

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY

Tuesday, January 17, 2017 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

3:00 P.M. CALL TO ORDER

1. ROLL CALL

PRESENT

Dwight Millard, Chair

Ron Allen

Jack McGuffey, Vice Chair

Bob Crowell

Steven Lincoln, New member

Delsye Mills via phone

OTHERS:

Ken Dorr, KL Dorr Consulting

Candy Duncan, project coordinator

Michael Smiley Rowe

Bob Robinson, Greater Nevada Business Solutions, LLC

A quorum was present

ABSENT

Jeanne Herman

2. APPROVAL OF THE AGENDA

Chair Millard said there has been a request to move Item # 11 to right after Item #6. Some people from Storey County have other commitments and have asked their item be moved.

With no other changes to the agenda a motion was called for. Commissioner Allen made the motion to move Item 11 to after Item 6. The motion was seconded and the change was approved.

3. PUBLIC COMMENT ON NON-AGENDIZED ITEMS:

Mr. Millard called for public comment on non-agendized items and there were no comments.

4. FOR POSSIBLE ACTION – APPROVE THE MINUTES OF NOVEMBER 21, 2016

Ms. Duncan asked that the minutes be tabled until the next meeting. The lady who took the November minutes left and did not transcribe them therefore we have none. Ms. Duncan introduced Kevin Slight from Manpower who will be doing the minutes for us now. Chairman called for a motion to table the approval of minutes. Commissioner Lincoln made the motion to table the minutes until the next meeting. Commissioner Allen seconded the motion. Chairman called the question and the motion carried and was so ordered.

5. FOR POSSIBLE ACTION - TREASURER'S REPORT – RON ALLEN

Mr. Allen said Bob Robinson would be giving the report. Bob said there were 2 update financial statement on both the enterprise fund and the general fund. Starting with the Enterprise Fund which is the operational arm, we have current financials through November 13, 2016. There was \$491,405.92 in the bank as of November 30th. On the profit and loss, under revenue, the Polar ticket sales through November were \$203,561. Our standard season ticket sales came in at \$306,182. We had a total gross income of \$531,416.98. Expenses came in at \$871,715. With the Commission's funding of \$100,000, grants and interests, we had a net loss through November of \$222,833. Bob asked for questions on the Enterprise fund financials.

Mr. Crowell asked what the December income was. Bob said we don't have Decembers in yet but estimated some \$500,000 in sales just in the month of December. Mr. Crowell asked if the estimated \$500,000 in sales in December would be added to the \$203,561 that was sold November. Bob said yes the total sales through December would be \$700,000 something. Chair Millard said then this report was worthless. Bob said he was right but they were reporting on the figures they have currently. Bob went on to the Commission's general fund as of December 31st. The balance sheet shows a total of cash in the bank of \$266,822. On the profit and loss our total revenue came in at \$291,084.07. Our expenses through December 31st came in at \$118,221 with a net profit of \$172,862. Sherri Russell from finance is here and has information on the interest, the City invests our cash on hand and the December interest adjustment is \$163.31. That goes in as interest income so the amount of \$545 shown is increased by \$163.31. Bob said they are half way through the fiscal year. The Mayor asked about the transfer from the general fund into the Enterprise fund. Sherri said it was intergovernmental. So it doesn't show as an income or expense. Dwight said it should show as an expense to the Commission and income to the Enterprise. This report is from July 1 through December 31st. We are halfway through the fiscal year and if the transfer happened before July it won't show here. There was a question about the \$222,000 loss shown and the figures on the sheets were discussed. Dwight said he would prefer to have the financials through December before January. Dwight called for questions and a motion. Commissioner Crowell made the motion to accept the financial reports for the Enterprise fund through November 31, 2016 and the Commission fund. Commissioner Lincoln seconded the motion. The Chair called the question and there were 4 votes for acceptance and 2 against. The motion carried and was so ordered.

