

NEVADA COMMISSION for the RECONSTRUCTION of the V&T RAILWAY
Monday, September 19, 2016 – 3:00 p.m.
Carson City Community Center – Sierra 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. *****

2:30 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
Michael S. Rowe, General Counsel
Vice-Chairman Jack McGuffey
Commissioner Bob Crowell
Commissioner Delsye Mills
Commissioner Ron Allen
Commissioner Doug Johnson

ABSENT:

Commissioner Bob Hastings
Commissioner John Tyson
Commissioner Jeanne Herman

OTHERS:

Bob Robinson, Greater Nevada Business Solutions, LLC
Candy Duncan, Project Coordinator
Hugh Gallagher, Story County Treasurer
Ken Dorr, KL Dorr Consulting

A quorum was 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 Millard called for the approval of the agenda. Chairman made the correction of item #13 the action of instead of adjourning for recess to reconvene after the workshop is through. Commissioner Crowell noted that there is no item #6 then made the motion to approve the agenda. Vice-Chairman McGuffey seconded the motion. Chairman Millard 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. There was no public comment. Vice-Chairman Crowell made the motion and McGuffey second.

4. FOR POSSIBLE ACTION - APPROVE THE MINUTES OF May 23 AND JUNE 1, 2016

Commissioner Mills made the correction of the Vice-Chairman needing to be changed to Jack McGuffey instead of Bob Crowell. Commissioner Johnson made the motion to approve the minutes of May 23 with the correction. Commissioner Crowell seconded the motion. Chairman called for discussion on the motion and then the question. The motion to approve the minutes of May 23, 2016, carried and was so ordered.

Chairman Millard motioned to approve the minutes of June 1, 2016, with the correction. Chairman called for discussion on the motion and then the question. The motion to approve the minutes of June 1, 2016, carried and was so ordered.

5. FOR POSSIBLE ACTION – TREASURERS REPORT – RON ALLEN

Bob Robinson reported on the Enterprise fund's profit and loss. In the month of July, there was \$71,911 in standard ticket sales and a total income of \$73,249. The expenses totaled \$48,382. Income comes in at a loss of \$-48,323. Year to date there is a net loss of \$66,718 in the month of July which includes Commission funding and grants. As of July 31, there was \$77,051 in the bank. He then reported on accounts payable as of July 31 there is a total of \$112,491 in payables and on accounts receivable as of July 31 there is a total of \$ 7,000. He then reports that the Commission General fund balance as of today is \$50,945 and that this concludes his report. Commissioner Mills questioned on not seeing where the Drako money went to in any of the reports submitted in which Bob Robinson answered that it would not be in these reports because that information is only found on the Commission General Ledger, not the operational fund in which he said he had a copy he could give her and the board. In reviewing the Commission V&T Enterprise Fund Profit & Loss YTD Comparison document that was submitted by Bob Robinson it was determined by Chairman Millard and Bob Robinson that it was not a comparison at all so to that Chairman Millard asked that the word Comparison is removed from this report for future meetings and that copies be available for the audience. Chairman Millard asked for an official written monthly financial statement to be available for himself and the board so it can be seen what is being done. Vice-Chairman McGuffey made the motion to approve and Commissioner Crowell seconded the motion and it was so carried.

6. There was no Item so no action needed

7. FOR POSSIBLE ACTION – RATIFY THE PAYMENT OF COMMISSION AND ENTERPRISE FUND BILLS

Bob Robinson stated as our policy we go through the Enterprise fund and the Commission fund checks. The Commission checklist is from May 24 through Sep 19. There is a total of \$402,850.44 in checks from the Enterprise fund for operations. The General fund level is \$151,057.50. Commissioner Delsye Mills made the motion to approve the Commission Checklist and Commissioner Doug Johnson seconded the motion to approve. Commissioner Doug Johnson made the motion to approve the Comm. V&T Enterprise Fund Check list and Commissioner Bob Cowell seconded the motion to approve.

8. DISCUSSION AND POSSIBLE ACTION TO FORMALLY ADOPT THE NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY'S (VTRW) "BRIDGE AND STRUCTURE MANAGEMENT PROGRAM" AS THE GUIDELINE FOR THE INSPECTIONS AND MAINTENANCE OF THE US HIGHWAY 50 BRIDGE AS REQUIRED BY AN ACT OF CONGRESS AND BY REGULATION OF THE FEDERAL RAILROAD ADMINISTRATION (FRA), AND FOR INSPECTIONS AND MAINTENANCE OF TUNNEL #2, THE VTRW'S CULVERTS AND OTHER STRUCTURES OWNED AND MAINTAINED BY THE VTRW.

