



**PRESERVING
RAIL FREIGHT
SERVICE**

SEDA-COG JOINT RAIL AUTHORITY MEETING
Wednesday, August 11, 2021
Virtual Meeting via Tele-conference
12:30 p.m.

AUTHORITY MEMBERS

Frank Dombroski, Montour County
Russ Graham, Centre County
John Gummo, Clinton County
Scott Harvey, Lycoming County
Lisa Hoover, Northumberland County
Bob Hormell, Northumberland County
Rick Jenkins, Columbia County
Brent Jones, Clinton County
Michael Krentzman, Mifflin County
David Schultz, Lycoming County
John Showers, Union County
John Spsychalski, Centre County
Jennifer Wakeman, Montour County
Matt Weigle, Columbia County
Eric Winslow, Union County

JRA OPERATOR

Tom Avery, Director of Operations
Jeb Stotter, President & CEO
Diana Williams, Treasurer/Controller

GUESTS

Mark Rosner, Carload Express
Sam Simon, Esq., Houston Harbaugh (for Carload Express)

LEGAL COUNSEL

John Bee, Esq., McQuaide Blasko
Tom Schrack, Esq., McQuaide Blasko

JRA CONSULTING PROFESSIONALS

Dan Mazur, Operating Agreement Consultant

Affiliated with
SEDA Council of Governments



JRA STAFF

Kay Aikey, Program Assistant

Kyle Postupack, Property & Maintenance of Way Manager

Jeff Stover, Executive Director

CALL TO ORDER

Call to Order

The Chairman called the meeting to order at 12:34 p.m.

Pledge of Allegiance

The Chairman led the Pledge of Allegiance.

Welcome – Chairman’s Statements

The Chairman stated that the use of audio or video recording devices at the public meeting is permitted. The Authority does not require pre-registration for recording purposes; however, any individual intending to record all or any part of the meeting must notify the Chairman or the Executive Director in advance of such recording. If the Authority recesses to Executive Session, no recording of that session shall be permitted.

Public Forum

The Chairman asked if there is any public comment to come before the Board. No one expressed any comments.

ADMINISTRATIVE ITEMS

Approval of the July 14, 2021, JRA Meeting Minutes

Dr. Spychalski made a motion for the Board to approve the July 14, 2021, JRA Meeting Minutes; Mr. Winslow seconded the motion; motion carried.

Treasurer’s Report

Mr. Harvey presented the Treasurer’s Report for the month of July 2021, as well as the JRA’s loan summary, the JRA Money Market Account Financial Statement, the PIB Loan Financial Statement, and the JRA’s detailed accounting associated with the operating fees paid by the Operator.

Ms. Wakeman made a motion for the Board to accept the Treasurer's Report for the month of July 2021 and file for audit; Mr. Dombroski seconded the motion; motion carried.

Staff Report and Events Calendar

Mr. Stover summarized the status of various construction projects and calendar highlights.

Mr. Stover stated there will be two Rail Freight Assistance Program (RFAP) applications going in on behalf of customers – Bulkmatic, who needs track space in the Newberry Yard.

Application is due August 20th. Mr. Shura is providing some engineering for this project.

The other customer is Appellation located at the west end of the Newberry Yard. This company is looking to do some kind of pipe operation and they are looking to put in a simple siding under what is called the Iron Bridge, which is one of the RTAP bridges.

Mr. Stover stated that Bulkmatic is already registering as a PennDOT business partner.

Mr. Stover stated there was a call with Messrs. Shura, Jannotti and Mahaffey. There are two projects that will be coming together. The RFAP would be in Bellefonte on the NBER, and it is basically reconfiguring several switches in the Sunnyside Yard in both the north and south ends of the yard. Also included is a new switch on the NBER that serves Hilex Poly in Milesburg. This is approximately a \$400-500,000 project and Paul Jannotti is working on and scoping this RFAP project.

Mr. Stover stated that Mr. Shura is recommending that a number of bridges be done and will be called RTAP 2021, and the project total is approximately \$2 million.

Operator's Status Report

A copy of the Operator's Report was emailed to Board members prior to the meeting.

Mr. Stotter gave the following update:

- Freight volumes are up approximately 9% versus this same time in 2020.
- Celebrated three years injury free on the NBER and four years on the JVRR.
- Maintenance of way is on schedule.