6. FOR POSSIBLE ACTION - RATIFY THE PAYMENT OF COMMISSION AND ENTERPRISE FUND BILLS

Mr. Robinson gave this report and referred to a list of checks for payment of bills since the last meeting for both the General and Enterprise Funds. From the Enterprise Fund, there was a list of checks ranging from #1834 dated 11-30-16 through #1883 dated 1-13-17 in the amount of \$540,310.66.

From the General Fund, which is the Commission side, the checks totaled \$59,724.99. Bob noted that second from the bottom a check dated January 13th payable to the V&T Enterprise Fund. This is for the funding start up for the new year in the amount of \$40,000 which is considered an intergovernmental transfer. Commissioner Crowell asked if the \$40,000 was in the budget and Bob said it was in the budget. Chair Millard said it was confusing for most people because they transfer money back and forth through grants and historic fees. Mr. McGuffey said he was interested in why there were checks made to Millard Construction and a restaurant. Bob said the check to Millard Construction was for the building and set up of the North Pole and they do lunches for the Polar. Dwight called for questions on the register. Commissioner Crowell made the motion to ratify the payment of Commission and Enterprise bills. Commissioner Allen seconded the motion. Chairman called the question and the motion carried and was so ordered.

7. FOR POSSIBLE ACTION- DISCUSSION AND POSSIBLE ACTION-PRESENTATION OF THE FISCAL YEAR 2015-16 AUDIT

Vanessa Davis from Steele & Associates presented the audit. The last time we were here there were some questions and with discussions through December, we came up with some changes that need to occur to the financial statements. The only changes were the deeds from other governments. Governmental activities were reduced from \$235,046 because they reduced the Storey County sales tax receivables down to exactly what they received in November. So, the receivables dropped to \$235,046 and of that \$226,111.48 represents the sales tax that was received. We also determined that the \$100,000 that was paid to the commission was not sales tax; it was a return of the \$100,000 the commission paid to them. That increased the grant payable back to them to the original number. It also resulted in a prior period adjustment of \$81,186 because the prior accountant had accrued \$300,000 in change when only \$226,000

should have been accrued. Mr. Millard asked if there were any questions from the board or the audience. He then asked if there were footnotes to this effect. Vanessa said there were and in the footnotes, there is an explanation of your previous year adjustment for the correction of an error. Then under commitments and contingencies we have a footnote that basically says the sales taxes collected are in question as to amounts payable. Jack asked on page 22, what is the \$211,372. Vanessa said that was the amount that was received in November by the Commission from Storey County. Jack said the \$45,000, Vanessa said she was sorry, he was talking about Note 8 which was the capital outlay of \$211,000 was for repairs that were expended on the engine and the \$45,000 was the increase of Historical Preservation fee. Hugh Gallagher asked if on page 10 the \$211,000 was for the repairs to the engine and on page 21 it shows work in progress for \$198,472, are those related or existing new numbers. Vanessa said they were related. All the \$211,000 wasn't used on the engine; some of it was also used for building construction like the hot chocolate room for Polar. Hugh also had a question regarding the inter-local agreement saying he would like to see a stronger statement as to what that agreement went into and why we are sitting at this point with the interlocal agreement. Footnote 7, on the inter-local agreement was discussed. Hugh said if Steele & Associates said that becomes a receivable then it probably is a receivable and Hugh felt the interlocal agreement of May, 2010 should have a stronger statement. Vanessa said it could be if that is what they want, and what she thought Hugh was saying is he wants to see a larger explanation of what was involved in the agreement. Hugh said he would wait for the audit to come out. Dwight agreed with Hugh and said it would stay as a note and at next year's audit we can strengthen it up. Also there was a concern about the fact none of the statements get reviewed before being presented to the Board. Commissioner Allen made the motion to accept the audit as presented with the corrections that will be made before submitting to the State. Commissioner Crowell seconded the motion. Further discussion was called for then the Chairman called the question and the motion carried and was so ordered.