Ken Dorr provided a manual which could also be found online written in a collaborative effort of himself and Ken Hanford with help also from Gary Luce and since there was a structure involved Keith Shaffer from Manhard, who has now been promoted to be bridge structure engineer, did an evaluation of the bridge to come up with a structure rating. In preparing this document a template was furnished by an engineer with the Federal Railroad Administration which was used and edited in order to be in compliance once adopted by the Governing board. Vice-Chairman McGuffey asked if there is any added cost for having to do this, Ken Dorr answered not now. The cost was only in preparing the document. Nothing different is being done from the inspection standpoint. One thing that was done is that the minimal requirement that the bridges are inspected and there is a program for identifying those bridges to basically set-up a reference to memorialize the inspections that have been done on not only the bridge but also tunnel #2, and the many culverts as well as an inventory and evaluation of the road crossings, roadway ditches, and slopes of which will all be included in this document. Vice-Chairman McGuffey asked if this was more of a form of record keeping or if there is a certification involved with this. Mr. Dorr answered that there is no certification, that the railroad needs to comply with Federal Regulations and it is up to the governing board how they want to do that. He states that with this document and keeping up with auditing every couple years changing the names of individuals and pertinent information will keep us in compliance. Vice-Chairman McGuffey makes the motion to approve and Commissioner Allen seconded the motion and it was so carried.

9. FOR POSSIBLE ACTION – ENGINEERING REPORT- KEN DORR

Regular inspections and normal track maintenance have been going on since the beginning of regular season. First part of June there was a burning Cal-Trans truck sitting on the track below Eastgate. Apparently, the truck had been stolen and garbage in back was on fire as well as tires.

Gary Luce was a big help in getting the truck off the tracks. Q&D used an excavator to lift it from the tracks and Valley Towing towed it to Steve Ryckebosch's property at Eagle Valley Technology Center where it continues to sit due to not being able to identify an owner and nothing coming up through the Sheriff's report or investigations. Two weeks later a second incident involving a car high rolling on the track without guide wheels which caused damage to Eastgate switch. It wiped out the switch stand and caused emergency repairs but was switch was operational for Canyon trains and replacement parts were ordered as well as a spare switch hand (second hand).

Eastgate lead track expansion earthwork project did not go forward but since the design was done Ken took an offer from Q&D to compact into place about 15,000 yards of the embankment for free of the 35,000 that was needed for the project. The project received about 15,000 cubic yards of material at no cost to the Commission other than having to

do some slope work, taking a little of compaction testing and put in a culvert in which cost about \$5,000. Q&D donated somewhere between \$75,000-\$100,000 of work for free.

Granite Construction is working on a project in Sand Harbor where they are doing some bike path work and will have extra material available. There are 2 phases on this project one is now and the other will begin next Spring. Federal funding NDOT is in charge of where the materials go and it has to be a site that has environmental clearance which the railroad has so between Granite and NDOT it looks like the railroad will get these materials as well, which will probably be another 8,000-15,000 yards of material on the embankment next Spring for free with just a little admin cost.

(Deferred) Ditches need maintenance done within the next year depending on the weather. Equipment is really not available, there is a possibility of using an Air dump car of Tom Gray's and set-up a work train to clean them out but need to work through a plan then will come back to the Commission.

10. POSSIBLE ACTION – ATTORNEY’S REPORT - MICHAEL SMILEY ROWE

Mr. Rowe referred to the two incidents reported by Ken Dorr. He is checking on getting rid of the truck by doing a storage lien and going through the statutory process and his involvement in the other mainly to see if there was any insurance coverage. He spoke on Storey County sending a notice regarding weed control asking if the railroad wanted them to do it or if they were going to do it themselves which was done last year, a reply was sent that it would be done by Gabe. Commissioner Allen asked that if on the weed abatement Storey County offered to do it for us then why did we not choose to do that? Mr. Rowe answered that the same approach was taken that was taken last year, it was part of what Gabe was doing and Storey County didn't offer to do it for free they just offered to do it. Gabe has done it for the Commission in the past in which he has the equipment to do so which Storey County may not or may not want to do it. He also spoke on a request received from the Legislative Counsel Bureau that all income from specialized plates should be annually reported and filed with the Bureau by September 1st. A request was forwarded to Chairman Millard and Commissioner Crowell in order to get the report in on time.

