

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY
Thursday July 30, 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.

ROLL CALL

PRESENT:

Chairman Dwight Millard
Commissioner John Tyson via phone
Commissioner Ron Allen
Commissioner Delsye Mills
Commissioner Jack McGuffey

ABSENT:

Vice-Chairman Bob Crowell
Commissioner Bob Hastings
Commissioner Doug Johnson
Commissioner Vaughn Hartung, Washoe County

OTHERS:

Kevin Ray, Project Coordinator
Michael S. Rowe, General Counsel
Ken Door, Manhard Consultanting
Bob Robinson, Greater Nevada Business Solutions, LLC
We do have a quorum present.

Chairman noted this was a special meeting and the agenda had been sent out.

1. APPROVAL OF THE AGENDA

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Chairman called for corrections or additions to the agenda. Commissioner Allen made the motion to approve the agenda. Commissioner McGuffey seconded the motion. Chairman called for discussion and the question. The motion carried and was so ordered.

2. 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.*

There were no public comments.

3. FOR POSSIBLE ACTION – APPROVE THE MINUTES OF MAY 21, 2015

Chairman asked if the minutes had been posted and Kevin said they would be when they were approved. Chairman called for corrections of the minutes. Commissioner Mills made the motion to approve the minutes of May 21, 2015. Commissioner Allen seconded the motion. Mike said he reviewed the minutes and gave his comments to Kevin and Brenda, he had no changes. Chairman called the question and the motion to approve the minutes of May 21, 2015 carried and was so ordered.

4. FOR POSSIBLE ACTION – DISCUSSION AND POSSIBLE ACTION TO SELL PROPERTY WHICH IS COMMONLY KNOWN AS 6343 US HIGHWAY 50 EAST, CARSON CITY, NEVADA LOCATED ON

THE WEST SIDE OF DRAKO WAY, AT ASTRO DRIVE, 555+/-FEET SOUTH OF US HIGHWAY 50, CARSON CITY, NEVADA. THE PROPERTY MAY BE FURTHER IDENTIFIED AS CARSON CITY ASSESSOR'S PARCEL NO. 008-522-15 FOR THE PURCHASE PRICE OF \$785,000 WITH A DOWNPAYMENT OF \$300,000 AND THE V&T COMMISSION WOULD CARRY BACK A NOTE FOR \$485,000 WITH A 25 YEAR AMORTIZATION, 5% INTEREST, MONTHLY PRINCIPAL AND INTEREST PAYMENTS OF \$3,127.60 AND A 5 YEAR BALLOON PAYMENT OF PRINCIPAL – NET SALE PROCEEDS TO THE COMMISSION AFTER CLOSING COSTS: \$248,436.25.

