

**NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY**  
**Minutes of the Tuesday, November 30, 2021 Regular Meeting**  
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A regular meeting of the Nevada Commission for the Reconstruction of the V&T Railway was held at 1:00 p.m. on Tuesday, November 30, 2021, in the Community Center Robert “Bob” Crowell Boardroom, 851 East William Street, Carson City, Nevada.

The meeting video is available on Carson City’s website by clicking on the link below:  
[https://carsoncity.granicus.com/MediaPlayer.php?view\\_id=2&clip\\_id=1922](https://carsoncity.granicus.com/MediaPlayer.php?view_id=2&clip_id=1922)

**PRESENT:** Chairperson David Peterson  
Vice Chair Clay Mitchell  
Treasurer Jim Wells  
Commissioner Stephanie Hicks  
Commissioner Deny Dotson

**1. CALL TO ORDER**

Chairperson Peterson called the meeting to order at 1:00 p.m.

**2. ROLL CALL AND DETERMINATION OF A QUORUM**

Roll was called and all Commissioners were present, establishing a quorum.

**3. PLEDGE OF ALLEGIANCE**

Chairperson Peterson led the Pledge of Allegiance.

**4. PUBLIC COMMENT**

Public comment was made available via telephone, (775) 686-9037. Chairperson Peterson entertained public comments; however, none were forthcoming.

**5. FOR POSSIBLE ACTION: APPROVAL OF MINUTES – OCTOBER 28, 2021  
V&T RAILWAY COMMISSION MEETING**

On page 2, the first line should read “Jennifer in Virginia City”, not “of Virginia City”. In the last line of the same paragraph, it should say “termination date” and not “determination date”. On page 3 item 10, it is pre-emergent not emergent. On page 4, paragraph 4, line 3 – there is an extra “r” on vague. The last line of page 7 should read Kim Fegert and not Ken Fegert.

**MOTION: Treasurer Wells moved to approve the minutes for the October 28, 2021 meeting with the changes noted. The motion was seconded by Commissioner Hicks and carried 5-0-0.**

**CONSENT AGENDA**

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Treasurer Wells noted that he made the correction that Vice Chair Mitchell requested at the last meeting.

**MOTION: Commissioner Hicks moved to approve the Consent Agenda as published. The motion was seconded by Commissioner Dotson and carried 5-0-0.**

**END OF CONSENT AGENDA**

**8. FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO APPROVE THE V&T RAILWAY COMMISSION FISCAL YEAR (“FY”) 2021 ANNUAL AUDIT REPORT & FINANCIAL STATEMENTS.**

Suzanne Olsen and Sonny Zheng from Casey Neilon presented the draft audit report. There are some items that are still pending.

Independent Auditors Report – Currently working with an unqualified opinion with an emphasis of matter paragraph. This draft audit report does not currently have an emphasis of matter report because still finalizing the disclosure that it pertains to. When we get to note 7, will go into more detail as to what the emphasis of matter paragraph will state. Overall, it details out the reports that are reported on, what management’s responsibility is (which is the Commission), what the auditor’s responsibility is, and that they auditors are planning on issuing an unqualified opinion.

The next page is the Required Supplementary Information which is the Budget to Actual information as well as the Management’s Discussion and Analysis. Then is the Report on Internal Controls. There the auditors will discuss significant deficiencies and material weaknesses as well as if any were identified.

Page three is the Management’s Discussion and Analysis. All of the dollar amounts and financial balances presented in the financial statements are in final draft form (i.e. not pending). What is pending is finalizing wording. The highlights of the financial statements for fiscal year 2021:

- The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$29,398,810. Of this amount, \$29,094,489 related to capital assets.
- Total net position for fiscal year 2021 decreased by \$560,010. The bulk of the decrease was related directly to depreciation expense. Depreciation expense was \$749,246.
- Page 4 gives a snapshot summary of the net position and the summary of revenues, expenses, and changes in net position. The summary of net position provides the assets, liabilities, and total net position for as of June 30, 2021. The summary of revenues, expenses, and changes in net position provides the activity that took place during fiscal year 2021.
- There were charges of services for 2021 of \$294,466 compared to \$1,080,394 for the prior fiscal year. General revenue was consistent but charges for services were down. This is attributable to COVID, being shut down, and limiting ability to provide services.
- Expenditures also went down – to offset lack of income due to COVID. Fiscal year 2021 had \$1,218,235 in expenditures compared to \$2,103,226 worth of expenditures in fiscal year 2020. That reflected a decrease of \$884,991 in expenditures.