11. MARKETING REPORT – CANDY DUNCAN

Mrs. Duncan reported on the sales of The Polar Express tickets that started August 19th. As of today, 82% of all VIP tickets and 40% of all coach tickets have been sold. With the 3 Melodrama's this year "The Train to Danger" first one in August sold 134 tickets, September sold 100 tickets and for October which is the final performance 71 tickets have already been sold. "Toast of The Canyon" is the last Saturday of the month in June sold 75 tickets, in July sold 80 tickets, in August sold 90 tickets, in September sold 96 tickets, and in October tickets are already sold out at 140. For the 2nd year in a row, the V&T has been voted the best place to take an out of townner by a write-in vote for the Nevada Appeal. Chairman Millard gave a thank you to Joel Dunn of the Carson City Convention & Visitors Bureau for the printing of our materials.

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

Mr. Gray gave a progress report on engine #18. He stated that he purchased a super heater flue, a boarder tube, and a new dry pipe had to be built for the locomotive. It was

discovered it had some thin spots and in taking it to the Engineering Standards Committee it was recommended for it to be replaced. At the same time, it was discovered that the door sheet also needed to be replaced so in the process having a new one made in Tennessee and then hot riveting it in. Still, have a little bit of welding work to do on it. Mr. Gray mentioned he had 3 Chief Mechanical officers on the site of which recommended work to be done on the front tube sheet so part of the lower portion was replaced which was made at the Heber Railroad it is set into place and ready to rivet. This will get the project done and get to a good stopping spot. The engine is over half way but still quite a bit left to do on it. Commissioner Allen asked for an approximate completion time but Mr. Gray couldn't answer all he could say that it was past half way complete, but this next phase is very time-consuming. Chairman Millard asked if Commissioner Allen was asking in regards to money or time and Commissioner Allen said both because one results in the other. Commissioner Allen asked Mr. Gray if he thought that maybe he was looking at up to \$200,000 and Mr. Gray answered that it would be in the outside range.

Chairman Millard asked Mr. Gray what is the status of the diesel? Primarily for the Polar. Mr. Gray said things are not looking so good but he would be able to do a load test on the D2 after all the work that has been done and he is also looking for another locomotive. Vice-Chairman McGuffey asked Mr. Gray that if moving forward how much time would it take and Mr. Gray answered with that if he continued to work on going that it would be ready for next year. Vice-Chairman McGuffey made the motion to approve and Commissioner Allen seconded the motion and it was so carried.

13. RECESS OF COMMISSION BOARD MEETING – DWIGHT MILLARD

Commissioner Johnson made the motion to approve and Commissioner Mills seconded the motion and it was so carried.

14. RECONVENE AS COMMISSION WORKSHOP ROUND TABLE

Chairman Millard opened the workshop stating that his intention for this Commission Workshop is for everyone to participate to find out for the board's sake and himself what is wanted to be done with this train. It has now reached a place that input from citizens and participants who are part of the program or partners is really needed. This meaning Carson City, Storey County, Douglas County, Lyon County, and Washoe County of what the thoughts are of how the train was going to look like or should look like in the future.

Pat Whitten – Storey County Manager

Mr. Whitten states that the County as a whole wants to support and continue this project and has no desire to can this project however what the train should look like Mr. Whitten spoke on his Board Chairman McBride pulling out a DVD that was filmed in 2010 called "The V&T Lives" narrated by John Tyson. In it was a glimpse of how the V&T looked in 2010 which proposed a 4-hour visit in VC, proposed 135,000 passengers per year and about 650 construction jobs with and impact of almost 40 million dollars with an annual economic impact of 46.5 million dollars and 1216 full-time equivalent jobs. The goal is to try to get it in a ballpark toward those numbers and continue to that growth. A suggestion would be to streamline the Commission Board and get it down to people with skin in the game. Start out with a 3-person board get it down to one appointee from the governor, an appointee from Carson City Supervisors, and an appointee from the Storey County Commissioners or if 5 is better than 3 do whatever it takes to get this back on track.

Storey County is in the game and wants to play. Since June 2014 records reflect that withholding of \$592,000 that is due to the V&T just want to make sure when it is given it is done

for the best buck. Assuming Mr. Gray can come in close to \$200,000 then we are all in on getting Engine #18 up & running in time for next season so as to help potentially boost ridership.