Aside from a few repairs, the Route 11 transload facility is on par and the operator is hopeful that by fourth quarter there will be some action at that facility.

Bridge Engineer's Report

The Bridge Engineer's Report was included in the meeting packet.

PROPERTY MANAGEMENT COMMITTEE

Committee Chairman Rick Jenkins stated that the Property Management Committee held a virtual meeting on Tuesday, August 10, 2021.

LVRR Parking Lot Repair Bids

Mr. Postupack stated that on July 27th, a pre-bid meeting was held to review the LVRR office parking lot project. Two contractors attended: Glenn O. Hawbaker and Gutelius Excavating.

Two bids were received on Tuesday, August 10th by 3:00 p.m.

Gutelius Excavating: \$183,655.35

Glenn O. Hawbaker \$208,421.00

Mr. Postupack stated that this item is being tabled per further discussion and pending engineer's review.

Tyrone Team Track Lease

Mr. Postupack stated that staff and the NBER have been working with an off-line company seeking to lease the Tyrone Team Track adjacent to American Eagle Papers. The track was just upgraded as a result of the joint project with the NBER whereby the JRA purchased the materials, and the operator provided the labor and equipment.

Mr. Postupack stated that approximately 200 ties were put in the track and a timber and gravel crossing was installed for the trucks to be able to cross at that location.

The company has committed \$60,000 toward construction of an access road parallel to the track to allow for all-weather bulk transfer from rail cars to trucks.

Due to the company's substantial investment and new traffic revenue, JRA staff has proposed two eight-years lease terms with the first term being at no cost due to the tenant's substantial investment. The second eight-year term will be assessed per the rate for a land lease at the 2021 JRA Fee Schedule in 2029.

Mr. Postupack shared a slide of the location of the Tyrone team Track which also showed the facility of American Eagle Paper.

Mr. Graham asked if the fee for the second eight-year lease will be negotiated or the 2021 JRA Fee Schedule. Mr. Postupack stated that the land lease is on a case-by-case basis.

Mr. Jenkins made a motion for the Board to approve the Tyrone Team Track lease; Mr. Winslow seconded the motion; motion carried.

Power & Construction Group (PCG) Sublease to Bridgewell Resources (LVRR – Newberry Yard)

Mr. Postupack stated that since 2013 PCG has leased a 5.5-acre pole yard in the southwest corner of the Newberry Yard. JRA staff received a letter dated July 12, 2021, from PCG notifying staff that PCG will be terminating its lease as of December 31, 2021. PCG informed JRA staff that there is no more work for them, and they are leaving Pennsylvania.

PCG has paid their rent through 2021 and wishes to sublease the entirety of their leased area to Bridgewell Resources so Bridgewell can continue to store and deliver poles. Bridgewell Resources has been a customer at the pole yard for several years.

PCG's agreement states that it needs to give the JRA 90 days' notice that it is exiting the premises. Additionally, PCG's agreement says it needs written consent from the JRA to sublease the leased area to Bridgewell.

Mr. Postupack shared a slide of the location of the land lease in the Newberry Yard.

Mr. Jenkins made a motion for the Board to approve Power & Construction Group's request to terminate their lease and provide a written letter approving the sublease to Bridgewell Resources; Ms. Wakeman seconded the motion; motion carried.

JRA Consent to Sublease Agreement with PCG (Newberry Yard)

Mr. Postupack stated that the JRA has a Consent to Sublease document that is used in the case of a sublet. The agreement will be between Power & Construction Group and the JRA. The agreement approves the sublease from PCG to Bridgewell Resources and will be executed by PCG and the JRA's officers.

Mr. Hormell made a motion for the Board to approve the Consent to Sublease Agreement; Mr. Gummo seconded the motion; motion carried.

PCG Asset Purchase Agreement

Mr. Postupack stated that the area that is now a pole yard in the Newberry Yard was once an area that was very muddy and not in good condition. PCG improved the muddy conditions and also built a pole yard using materials such as concrete blocks, portable metal bunks, utility poles, etc.

For Bridgewell Resources to continue the lease, they will need the pole bins to remain on site so they can continue to unload and store utility poles.

JRA staff approached PCG about purchasing all assets on site to be able to keep a tenant at the pole yard and to market the additional area to future potential lessees.