After reading the description of this item, Dwight said that \$300,000 and \$485,000 came to \$785,000. He questioned that the offer and acceptance had an amount of \$535,000 with a down payment of \$300,000 which would total \$835,000. It was decided that the offer and acceptance was incorrect. Ron said that the offer and acceptance was what they were to approve. Dwight said the amounts on the agenda were correct. The first loan carry back amount on the offer and acceptance was wrong which can be corrected in a motion to amend. Dwight thought it was a 20 year amortization instead of 25 years. Bruce Robertson said he was wrong in one of his emails and it was 25 years. Dwight checked the interest payment (\$485,000 5% interest for 25 years) and he came up with \$2,835.26 instead of \$3,127.60. Bruce Robertson also checked and the 25 years was \$2,835.26 and the 20 years was \$3,200.79. Bruce said the buyer would be okay with either amount. Dwight asked if it were better to have a motion to accept and then discuss or discuss first. Mike said to get a motion on the floor and he had a few comments to make. Commissioner Allen made the motion to proceed with the sale of the building as outlined in item 4 of the agenda. Commissioner Tyson seconded the motion. Mike said the question came up as to whether they needed to get the building re-appraised. The update on the appraisal they had was stale as it was done in June of last year. He there was no need to reappraise and he explained why. Mike said he did discuss the offer with Steve Johnson and Steve said he wanted to be clear that he was not giving an updated appraisal number but Steve indicated he thought it was a good price. One reason was it's \$50,000 over the appraisal amount. Mike went on to say that Steve said all the unsuccessful efforts taken before retaining Bruce Robertson indicated there was resistance in the market for that property. Steve called back after talking with Bruce, saying that Bruce had it listed for \$795,000 and the offer received was only \$10,000 less. Mike referred to an email he got from Ken, where Ken was concerned if this property closed escrow we'd have to find a place to store the material at the Drako site which Ken wants to retain. That made Mike think maybe they should consider a counter-offer to the effect that the Commission's materials could be stored there up to 5 years or the payment of the whole principal amount. This would give them a way to deal with the excess material for now. Mike recommended that if the Commission accepted this offer that they condition the acceptance upon the Commission being allowed to store the material there. Mike noted a clarification on the agenda item, that the net sale proceeds to the Commission of \$248,436.25 is after the down payment only. It is not the total net proceeds from the sale. Bob asked if that was the balloon. Mike said no, this is the amount paid the Commission after the closing costs are paid on the first \$300,000 down. Someone asked if the 5 years balloon payment was a onetime payment or every 5 years. Mike said it was a one-time balloon payment. If they go on a 20 or 25 years they will be making monthly payments but all the principal is due 5 years after close of escrow. Jack asked what was needed to store the materials at Drako. Ken said there was no structure needed it was all outdoor material. Ken discussed this a little. Jack mentioned a letter received regarding the Department of Taxation not accepting the tax statement unless they had money in the bank. No one else got the letter. Kevin said he got a letter from the Department of Taxation saying they accepted the budget. Kevin said they were probably looking for the number on the Storey County tax. Jack discussed the money Storey County was to give to the Commission and said they were holding off until they had an audit performed and they were doing that. Hugh said they anticipated having the audit in about a month. Dwight asked how much tax money Storey County was holding. Hugh said possibly about \$236,000. Dwight said if we do accept the deal, if they go the full 60 months we would receive in interest payments over \$100,000 in addition to the sale price. Also, he talked with the broker who represents the buyers, he asked them if we could store materials on the property and they said that would be fine but it would have to go in the northwest corner by the transfer station and how much rent would the Commission pay. A few of the Commissioners said they would rather build a pen to keep the material in rather than pay rent since they will have to move it eventually. There was discussion and Dwight asked if they would go for just one year so we could get it out of the yard. Bruce said he could ask. The material type they have was discussed.

Bruce said there was a contingency on the back of the offer with regards to transferring their license. They have a location now for a growing facility and they don't know how long it will take to receive approval from the State of Nevada to relocate its medical marijuana provisional certificate of approval to the Drako location. They think the time frame in the offer is reasonable.

Dwight recapped that if they go with the 25 years the interest gained over five years will be \$114,729 and the payoff would be \$429,613. If they go with 20 years, the interest gained over five years will be \$111,000 and the payoff \$404,000. Dwight said his thought was to go with the longer time period and smaller payment but a bigger balloon payment. Dwight also talked with Tom Gray and the 1472 hour inspection and repair of #18 is up this year. Tom would like to rebuild the engine as soon as the normal season ends. Some of the parts have been ordered and Dwight told him to order the rest. Tom's estimated to rebuild the engine it would be \$300,000 and he will start sometime around November. Delsye was going to ask about the contingencies but that was answered. Delsye asked, if the buyer accepts the 25 years with the counter offer for a year to remove our materials at no cost does the buyer put down any money to us so if the deal doesn't go through with the State we have some earnest money. Or do we just wait for the State to make their decision. Bruce said there would be \$50,000 earnest money deposited into escrow and there is a 60 day grace period, if they cancel within that 60 days they can get their \$50,000 back. Mike said if they accept the counter Dwight would be authorized to sign the deal. Ron said he has concerns about carrying the paper for an illegal activity as far as the Feds are concerned when there is Federal money involved. If it was all State or private money there would be no concern. It is legal as far as the State but not Federal. Dwight asked if there was federal money in Drako. Ken said he talked with the NDOT Right of Way Department who inquired of the Federal Highway Administration and said they have no concerns. The biggest concern they had was if the Commission disposed of the property through a bidding process. Mike said after the legalization of the marijuana bill passed, the provisions of the bill was left up to the individual counties and entities if they wanted a facility within their boundaries. US Attorney's Office opinion says while it is a federal offense, the states have authorized the possession and use of medical marijuana and they will not prosecute in a state that has adopted a legal medical marijuana statute. Ron said that could change with a change of administration in the state. Dwight called for public input.