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- Overall revenue decrease of \$785,013 is attributed to the pandemic.
- Page 6 is the Statement of Net Position. Shows more detailed accounting of assets and liabilities for fiscal year 2021. The biggest change from fiscal year 2020 to fiscal year 2021 was the note receivable on the Drako property. The original note was due to have a lump sum payout in January 2021. There will be discussion on amending or renegotiating that note since it expired. Because it did expire and there was not a newly negotiated note by June 31, 2021, the remaining balance became current instead of having a long-term component. In addition, there was a deposit in escrow of \$200,000 from the borrower that was made in March 2020 – that reported within assets on statement of position.
- No significant change in liabilities from last year to this year. Will go into detail related to the due to other governments and the Storey County payable at Note 7.
- Page seven – The compliance of financial statements is pending. Did receive compliance information back prior to meeting. One change is moving license plate revenue out of operating revenue and moving it into non-operating revenue – more of a general revenue rather than an operational revenue. Also, no train tickets sold during fiscal year 2021, only railbike tickets. When budget was submitted to the Department of Taxation, the revenue was under train tickets. Added railbikes to that line item but did not create brand new line item.
- Next page is Statement of Cash Flows. This shows how money was spent and how money was received plus a reconciliation of operating loss to net cash used by operating activities.

Now to notes – not going to go through each single one of the notes, will go through what has changed.

- Note One – In prior year referencing governmental activities fund, transitioning to just reporting enterprise fund accounting. Because that happened between fiscal year 2019 and fiscal year 2020, it is over – removed the disclosures that pertained to that government activity fund going forward. Already happened so no need to keep reporting on it.

Treasurer Wells asked to go back to the Cash Flow Statement on page eight. He noticed that the net operating activities does not match reconciliation. This is because the other cash paid changed from \$81,081 to \$97,974. The two net cash used by operating activities lines should agree – one is the direct method and one is the indirect method and they should agree. \$191,616 is the correct number. An “s” also needs to be added to the second “Net cash used by operating activitie” – it was cut off. Should both say nonexchange transactions.

- Page ten – removed government wide financial disclosure information
- Page eleven – added clarification to net position disclosure to better define unrestricted net position. Also added disclosure on operating and non-operating revenues and expenses. Treasurer Wells had asked about the difference between nonexchange transactions and nonexchange receipts - should both say nonexchange transactions.
- Note 2 indicates that the Commission confirmed all significant statutory constraints on its financial administration during the year. Nothing to report.

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- Note 3, the Cash Footnote – a footnote added to discuss the FDIC limits. There will also be an additional footnote added to document state collateralization that covers account. This came through compliance review. Need to remove extra “\$” on \$138,620.
- Note 4, Notes Receivable – Drako note previously discussed. Summarizes when it began, when it matured, what the balance was when it matured, that there are negotiations for a new agreement in place, and that it is awaiting approval from the Commission. Once the actual agreement is executed, when ready to issue, will add as subsequent event either as an executed subsequent event or as note under negotiation pending and awaiting issuance.
- Note 5 (Capital Assets) and Note 6 (Risk Management) – change was reference to government wide financial statements.
- Note 7 – received new wording for Note 7 that needs to go through second compliance. This is to make sure it meets requirements to allow auditors to complete emphasis of matter paragraph. Also going to add detail related to both the 2010 interlocal agreement and 2020 interlocal agreement – go in above first paragraph. First paragraph details out that, based on interlocal agreements in place, there has not been reconciliation between Storey County and Commission. Impact has not been measured as to what that reconciliation would provide for these financial statements. Because cannot be reported on, cannot determine whether or not there is a GAAP departure, don’t know how it would materially impact the financial statements, but it is a determinable value once reconciliation is performed. By requesting a reconciliation, going to pose it as an emphasis of matter saying that we can provide an opinion on everything else except for this piece. That will give Commission opportunity to work with Storey County on getting reconciliation completed.
- Commissioner Dotson commented that this is a voter initiative, the funds are kept in a separate fund – money not from Storey County general operating fund. May want to reword as to not say the Commission owes Storey County. These funds are set for the reconstruction of the V&T Railway Commission. Both parties have to agree but not a direct payment back to Storey County. Casey Neilon will add clarification to titling so less pointed.
- Note 8, Subsequent Events – the only subsequent event currently aware of is note with Drako to be discussed later in meeting. Will finalize footnote and clarify wording after.
- Note 9, Risk and Uncertainties – standard footnote that addresses economic times.

Supplementary information - Budget to Actual - took budget directly from budget approved by Department of Taxation. Original and final equal each other. Will note that a tentative original was filed and then modified. Final actual and variance columns calculating correctly. Noticed that depreciation not included in the budget that was filed with the Department of Taxation in fiscal year 2021 but had been in prior years. Is that how the Commission wants it presented? It paints a different picture. Treasurer Wells noted that depreciation was not included in the budget submitted for fiscal year 2022 either. He prefers to leave out because it is not something that hits cash accounts – depreciation is a non-cash transaction and Budget to Actual is cash transactions.