PCG and JRA staff came to an agreement to purchase the following items for \$4,000:

- Approximately 200 concrete blocks
- All portable metal bunks
- All utility poles used as pole bunks
- A 2001 Ford F-350 plow truck
- A 20' x 8' storage container

Mr. Postupack shared a slide which showed the concrete blocks, metal bunks, the 2001 Ford F-350 plow truck and the storage container.

An asset purchase agreement was drafted and sent to PCG who is awaiting JRA's approval of this item as well as previous items before they will proceed with signing the agreement.

Mr. Gummo made a motion for the Board to approve the Asset Purchase Agreement with the JRA and PCG to purchase the above listed items for \$4,000; Mr. Jones seconded the motion; motion carried.

Bridgewell Resources Land Lease (Newberry Yard)

Mr. Postupack stated that pending JRA approval, Bridgewell Resources will sublet the pole yard from PCG through the end of 2021; however, Bridgewell needs a new lease to remain on site.

Bridgewell and JRA staff negotiated a term and rent for Bridgewell to lease 2.2 acres of the pole yard so they can unload and store utility poles. The term is for 5-years beginning January 1, 2022, and they will be assessed \$6,400 annually which will be subject to CPI increases.

Mr. Postupack shared a slide of the location of the leased site for Bridgewell Resources in the Newberry Yard.

Ms. Wakeman made a motion for the Board to approve the land lease with Bridgewell Resources; Mr. Jenkins seconded the motion; motion carried.

Shale Rail Lease (Newberry Yard)

Mr. Postupack stated that last month Shale Rail apprised LVRR staff and JRA staff about the need to quickly locate a site to unload their rail cars. The operator, JRA staff and the JRA's solicitor were able to spot the cars and get Shale Rail under agreement for a 30-day lease of the North Yard in the Newberry Yard.

Shale Rail has since acquired additional business and has requested to extend their lease. The lease would be renewed for an additional 30-days and would then renew automatically for 30-days unless a termination letter is sent to the JRA 14-days prior to the end of the 30-day term. Shale Rail will be assessed \$750 per each 30-day renewal.

Mr. Postupack shared a slide of the location of the leased site for Shale Rail in the Newberry Yard.

Dr. Spychalski made a motion for the Board to approve the land lease with Shale Rail; Mr. Krentzman seconded the motion; motion carried.

PPL License Agreement (LVRR – Fairfield Township)

Mr. Postupack stated that PPL contacted JRA staff to perform maintenance on a 69kV line and to access the line via the JRA's right-of-way from Hiller Road in Fairfield Township. PPL will be assessed an \$800 application fee as well as a one-time fee of \$750 for use of the JRA's right-of-way per the JRA's Fee Schedule. All plans have been reviewed and approved.
53' above top of rail.

Mr. Postupack shared a slide of the location of the PPL license agreement on the LVRR in Fairfield Township.

Mr. Jenkins made a motion for the Board to approve the license agreement with PPL; Mr. Harvey seconded the motion; motion carried.

Everstream License Agreement (NBER – Bellefonte)

Mr. Postupack stated that Everstream approached JRA staff about installing an overhead fiber cable at Railroad Street in Bellefonte. The fiber line is wholly within the public right-of-way.

The overhead facility will be 32'-1" from top of rail. Everstream will be assessed a \$500 engineering review fee per the recently revised JRA's Fee Schedule. All plans have been reviewed and approved.

Mr. Postupack shared a slide of the location of the license agreement with Everstream.

Mr. Jenkins made a motion for the Board to approve the PMC's recommendation of this license agreement and authorize its execution by the Chairman and Secretary; Mr. Jones seconded the motion; motion carried.

PASSENGER EXCURSIONS COMMITTEE

Committee Chairman Spychalski reported that the Passenger Excursions Committee held a meeting via teleconference at 11:00 a.m.

Committee Chairman Spychalski stated approval of the proposed draft time table is being withdrawn from further consideration at this time.