Bruce Kittess asked if a state agency is financing this facility, do they have any liability. Bruce objected to the fact that there was never a sign erected or posted on the building that said it was for sale. Bruce also said it is a cash business and they should make it a cash deal. Since the property is on septic and a plant like this uses a lot of water won't there need to be a special use permit.

Steve Lincoln said it was way over appraised value and if someone was to buy it and finance it themselves it would not appraise for that amount and they would not be able to get the financing. He agreed with Bruce to get a cash buyer. Steve noted there was no prepayment penalty in the offer so there is nothing saying it will go the full length of the term.

Dwight called for other comments with none he returned to the Board. Dwight asked that with insurance they would have to name the Commission as additional insured, and could the Commission be held liable any toxic material. Dwight said he would rather have cash and he wasn't worried about septic or contingencies but he was concerned about the use permit. All of this was discussed further. Dwight called for thoughts from the Commissioners on the offer.

Delsye thought it was a very fair offer but she has concerns about the licensing and it not going through but with the Commission carrying the papers they would get more than the appraisal price. If the sale doesn't go through we can try to sell it again. She felt they should ask for a year at no fee to remove the material that is ours.

John thought it was fine.

Ron always wanted to sell Drako not give it away. He is still concerned that they have to get permits and permission from the City and State and that right at the end of the time frame they can come back and say no they don't want to buy.

Jack liked the proposal of one year with no fee for moving material. He liked the 25 years and according to the agenda all they have to do is change the principal and interest figures.

Dwight agreed with the one year no fee as a counter. Dwight noted on the next to the last page of the offer it states under item #35 (Buyer shall be responsible for all inspections, which will be ordered and conducted within 45 days of opening escrow. Seller shall be responsible for all systems being delivered in good working order). Dwight suggested changing that to 'as is' and represent to the buyer that to our knowledge everything is working well. He did not want to guarantee it. Dwight said he would like to sell

the property to get rid of it. The only concern is that we make sure the Commission's liability stops. With Commissioner Allen's motion to accept the offer on the floor, Dwight asked if the motion could be amended to read 'one year with no fee for storage in the yard from day of close of escrow' and they change it to 'as is' condition on all systems and buyer does not warranty. Ron said he would amend his motion as suggested and Commissioner Tyson amended his seconded to the motion also. Mike referred to the 25 year amortization in the offer. Ron said the actual numbers will be figured out in escrow. Dwight said the note they carried was set. Bruce said he suggested they say not to exceed one year on storage. Dwight said he would like to walk away with a check for \$250,000 instead of \$248,436.25 and asked Bruce if he could make that work. Bruce said they can try. John asked if they would read the entire motion so he could understand it clearly. Dwight said the motion was to accept the offer as presented with the counter to say we have no more than but up to one year with no fee for storage of material in the yard from day of close of escrow' and it is sold in an 'as is' condition on all systems and buyer does not warranty any of the operating systems and we are named as additional insured under their liability policy. Dwight called for the vote on the motion. Commissioners Mills, Tyson, Allen and McGuffy were yeses and Chairman Millard abstained. Mike said the motion to accept the offer passed with a majority of quorum voting yes.