Final report talks about significant deficiencies and material weaknesses. There will be a couple of findings, but wording has not been finalized. This report will be changing once finalized.

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Lastly, the auditor's comments. This is also being wrapped up.

Still pending some information, the legal rep letter, the management rep letter. Need to nail down Note 7 as well as decision made regarding Drako note.

Mike Rowe will supply a response to the audit from legal counsel.

**MOTION: Treasurer Wells moved to approve the draft audit report for the FY20-21 financial statements recognizing that there are still some changes and language revisions that will be in the final documents as well as findings and the auditor comments. The motion was seconded by Vice Chair Mitchell and carried 5-0-0.**

**9. FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING RATIFICATION OF A REVENUE AGREEMENT, WITH STORYTIME PHOTOGRAPHY, TO PROVIDE PHOTOS WITH SANTA FOR CUSTOMERS WHO VISIT THE EASTGATE DEPOT DURING POLAR EXPRESS.**

Due to the timing of the Commission meetings, Allyson Bolton signed this contract and the next item contract so that Polar Express would have Santa and security. This is to ratify the revenue agreement that Allyson signed. Allyson clarified that the photographer will be taking on all expenses (i.e. printing the photos, paying Santa) then cutting a check to the V&T for a share of the revenue. We will then pay Rail Events their royalty fee.

**MOTION: Commissioner Hicks moved to ratify the revenue agreement with Storytime photography. The motion was seconded by Commissioner Dotson and carried 5-0-0.**

**10. FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING RATIFICATION OF A SPECIAL PATROL SERVICE AGREEMENT, WITH HIGH SIERRA PATROL, TO PROVIDE SECURITY AT THE EASTGATE DEPOT DURING POLAR EXPRESS, FOR A TOTAL NOT TO EXCEED AMOUNT OF \$2,875.**

This is to provide patrol throughout the course of the night (Thursday to Sunday) to keep an eye on the Depot, the diesel engine, and the train cars. Treasurer Wells questioned if security has been hired in the past or has the train gone back and forth each day. Commissioner Dotson confirmed that we have had security in the past and this is the company that had been used.

Commissioner Hicks asked if an amount has been established for Allyson to approve that doesn't have to come before the Commission. Historically this was an amount of \$5,000 for expenditures. Allyson was not sure if this applied to going into contract with a vendor. Under normal circumstances the Chairperson would sign the contract. In this case, Chairperson Peterson authorized Allyson to sign the contracts with ratification at this meeting. Chairperson Peterson and Commissioner Hicks indicated they are in favor of giving Allyson some authority. Treasurer Wells would prefer all contracts be approved by the Commission.

**MOTION:** Treasurer Wells moved to approve ratification of a special patrol service agreement, with High Sierra Patrol, to provide security at the Eastgate Depot during Polar Express, for a total not to exceed amount of \$2,875. The motion was seconded by Vice Chair Mitchell and carried 5-0-0.

**11. FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF A NEW TWO-YEAR (2) PROMISSORY NOTE, AT A RATE OF FIVE PERCENT (5.00%) INTEREST PER ANNUM, WITH THREE AND ONE-HALF PERCENT (3.5%) CONVENIENCE FEES FOR ALL CREDIT CARD PAYMENTS, COMMENCING ON JANUARY 1, 2022, AMORTIZED OVER TWO (2) YEARS, WITH ROY STREET PROPERTIES, LLC, IN THE AMOUNT OF \$245,217.59.**

Commissioner Dotson noted that the amount in paragraph two of the promissory note should be the \$10,758.04 amount not \$245,217.59. Vice Chair Mitchell commented that the starting date should read January 1, 2022 not January 1, 2021.

**MOTION:** Treasurer Wells moved to approve the new two-year (2) promissory note with Roy Street Properties, LLC, with the two noted changes to the promissory note commencing on January 1, 2022 for 24 months at five percent (5.00%) interest plus the three and one-half percent (3.5%) convenience fee for using a credit card. The motion was seconded by Commissioner Dotson and carried 5-0-0.

**12. FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION REGARDING A SOLE SOURCE JUSTIFICATION WITH VIRGINIA AND TRUCKEE RAILROAD (VTRR) REGARDING FUTURE TRAIN SERVICE OPERATIONS ON BEHALF OF THE V&T RAILWAY COMMISSION.**

Chairperson Peterson asked Mike Rowe to report to the Commission on whether or not the situation between the V&T Railway and the Virginia & Truckee Railroad is a sole source opportunity. This will aid in the negotiation of a new services operating agreement with Virginia & Truckee Railroad. Mike answered that it is a sole source scenario given the situation – the tracks owned by the Commission and tracks leading into Virginia City that Tom Gray owns. If we were operating on just the Commission's tracks, it would not be sole source. The Commission previously received bids from other railroad operations, but Tom would not allow them to travel on his tracks. Because we must travel on Tom's tracks to get into Virginia City, which is the purpose of the train, he has to be the one running the train.