8. FOR POSSIBLE ACTION - DISCUSSION AND POSSIBLE ACTION TO APPROVE AN AUDIT OF STOREY COUNTY ROOM TAXES BY STEELE & ASSOCIATES, LLC FOR AUDIT OF THE MONTHLY STATEMENTS OF REVENUE AND EXPENSE OF THE COMMISSION FOR THE FISCAL YEARS ENDED JUNE 30, 2010, 2011, 2012, 2013, 2014, 2015, AND 2016 TO DETERMINE THE TOTAL SALES TAX REVENUE WHICH WAS REMITTED FROM STOREY COUNTY AND WHICH MAY STILL BE DUE THE COMMISSION FROM STOREY COUNTY."

There was a formal meeting held with Storey County, the auditors and Carson City where it was discussed trying to reconcile the books for Storey County and the sales tax received. This Chair and Commission is requesting the funds and approval to go ahead and to engage Steele and Associates for this audit. Dwight asked for questions from the commissioners or the audience. A member of the audience asked what they expected the outcome of the audit to be. Dwight said there was no expected outcome but what they are looking for is what months the train lost money which then goes to the interlocal agreement and which months they made money. After discussion Ron Allen said they were just trying to figure out dollar for dollar where they were at. Jack asked when they expected to have this report. Dwight said they have to have a meeting in May to approve the budget, so May would be reasonable to have the report. Jack made the motion to approve an audit by Steele and Associates for the months of June 30, 2010 through 2016 to determine the total sales tax revenue which was remitted from Storey County and which may still be due the Commission from Storey county or vice versa, with attention to the Interlocal Agreement of May 2010. The second to the motion was made. Chairman called for discussion with none the question was called and the motion carried and was so ordered.

9. FOR DISCUSSION AND POSSIBLE ACTION – PRELIMINARY BUDGET FOR BOTH THE ENTERPRISE FUND AND THE V&T RAILWAY COMMISSION

Dwight said to take the Commission's fiscal year budget first. The Commission is showing a total revenue of \$261,000, direct expenditures of \$141,500 and a transfer out of \$100,000 for a total

net revenue of \$20,379. This is the budget for 2017/18 which will be approved in May to be presented to the State. Dwight said to note under expenses they have allowed \$20,000 for legal and \$20,000 for engineering and \$75,000 for equipment and maintenance. Ken Dorr said under the engineering it wasn't just for engineering but also the reporting and annual inspections. Dwight said this was with the knowledge that neither county has approved a budget. Dwight then went to the Enterprise fund. On the Enterprise fund there are two assumptions being made. One is that the Engine 18 will be back in production but we do not know the effect of the smaller engine and only two cars made this last season. On the Polar they thought the fifth car could be a VIP car. A VIP car sells at a higher rate and sells out much earlier than the regular cars. So on Polar the sale of \$750,000 could be a million easy. They are showing a gross income in the budget for the operating Enterprise Fund of \$1,149,000. The \$60,000 is for sales of merchandise and the cost of goods. That is a net of \$25,000. The standard season ticket sales were \$3,060. The expenses associated with the standard season are \$6,099 which is on the first page. So you bring in \$3,600 and spend \$7,000 to get the train up the mountain. That's a loss but this was not intended to be revenue but a tourist attraction. The Polar expenses 5097 against 750 loss 559,000

(Tape was turned and lost some of it.)

If the 150 goes to the bottom line it may be the county funding is not necessary. If the budget is approved we can adjust it again in May before it goes to the State.

One of the things they need to do is, the advertising and promotion is \$85,000 in a regular year and the Polar is another \$15,000, so we are getting close to \$100,000.