Bob Crowell – Commissioner/Mayor Carson City

Carson City has till 2021 to pay off the bond that was passed to help construct the facility. Carson City is still very anxious to see the train do well and be part of the regional marketing and tourism efforts in which it seems to be going down that track. In some sense, though there has always been a little bit of a difficulty with this organization that we sit in here today being a construction organization then turning itself to be the train operator. At one time we tried to get someone to operate the train but that kind of fell through. This is one of the problems that we are running into, so taking another look into privatizing the train operations wouldn't be so unadvisable. Then this organization can be the overseeing body as opposed to the actual operating authority of the train. More structure is needed to run this train and we need to know from the Visitors Bureaus Carson and Storey if there are indeed any cost savings to be had. It has been difficult to get this train off the ground and now we are at the point that we need to look very carefully at our organizational make-up not just our board standpoint but how we organize ourselves to operate the train if we are not going to privatize. How do we actually operate it and if we can find out from the counties or at least from the Visitors Bureaus what other county services can be provided and see if the cost can be saved? Go ahead and take another look at privatizing, shipping it out so we can put the day to day operations onto someone else. We share the same goals as Storey County from Carson City's standpoint.

Tom Gray – Engineer V&T Railroad

There are synergies to sit down and look at for the future of the V&T and the privatization and definitely jobs that can be done so as to help out. In agreement that it needs to be ran more efficiently or it will not survive.

Joel Dunn - Executive Director or Carson City Visitors Bureau

Speaking on behalf of my board I would like to see an operational assessment. When looking at the construction we are passed that stage we are at the measured stage. We need to see a return on the invested money we are putting out. In the Fiscal year 2017 budget nearly \$250,000 has been allocated for the marketing campaign that has an inherent benefit for the V&T railroad so in no way are we looking to wash our hands of the V&T, it is a regional asset. Collectively sitting down at the table with the right people is very well needed being some of those stakeholders and investors in the operations and access how it is operated and how we can better operate the train. It may come to the fact that the counties need to come together in which being with Storey on getting those stakeholders, the people who have the skin in the game making the operational decisions. Start the operational assessment.

Deny Dotson – Virginia City Tourism Director

Marketing the region needs a better job done and coming together while looking at things differently than in the past. Regional product is very important to the state and we all love trains and surely want to see it succeed. It can't go backward it must move forward. Let Tom run the train, he is the professional.

Dwight Millard – Chairman

Spoke on his vision of the train for the future and what needs to be done. Part of our job is to promote history, increase the ridership which has gone up in Polar Express but down in standard ridership.

Construction goals are The Carson River track to the Balloon,

The Y track at Eastgate which Ken has alluded to as currently being done.

The New Carson Eastgate Depot which will probably be done with Drako funds to build a depot that will have more exposure on Highway 50.

The VC Freight Depot which Vice-Chairman McGuffey commented by saying that it is up in the air because of not knowing if the owner is going to sell but the next goal is to work on Tunnel 6 for which a bond has already been put into place for 3.4 or 3.6 million. It is still a possibility for the VC Freight Depot project just not sure where it stands.

Partners: the region hotels and restaurants, Nevada State Railroad Museum which in the past did not want to partner and sell tickets online but Commissioner Ron Allen commented that there is a new director now Dan Theiland who is pro V&T not anti V&T so this is something that can be worked out.

Some of our goals would be to coordinate the trains with VC events and have more Melodrama trains because we have to sell something more than a train ride and melodrama is part of it. Dinner trains and making use of the Gold Hill Depot and doing our job of promoting it.

Nicole Barde - Storey County

Re-establish what business is the V&T in and start with a blank sheet of paper. No one spoke of a business plan and even with the \$150,000 plus spent on marketing the standard ridership continues to decline so marketing will not fix this problem. It simply is not effective. Rethink what business the train is in and what it is giving people and what experience they will have will bring those numbers up. Starting from scratch really defining the vision, really defining the mission and coming up with a business plan and running the operation whether governing it or outsourcing it like a business.

Doug Johnson – Commissioner

Somehow, some way we got to where we are right now and somehow some way we are going to go into the future. Some of the thought processes that have been heard about the board maybe not needing to be so big and maybe more stuff getting done with people who really have a lot more time and money invested into it, this may be a better way to go. There has been a lot of success but as Mayor Crowell said about we started out as an organization to construct and we moved into operations and maybe that wasn't where we should have been so there is a big discussion to have there.