Ken Dorr noted that having another railroad operator travel on Virginia & Truckee Railroad tracks would be potentially problematic with the Federal Railroad Administration. Historically they indicated that if the V&T were to have more than one operator operating over the tracks, we or Tom's railroad would lose historic tourist designation. The V&T or the Virginia & Truckee Railroad would have to become a short line railroad status. Mike echoed this based on past correspondence between Kim Fegert and the Federal Railroad Administration. When more than

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one entity operates over the same track, we would be considered a general system railroad which is subject to all FRA safety jurisdiction. Tom also agreed with this.

Commissioner Hicks addressed concerns about contracts being done correctly. Asked if this sole source decision can be documented somewhere moving forward? I.e. future contracts could state that this is a sole source contract because x, y, z. Or, a legal opinion memo could be drafted to include in the strategic plan so that when new commission takes over they already have the answer.

Chairperson Peterson asked Mike to complete a modified sole source document like the template that State agencies use via purchasing website. The Commission would then have a document that Mike, as legal counsel, has signed stating that the train services operating agreement is eligible for sole source. This can be used to negotiate with Tom and team going forward as well as included as an attachment. Treasurer Wells was hoping to have this form started for today's meeting. This is just the start of contract negotiations. A sole source contract is entered into because it is good for both parties – this contract must be good for both parties. This allows us to not have to go through the formal bidding process. Treasurer Wells agreed with Commissioner Hicks that this needs to be put in writing so that we don't have to keep doing this every time a contract expires. The sole source justification document can be used moving forward if circumstances haven't changed. A Word version of the document will be sent to Mike. Mike asked who is going to complete and sign the document. Treasurer Wells replied that the Commission is the one to prepare and sign the form.

Vice Chair Mitchell proposed that the Commission discusses and rules out the idea of only running the train to Gold Hill and back. This would be a scenario where the competitive bidding would have a place – we wouldn't have two operators operating on the same tracks. This would also change the dynamics of the ride, the excursion, the visitor experience. Chairperson Peterson, Commissioner Hicks are in agreement that there is no appetite for this. Ken explained the difficulty the Commission would encounter if they pursued constructing an independent track into the Gold Hill Depot. Commissioner Dotson also not in favor of this idea. Treasurer Wells added that it is Polar Express that financially supports the Carson City to Virginia City excursion train – we will have to examine whether Polar Express made enough money to run the train in the summer. Commissioner Dotson added that, as a tourist attraction, we don't need to break even or make a profit if being compensated on the back end like the V&T is.

**13. FOR DISCUSSION ONLY:**

**MONTHLY NON-ACTION ITEMS:**

**A. UPCOMING MEETINGS**

Chairperson Peterson read the following into the record:

**The next V&T Commissioner's meeting is tentatively scheduled for January 27, at 1:00 pm.**

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Allyson commented that we are considering moving meetings from Thursdays to Wednesdays. We are looking at the calendar with Carson City to see availability. Will disseminate the schedule once it is finalized – for all of 2022.

**14. COMMISSIONER COMMENTS, ANNOUNCEMENTS, AND REQUESTS FOR INFORMATION FROM STAFF**

Chairperson Peterson entertained comments, announcements and requests.

Treasurer Wells requested an update on Polar Express. Allyson reported that we have received amazing feedback thus far. We are sold out, have been sold out since October, have a waiting list of one hundred plus groups. Additional revenue on the retail side – an average of \$7,000 per weekend equaling approximately \$42,000 for the season. Parking is doing well. Most shuttles are arriving empty which means groups are paying to park. The hope is to cover our shuttle costs and then some in order to make up for the loss of train car. We are anticipating roughly 10,000 riders in total for the season. Parking is also purchased on-site via Square so not all parking revenue reflected in Fare Harbor. Immediately after riding the train all guests receive a thank you email that includes a Polar Express specific survey. There have only been two complaints so far. Chairperson Peterson chimed in say that Ed from Rail Events was very impressed with our operation. Commissioner Hicks also praised her experience at Media Night – the decorations, environment, cast were all fantastic despite minor hiccups.

**15. PUBLIC COMMENT**

Public comment was made available via telephone, (775) 686-9037. Chairperson Peterson entertained public comments; however, none were forthcoming.

**16. FOR POSSIBLE ACTION: TO ADJOURN**

**MOTION: Commissioner Hicks moved to adjourn.**

Chairperson Peterson adjourned the meeting at 2:23 p.m.

The Minutes of the November 30, 2021 Nevada Commission for the Reconstructions of the V&T Railway meeting are so approved this 26<sup>th</sup> day of January 2022.

Approved by the V&T Railway Commission Chair:

  
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