taking over some expenses that was paid for by the general fund in prior years.

Under compliance you will find in the bound copy the internal controls over financial reporting. This report is about internal control deficiencies over the financial statement during the audit. The only finding was related to the preparation of the financials due to Kohn and Associates no longer preparing the financials. Management responded by considering having Bob Robinson of Greater Nevada Business Solutions, LLC prepare the 2014/2015 audited financials.

Chairman called for comments or questions on the Audit report. Commissioner Allen said he had no comment on the report but the Commission pays this company a sizable amount of money every year to do this audit and Ron felt they should have been present to make the report. Commissioner McGuffey referred to the increase in general assets due to receivables from Storey County. Jack asked if any other counties were going to be contributing. Commissioner Johnson said he has gone through three county managers trying to get an earmark in Douglas County's budget. Chairman said they do need to look for continued funding for the Commission itself. Nicole Bard from Storey County made a comment regarding the payment of the money due to Storey County. Kevin said Storey County was to re-do a contract and discussed the interaction between the Commission and Storey County. And he noted there was \$100,000 set aside in the budget to make payments when requested. Dwight expanded and discussed how he saw the agreement between the Commission and Storey County. Commissioner Crowell made the motion to approve the annual audit for 2013/2014. Commissioner Allen seconded the motion. The Chairman called the question, and the motion to approve Annual Audit for 2013/2014 carried and was so ordered.

6. FOR POSSIBLE ACTION – TREASURER financial REPORT AND ACTION TO RATIFY THE PAYMENT OF COMMISSION BILLS INCLUDING ENTERPRISE FUND

Ron had Kevin do the report. Kevin said as of January 12, 2015 they have on hand, cash in the bank, \$380,492. From now until the end of the fiscal year, June 30, 2015, they expect to receive about \$8,000 from license plates, \$20,000 from the engine lease, \$150 donations and \$4,000 from the 8% historical fee on tickets. They listed expenditures of \$14,000 for insurances, \$2,400 Utilities, \$3,000 Accounting, \$6,000 Project Coordinator, \$2,000 Secretarial fees, \$1,000 for advertising, legal advertising and Audit services, \$9,000 for Attorney fees, \$35,000 Maintenance, \$9,000 for Engineering, \$50,000 towards the Enterprise fund and \$100,000 for Storey County. There is \$62,520 left on Engine 18 which by September 2015 it should be paid off. All the above expenditures amount to \$118,722.33. This does include the September payment for the engine. They project that going into the new fiscal year there will be about \$180,000 in the bank.

The Commission Payables to be ratified total \$141,414.11. Close to half of that amount is for the new building at Eastgate Depot. The V&T Enterprise fund bills through

November 2014 totals \$374,080.64. Kevin went over the Profit and Loss statement that was attached to the payables for the Enterprise Fund. He discussed the income and expenditures for this season. Kevin said since they added the 8% historical fee to the ticket sales they have not heard any negative comments and the enterprise fund wrote checks to the Commission for \$75,044.23 derived from this fee. Kevin ended by saying the checks they need to ratify today are the Commission bills totaling \$141,414.11 and the Enterprise bills totaling \$374,080.64. Chairman called for comments or questions of Kevin on the report. There were none. Commissioner Johnson made the motion to accept the report and approve the payment of bills for both the Commission and the Enterprise fund. Commissioner Crowell seconded the motion. The Chairman called the question and the motion carried and was so ordered.

7. **FOR POSSIBLE ACTION - ATTORNEY'S REPORT INCLUDING COUNSEL'S REPORT PURSUANT TO NRS. 41.0385 OF THE SUMMARY OF TORTIOUS CLAIMS MADE AGAINST THE COMMISSION IN CALENDAR YEAR 2014, AND ORDER THAT A COPY OF THE REPORT BE MADE A PART OF THE COMMISSION'S PUBLIC RECORDS. – MICHAEL ROWE**

Mike said no claims made, paid or open/closed without payment. They have a clean bill of health with regards to the tortious claims. It's a little different this year because the pool hasn't issued the summary that was attached to the memorandum. We still have the open claim in the Road and Highway Builders matter that has been going on for a long time. Ron asked if there was a statute of limitation on it. Mike said yes and if nothing is done it may just run out. Mike discussed the statute and the possibility of it running its course. Commissioner Johnson made the motion to accept the Attorney's Report as presented. Commissioner Allen seconded the motion. Comments were called for. The Chairman called the question and the motion carried and was so ordered.