5. ATTORNEY'S REPORT – MICHAEL ROWE

Mike has been corresponding with Kevin about the license plate revenues. Mike had received a letter by certified mail from the Commission on Special License Plates that we needed to make some reporting no later than September 1st.

Dwight interrupted Mike to ask if the motion on Item 4 needed to say with authorization of Chairman signing. Mike said yes. Delsye made a new motion saying to add to the original motion to accept the offer of sale that the Chairman be authorized to sign and Ron seconded the motion. The second motion carried.

Mike continued saying we have to provide a list of people with address and phone numbers responsible for overseeing this operation of this organization to negotiate the interlocal agreement with DMV, the City and the Commission that was approved at the last meeting. It was agreed that Mike and Kevin would be the contacts for the Commission. This has to be in by September 1st. Mike gave Kevin the form to fill out as he has done it in the past.

Mike also got a letter from Storey County regarding weed abatement and Tom said he has been doing weed abatement for Storey County. Mike said he will write a letter on behalf of the Commission noting we have a weed abatement system in place and explain it. Commissioner McGuffy, being a county commissioner for Storey, said they just approved a co-op agreement with Dayton Valley on weed abatement.

Ken Dorr said the Overman embankment repair status was cleared up. They should be able to get the track up to the 25 speed limit. There is other maintenance away work Gabe is working on some welding and grinding. There is an annual inspection coming up in September/October. He is talking with the highway contractor regarding possible utilizing some of their extra material to build embankments. Gabe will be working on some of the rail joints so the rail will expand and contract when it gets hot. Ken asked Gabe how they could reduce their rates and Gabe did reduce the rate to \$300 from \$550.

6. COMMISSION CHAIRMAN COMMENTS – DWIGHT MILLARD

Dwight asked Kevin if the trains were running Friday, Saturday, and Sunday thru July and August. Kevin said yes, then they will switch to Saturday and Sunday in September and the first 3 weeks of October. Polar tickets go on sale August 20th. Kevin said they have 3 special events coming up. Dwight asked if they had added trains for Polar. Kevin said yes, they will have the week prior to Thanksgiving, and they have added a Monday and Tuesday train until Christmas. Bob said that made 63 trains for Polar this season. They came in first place to take out of towners in the Nevada Appeal. Mike asked if there was room in the depot to display the artifacts at Drako. Not in the little depot at the moment but in the large building there would be space that would make a great display. Dwight said he thought they needed a storage container to keep all their documents in. Dwight asked Kevin to alert the Sea Cadets they will need to move.

7. COMMISSIONER COMMENTS

Delsye said she noticed that the Friday is doing better that the Saturday or Sunday trains and

suggested they drop the Sunday train and keep the Friday. This was something they could look into.

Ron asked Ken how much the left over bridge would bring in if they let it go for scrap. Ken said he would get a price from a scraper.

8. FOR POSSIBLE ACTION - NEXT COMMISSION MEETING

Kevin said the next meeting would be in October around the 5th or the 12th. Mike said the 12th would be better for him and others concurred. There is a possibility of a special meeting if there is a counter on the offer of sale. Next meeting will be October 12 as of now.

9. 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.

Kim Fegert, Gold Hill, said at the last meeting he accused Dwight of breaking the rules of this commission and at that time he didn't bring a document to support that. Commissioner McGuffy asked him to provide a copy and Kim gave Dwight a copy. Kim discussed what each documents meant and said when he worked for Mr. Gray he had a different opinion of Kim's efforts. Kim said he would be visiting at the next meetings. Dwight said he wasn't sure of what Kim was accusing him of. It seems Kim is holding Dwight responsible for him losing his position at Gold Hill. There was a heated discussion from Kim towards Dwight.

10. FOR POSSIBLE ACTION: ADJOURNMENT

Chairman called for a motion to adjourn. Commissioner Allen made the motion to adjourn and Commissioner Mills seconded the motion. The meeting adjourned at 4:30pm

Respectfully Submitted By:

Brenda Frank
Manpower, Inc.