Committee Chairman Spychalski stated that back in May and June there was significant optimism that the conditions related to COVID infection would recede to the point where excursion service could be resumed in the latter four months of this calendar year. Unfortunately, all of the news streaming about the upsurge and recurrence with the Delta variation in the COVID infection caused reconsideration of what was in the proposed time table. Consultations by telephone between Mr. Stover, Mr. Stotter and Mr. Jeff Pontius of Penn Valley Railroad, LLC reached the conclusion that the outlook and conditions for COVID were such that it would be unwise to go forward with operating the service. One of the components of their concern was that children at lower ages are not vaccinated. There is also concern about the health of onboard service volunteers of the Penn Valley Railroad, LLC.

In addition, there were some other unsettled conditions relating to the operation of the service. These conditions will require further attention later. Committee Chairman Spychalski stated that all of this resulted in a decision at the committee meeting this morning to set aside any further consideration of the time table. Therefore, no action is being proposed at this time.

Committee Chairman Spychalski stated there are a few ancillary points.

Mr. Harvey stated it is his understanding that the window is closed for any excursions in the year 2021. Committee Chairman Spychalski replied yes and that he is as disappointed, and he knows the sponsor groups will be as well.

Mr. Stover stated this recommendation came about with extensive phone calls with Mr. Pontius and Mr. Stotter as well as Committee Chairman Spychalski. One option was the first trip on September 4 in Danville – Danville Business Alliance. Penn Valley Railroad, LLC's equipment is on the NSHR and it is a local run. The problem with that option is the liability insurance. Mr. Salisbury from McRail said he is unable to unbundle the insurance policy for one trip. The cost would be \$18,000 per year for liability insurance for all the trips. Just one trip cannot be insured. Danville Business Alliance has probably spent a small amount out of pocket for ticket

printing and other administrative items. Perhaps the out-of-pocket money spent to date could be reimbursed by a consortium of Penn Valley, NSHR and the JRA. Ms. Wakeman stated that the Danville Business Alliance knew it would be pending board approval so what they spent out of pocket is probably minimal. There is no information on their website about the passenger excursion.

Mr. Stover stated that the Bellefonte Historical Railroad Society has ownership of two rail diesel cars. One is being refurbished using a state grant. However, following completion of the rehab, the car was damaged in an accident while still on the property of the rehab company. The BHRS would run their own trips on the NBER if and when the RDC returns to the NBER. This could be done given JRA Board and NBER approvals. Chairman Spychalski will contact the president of the BHRS.

Mr. Jenkins asked if they would need liability insurance. Mr. Stover stated he believes that the BHRS previously had their own liability insurance. Mr. Stover stated he will check out the insurance issue.

Mr. Graham asked if the JRA would need a hold harmless provision at some point if there would an issue. Mr. Stover stated this would all have to be revisited.

Committee Chairman Spychalski stated that the passenger excursion ticket revenue is BHRS' only significant source of income. If they could operate their RDC that would give them a source for at least some income.

Chairman Showers commended the work of the Passenger Excursions Committee.

LEGAL

Attorney Schreck stated that he has nothing for public session at this time.

Operating Agreement Consultant Report

Mr. Dan Mazur presented the Operator's Second Quarter 2021 financials via PowerPoint.

2 Q 2021 Transportation Expense Ratio

- Target: About 43%
- Results for 2 Q 2021
 - Lower than Target
 - Lower than 2 Q 2020
 - Higher than 2 Q 2021 Budget

2 Q 2021 Maintenance of Way Ratio

- Target: About 21%
- Results for 2 Q 2021
 - Significantly higher than Target
 - Significantly higher than 2 Q 2020
 - Lower than 2 Q 2021 Budget

Mr. Mazur stated that he has additional and detailed information, but recommended discussion be held in executive session.

Chairman Showers recessed the regular meeting at 1:28 p.m. to convene into executive session at 1:38 p.m.

Chairman Showers reconvened the regular meeting at 2:38 p.m.

Attorney Schrack stated that the Authority Board entered into executive session and continued the discussion with the Operator and Operating Agreement Consultant regarding the confidential aspect of his report. The Operator then left, and the Authority Board and its solicitor held brief discussion concerning the ongoing RFP litigation and also held brief discussion concerning a potential real estate matter. No action was needed or taken.

With there being no further business to come before the JRA Board, Chairman Showers adjourned the meeting at 2:40 p.m.

Respectfully submitted,



Jeffery K. Stover, Executive Director

I hereby certify these minutes were approved by the SEDA-COG Joint Rail Authority Board of Directors on September 8, 2021.



Secretary/Assistant Secretary