Questions on the budget were called for. Steve Lincoln asked about the engines and Dwight said the 18 would not be ready until mid-summer. They do need Engine 18 by July/August. Ron said they couldn't discuss it now but they may know by May. Hugh Gallagher asked about setting aside funds for future maintenance. He noticed that the maintenance is being handled through the General Fund instead of the Enterprise Fund. He wanted to know why there wasn't a fund set aside for maintenance. Ron said that is why they set up the Historic Preservation Fund. That fund is to be used for maintenance of Engines. After discussion, Dwight said if they took the budget and put \$81,200 in a set aside we'd show a loss of \$60,000. Where to show it on the financials was discussed. Vanessa said this board has to commit that money so it can be shown as a separate fund balance. Dwight said at the next meeting we should have a motion to set aside that fund for rolling stock. Chair called for discussion from the board or audience. Dwight called for a motion to approve the General Fund and Enterprise budgets. Jack McGuffey made the motion to approve the preliminary General budget for 2017-18 and for the Enterprise Budget for the fiscal year of 2017 as presented. Ron Allen seconded the motion. Mayor Crowell said that the \$50,000 budgeted from Carson City; they don't have that in their general fund but they will look at other funds and he said the funds will be forthcoming. There was an amendment to the motion to have it contingent on the Storey County and Carson City contributions. Ron amended his second. Chairman called the question and the motion carried and was so ordered.

10. FOR DISCUSSION AND POSSIBLE ACTION – DISCUSSION TO DEVELOP A PLAN TO OBTAIN ONGOING FUNDING FOR OPERATIONS FROM CARSON CITY AND STOREY COUNTY.

Dwight said both directors of tourism was present and asked each to make brief statements.

Joel Dunn, Carson City Tourism said he wasn't putting a value on their investment. I can tell you until 2023 they will continue to make a bond payment. That's in good faith and we will continue to support the train. As part of their approved budget for 2017 they will be marketing the train. He felt the marketing teams should meet, Tourism, the V& T and Virginia City. Joel thought they needed to see from the V&T to showcase more of Carson City. So he would like to meet with the marketing teams before he commits. Dwight asked if they still have a tax that is collected only for the V&T, that's a set aside for them. Dwight wondered if there were any available funds in that account they could use to take some of the pressure off from their Board. Joel said the bond was paid from 2% of that and rest used for something else. (I couldn't hear him.) Mr. Dotson added comments, saying their job is to market the region and are there to help support this effort.

Dwight asked for questions. None so we are moving on to the next item.

11. FOR DISCUSSION AND POSSIBLE ACTION – RESPONSE FROM THE COMMISSION TO STOREY COUNTY’S BILL DRAFT REQUEST WHICH WILL REDUCE THE NUMBER OF REPRESENTATIVES ON THE COMMISSION From 9-5

Pat Whitten said he thought it was in the hands of the Commission. Dwight said the BDR is in the hands of the Commission and asked if there were any comments from the commissioners on the BDR as presented. This is the BDR that Storey County looked at and decided they would like to bring forth and request a reduction in the Commission for 9 commissioners to 5. Of that representatives would be from Carson, Storey Tourism Agencies those two counties and a Governor appointee. It would eliminate the appointments by the Senate, Assembly, Lyon, Washoe, and Douglas Counties. Dwight asked what the thought was on the language where it says “or an employee”. Mr. Whitten explained that if an elected official, who was appointed, cannot make it then an employee could represent them. The extra person was discussed and Dwight ask if it could be a person that is not an employee but someone interested in the train. Delsye Mills said she wonders why Storey County wanted to do this. Is there an explanation from them as to why we need to do away with these positions? She understood the reasoning on Lyon, Washoe and Douglas because they don’t have the interest in the train but she can’t understand why they want to do away with the representatives from the Senate and Assembly. Mr. Whitten said Virginia City did have a passion for the train. Mr. Whitten said that Carson City, Storey County, CCCVB and VC Tourism Commission put in the lion’s share of cooperation when it comes to the operation. He went on giving a number of reasons Storey Counties requested this reduction. Dwight verified that Delsye felt the Senate and Assembly appointees should stay. Ron noted they were also doing away with his position from the V&T Historic Society. When this commission was appointed it was a government appointment. Mr. Whitten said they only tried to look at making it a functional Board, a board of 9 is difficult. It wasn’t meant to target any one of the current members. Commissioner Crowell said they had to look at the long term longevity of the railroad. This is going from a building phase to an operational phase and that calls for some changes. We might be able to save some money by doing this, he didn’t know. Mr. Whitten said they could save by not using outside people. For an example, he has people who could take the minutes instead of paying Manpower but he wasn’t sure they could do without legal and engineering. There are a number of ways to cut costs. Cuts and positions were discussed in length. Dwight said he has no problem with the bill but he, in his view, having Mr. Rowe and Ken Dorr available is very important and that the money is being well spent and he is hesitant to let legal and engineering go. Part of what is important to the counties is that the money is being well spent. In the budget they will discuss they have only asked for \$50,000 from the two entities. Mr. Gray has bought another diesel and the operational committee, when we look at what we spent this year, helped in getting that train here. Dwight said we cannot run this train like a business. It is a tourist attraction and we do lose money during a normal season. We run from May 30th to October 30th. we bring in \$350,000 and spend around \$700,000. To make the balance at the end of the year we depend on 3 things; Polar, the little money from Carson and Storey. Dwight explained with a new car and Polar we can run this train. When Dwight was done he asked if there was any other discussion.