Sam Toll – Storey County

Many people of Virginia City would like to characterize the train as probably one of the very few genuine historically accurate assets to both Virginia City, Carson City, and the community. There is an understanding of investment that is required with having an asset such as this to maintain it. If you can't measure it, you can't manage it. In the agreement that it is critical to look at rebooting the organization while establishing the fundamentals of a business plan and operational plan. Nothing is more valuable than to hear the whistle of the train. It provides a direct asset to the community. Not only are we in it deep enough that we really can't back out it, would be an absolute shame to do so, but it needs to be run like a business and with the brain power we have and the capacity of marketing abilities the team that can be put together to move this thing forward in a more agile fashion. Trim the board perhaps, create a group of people who have responsibility and who have the business acumen that could really turn this thing around and turn it into the asset we all dreamed that it would be when it was first envisioned.

Delsye Mills – Commissioner

A ton of progress has been made in the last 5 years on this train and the people in the community are accepting it better, but not everybody has jumped on board with marketing. We need to get the word out there if you don't tell you don't sell. How many Carson City residents have ridden the train? Most say no we don't have the time, no we can't afford it but yet this summer there was a discount of 20% off for locals. We have given every benefit to doing this so it is not from the lack of trying.

Bruce Kittress -Carson City

Where it got off track from the beginning was that somebody didn't think about making the contract with the Gray's for the track that runs from Gold Hill to Virginia City and that is where the shop is.

Jack Greenhalgh – Virginia City Resident

The Commission now is great. This project sometimes is going in the right direction but other times don't know because of how much money is spent. The Commission has way too much baggage.

Tim Bertonoli – Land owner

Parks & Rec have purchased the property and gave the V&T the right away to build all the way up to our property and up through Brunswick Canyon which is big and saves a lot of money but nobody has talked about how it will be funded now that the right away has been given.

Kelly Houston – Smith and Jones

There is a structural problem here. When looking at the revenue for this train there is the Polar revenue, the regular season revenue, and then there is Tom's revenue on the short train. In thinking about how the consumer looks at things they look at it as a whole and as one, but that is not the case here because right now there are 2 websites which make it very confusing and when it comes to ideas it seems as if there is always a competition with Tom. We have to change that and collaborate and come together as one business to really be successful.

Phil Weidinger – Public Relations

Glad to hear of wanting to get the Visitors Bureaus more involved because they can help leverage a severally limited marketing budget and with the many things that they can do and us helping them cross-promote as well there are a lot of opportunities. Finding different tactics to make the V&T more attractive than it already is by making it a different ride and keep looking into the theme rides. It needs to provide an experience to be more than a train ride from the time a person arrives there ought to be a sense of arrival. A person should see things such as decorations or an old station that makes them feel good and be treated like a very welcomed guest. Then go on the ride and have a great time while hearing all the history and the arriving in Virginia City and enjoying all the things there is there. It's a great day and a very memorable experience.

It is important to get local support for people to know what the benefits could be and what they can be for a long time sometimes that gets overlooked. There is the historical preservation involvement, a tourist attraction that you not going to get anywhere else, and you get a chance to see things that you're not going to see anywhere else. TMCC has an Interior Design class that is interested in coming up with some ideas to make the train station look more like a train station. Then maybe think about having special events like wedding receptions and meetings. Have a section that is open to having an outdoor area. There are many ideas to come up with and being creative in doing so.

15. FOR POSSIBLE ACTION: ADJOURNMENT OF WORKSHOP & RECONVENE AS NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY

Commissioner Johnson made the motion and Vice-Chairmen McGuffey seconded the motion and it was so carried.

16. COMMISSION CHAIRMAN REPORT - DWIGHT MILLARD

Glad we had this time together it gives us all direction and maybe we can get some ideas. My email is dwight@millardrealty.com I would look forward to anyone who would like to send me an email direct to comment on anything today.

17. COMMISSIONER COMMENTS

There were no comments

18. 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

19. FOR POSSIBLE ACTION: SET NEXT MEETING DATE

Chairman Millard canceled the meeting set for October 7, 2016 and reset the meeting for November 7, 2016

20. FOR POSSIBLE ACTION: ADJOURNMENT

Chairman Millard called for a motion to adjourn. Commissioner Johnson made the motion and Vice-Chairman McGuffey second it, the motion passed.

Respectfully Submitted by:

Rebecca Lott
Manpower, Inc.