8. **FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO CONTINUE EFFORTS TO SELL THE COMMISSION OWNED REAL PROPERTY AND IMPROVEMENTS LOCATED AT 6343 US HWY 50 EAST, CARSON CITY, NV (DRAKO WAY PROPERTY). THE COMMISSION MAY APPROVE CONTINUED EFFORTS, INCLUDING FURTHER ADVERTISING, TO SELL THE PROPERTY OR TO WITHDRAW THE PROPERTY FROM THE MARKET.**

Chairman read for the record both Items 8 & 9 up for discussion. The Commission advertised the Drako Way property for sale, in the standard method of disposing of property by a government agency. The square footage of the property is 12,240. Mike said there was an updated appraisal done in June, 2014 and at that time the market value was \$735,000. Dwight went over the building and land and what it has been used for. Steve Lincoln was invited to discuss the possibilities of selling the property. Steve said the industrial market is real good now and Steve recommended listing the property with Bruce Robinson. Bruce's office did a survey and right now the industrial market is now down to a 7.1% vacancy. Commissioner Allen said he has been pushing this for a long time and he thought they should approve this and get the property on the market. Ron agreed that Bruce Robinson was the person to list it with because he is one of the top commercial people in the city. Ron said he would make that his motion to approve the listing of the property and sell it ASAP. How to list the property so the Commission would get their \$735,000 was discussed. Mike said he thought they should get an updated appraisal. Mike recited a statute concerning the selling of property. They also passed a resolution that puts the price and any other cost on the purchaser. All possibilities on the sale, costs and value were discussed. Commissioner Crowell said that if they listed the property for a net to the Commission of \$735,000 plus the

commission cost it will push the cost up to \$800,000 plus. Jim Clark asked what purpose the building was bought for and has it been depreciating and what impact that would have on the sale. Dwight said he didn't think it would have any impact whatsoever. After further discussion Chairman called for other comments. Mike read to the Board part of the resolution they had a while back reading "the successful bidder will be required to deposit a sufficient amount of money to cover the cost incurred by the Commission including costs of publication and expenses of appraisal". The extra costs would be approximately \$10,000. Dwight suggested they list the property with Bruce Robinson for no less than \$735,000 to the Commission, with the Commission paying no more than 10% for sale commission, and they split the fees. Commissioner Allen's previous motion died. Commissioner Crowell repeated Dwight's statement making his motion to be they list the property with Bruce Robinson for no less than \$735,000 to the Commission with the Commission paying no more than 10% sale commission, and authorizing the Chairman to sign a listing agreement also authorizing the negotiation of the listing price to cover closing costs on the advice of Bruce. Commissioner Allen seconded the motion. Chairman called for further discussion. He then called the question and the motion carried and was so ordered.

9. **FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO LIST THE COMMISSION OWNED REAL PROPERTY AND IMPROVEMENTS LOCATED AT 6343 US HWY 50 EAST (DRAKO WAY PROPERTY) FOR SALE OR LEASE AT THE APPRAISED VALUE WITH A LICENSED REAL ESTATE BROKER WHO DOES NOT HAVE AN INTEREST IN THE PROPERTY. THE COMMISSION, IF IT DETERMINES TO LIST THE PROPERTY, WILL DISCUSS AND POSSIBLY ACT TO ESTABLISH THE PRICE, TERMS AND CONDITIONS OF THE LISTING AND MAY AUTHORIZE THE CHAIRMAN TO SIGN A LISTING AGREEMENT.**

Covered under Item 8

10. **ENGINEERING REPORT- KEN DORR**

Ken had a hand out with a BLM application for right of way which he discussed. This is for a number of parcels for which the Commission already has temporary right of way grants.

The general maintenance-of-way includes his and Gabe's costs and miscellaneous materials and then the last two were the Overman embankment repairs and maintenance totaling \$240,000. The maintenance cost to keep the track up is about \$150,000 a year. There was a list of items Gabe took care of. There was some touch up painting on the Highway 50 Bridge and some new light bulbs installed by Carson City Public Works under the agreement we have with them for the lighting maintenance. The problem stated at the last meeting concerning the intersection at Flint Drive and Highway 50; there has been some modification done there. Ken discussed possible maintenance for next year, some ditch cleaning and moving the rail from Drako Way and installing a guard rail at the Chinese Wall down from Tunnel #2. Ken thanked Gary Luce for the soil check for the building at Eastgate.