Dwight thanked everyone and moved on to the next item.

12. FOR POSSIBLE ACTION- VIRGINIA AND TRUCKEE RAILROAD CO. REPORT INCLUDING REPAIRS TO ENGINE #18 – TOM GRAY

There was an e-mail from Mr. Gray stating that he is working on Engine 18 and expects to have it ready for the early part of the season.

13. FOR POSSIBLE ACTION- ENGINEERING REPORT – KEN DORR

Signal track and inspections for the bridge, tunnel, slopes, pitches and miscellaneous work was done. There is a letter sent to the commission noting repairs that need to be done on the bridge

and depot. There was a summary of work Gabe did that was submitted to the Commission. There was a basic inspection identifying some of the items needing to be done. There is a maintenance and engineering costs breakdown. That summary goes back to 2010. Ken discussed the Bridge status. The railroad had some storm damage which was discussed.

14. FOR POSSIBLE ACTION- ATTORNEY'S REPORT- MICHAEL SMILEY ROWE

There was a report for 2017-2018 on revenue and expenditures that needs to go to the state. The deadline was the 27th of January.

15. FOR POSSIBLE ACTION – MARKETING REPORT- CANDY DUNCAN

Candy said they received a grant from the Department of Tourism for a Co-op Marketing Campaign with Virginia City. It will be done in two parts. First cycle, we have \$3,250 to do planning and production for the Co-op Campaign and the second cycle we'll apply for the money for placement. Basically what we are going to do is promote four events in Virginia City. Taste of the Comstock which is June 10, 2017. Hot August Nights is August 4th and 5th, 2017. Street Vibrations is September 29 through October 1, 2017. The 27th Annual World Champion Outhouse Races will be October 7 and 8, 2017. We will promote these events on the web site highlighting the use of the train instead of parking in Virginia City. They are going to offer ticket packets for each of these events. Kelly from Smith & Jones is helping put this program together. Also, the Carson Valley Pops Plays Pipers Train will be in late April. We got a grant from The Commission on Tourism to combine the two websites to cut down on confusion with the short line and long line. When someone goes to the website they can get all the information on both lines and events.

16. COMMISSION CHAIRMAN REPORT – DWIGHT MILLARD

Dwight had nothing to add.

17. COMMISSIONER COMMENTS

Welcome to Mr. Lincoln.

18. PUBLIC COMMENT ON NON-AGENDIZED ITEMS:

No comments.

19. FOR POSSIBLE ACTION: SET NEXT MEETING DATE

The next should be in May and in the meantime Dwight would like the end of the year statements sent out.

20. FOR POSSIBLE ACTION: ADJOURNMENT OF COMMISSION BOARD MEETING ALL AGREED.

There was a motion to adjourn and it was seconded. The meeting adjourned.

Submitted by Brenda Frank