11. **MARKETING REPORT – CANDY DUNCAN**

Candy said she would be leaving Monday to attend the National Tourist Association in New Orleans. She will be selling them on group tours on the V&T. She handed out the brochure she would be using. They had almost 15,000 passengers on the Polar Express this year. She thanked the Commission for the new building. It helped a lot and there were a lot of good comments from the passengers on it. Candy discussed the Facebook page they now have and said they have 9,442 likes now. They are also on Trip Advisor

so people can post their reviews. Everyone who buys a ticket has to give an e-mail address so we have a good e-mail base. They use this e-mail base for marketing by sending notices for special events. They sent a survey at the end of the season to everyone who bought a ticket. They were asked some key questions about their experience. She gave a copy of a graph on recent riders and not-recent riders. A brief summary of the graphs shows there are two primary customers: One is couples and families who ride for tourist purposes and entertaining children, and the second group is rail fans. Nearly 60% are 55 and older and the next largest age group is 35-54. 78% of respondents have ridden in the past two years and 21% have not. She went over other percentages of other items on the graphs of both recent and not-recent. Kevin will e-mail the complete survey and responses to everyone. The questions they have going forward are how to make it more attractive to rail fans and singles, couples, families and groups. She suggested they do more mystery trains and wine trains. There are things they need to figure out to make everybody's experiences a wonderful one. Chairman called for comments or questions on Candy's report. Nicole Bard asked Candy about sharing information with Storey County and Virginia City people. Candy said she would she wasn't sure how to go about it but she will. Nicole gave her some ideas for how people could spend time in Virginia City between trains. Overnight stays and transportation was discussed.

12. FOR POSSIBLE ACTION - PROJECT COORDINATOR REPORT INCLUDING REQUEST TO FUND COMMISSION'S ENTERPRISE FUND FOR \$50,000 TOWARDS 2015 OPERATING SEASON – KEVIN RAY

Dwight read this motion in and noting that the \$50,000 towards the 2015 Operating Season was already on the outflow and has been accounted for. Dwight asked Kevin if he had any comments or was he ready for a motion. Kevin said he was ready for the motion. Commissioner Crowell made the motion to approve the request to fund the Enterprise Fund for 2015 operating season in the amount of \$50,000. Commissioner Johnson seconded the motion. Comments were called for none stated. Chairman called the question and the motion carried and was so ordered.

13. VIRGINIA & TRUCKEE RAILROAD REPORT – THOMAS GRAY

Tom was not present at the meeting and Dwight asked Jack if he had anything to say on Tom's behalf. Kevin said Tom has sent the rental check for the engine for the season in the amount of \$20,000. The repairs for the last two seasons are going to cost about \$35,000 and parts have been ordered and Kevin touched on what repairs were being done. Enterprise Fund sent a \$75,000 check for those repairs.

14. COMMISSION CHAIRMAN COMMENTS – DWIGHT MILLARD

Dwight thanked the commission for acting on the metal building for the Polar season.

15. COMMISSIONER COMMENTS

Commissioner Crowell commented on getting the building done. There were no other Commissioner comments.

16. FOR POSSIBLE ACTION - NEXT COMMISSION MEETING

The next meeting date for the Reconstruction of the V&T Railway will be forthcoming. There will have to be a meeting in April to present the Budget, the meeting in May will be to approve the budget, and a meeting in June for election of officers. Mike said he would look into whether they can elect officers in May to eliminate the June meeting. Kevin will check commissioners available, dates and room availability. He thought May's would

have to be by the third Thursday in May. Kevin will notify everyone as to the dates.

- 17. PUBLIC COMMENT ON NON-AGENDIZED ITEMS:** Discussion may be limited to three minutes per person at the discretion of the Chairman. No action may be taken on a matter raised under this portion of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.

Nicole asked when they would be posting materials for review so the public can prepare questions and comments. Kevin said the minutes will be posted after there are approved and if he can post things prior to approval he would. There were no other public comments.

- 18. FOR POSSIBLE ACTION: ADJOURNMENT**

Chairman adjourned the meeting at 5:00pm

Respectfully Submitted By:

Brenda Frank
Manpower, Inc.