



SEDA-COG JOINT RAIL AUTHORITY SPECIAL MEETING  
Tuesday, August 27, 2019  
SEDA-COG, Lewisburg, PA  
9:00 A.M.

**PRESERVING  
RAIL FREIGHT  
SERVICE**

*serving the counties of*

Centre  
Clinton  
Columbia  
Lycoming  
Mifflin  
Montour  
Northumberland  
Union

SEDA-COG JOINT  
RAIL AUTHORITY

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**AUTHORITY MEMBERS**

Frank Dombroski, Montour County (via teleconference)  
Russ Graham, Centre County (via teleconference)  
John Gummo, Clinton County (via teleconference)  
Scott Harvey, Lycoming County (via teleconference)  
Bob Hormell, Northumberland County  
Rick Jenkins Columbia County (via teleconference)  
Brent Jones, Clinton County (via teleconference)  
Dave Park, Columbia County (via teleconference)  
Rob Postal, Mifflin County (via teleconference)  
David Schultz, Lycoming County (via teleconference)  
John Showers, Union County  
John Sychalski, Centre County (via teleconference)  
Jennifer Wakeman, Montour County  
Eric Winslow, Union County (via teleconference)

**JRA OPERATOR**

Jeb Stotter, President & CEO

**GUESTS**

Alex Lang, Carload Express (via teleconference)

**LEGAL COUNSEL**

John Bee, Esq., McQuaide Blasko (via teleconference)  
Tom Schrack, Esq., McQuaide Blasko (via teleconference)

**JRA STAFF**

Kay Aikey, Program Assistant  
George Fury, Property & Maintenance of Way Manager  
Kyle Postupack, Program Analyst  
Jeff Stover, Executive Director

**CALL TO ORDER**

Call to Order

The Chairman called the meeting to order at 9:00 a.m.



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SEDA Council of Governments

### Pledge of Allegiance

The Chairman led the Pledge of Allegiance.

### Public Forum

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

### **LEGAL**

Attorney Schrack stated that the Authority is going to go into executive session to have a discussion on the litigation and some real estate matters.

Chairman Showers recessed the regular meeting at 9:04 a.m. to convene into executive session.

Chairman Showers reconvened the regular meeting at 9:44 a.m.

Attorney Schrack stated that the Authority held an executive session to discuss the ongoing litigation which was the primary purpose initially for the executive session. There was then some discussion involving a potential lease or sale of Rail Authority property which qualifies under the Sunshine Act as a basis for executive session. This transaction will be discussed during public session. There is one recommended item for action by the JRA Board.

*Dr. Spychalski made a motion for the full Board to ratify and approve the execution of a Non-Disclosure Agreement (NDA) with Norfolk Southern. The JRA is exploring a potential real estate transaction with Norfolk Southern and the purpose of the NDA is to allow Norfolk Southern to provide confidential information to the JRA in its consideration of this potential transaction; Mr. Park seconded the motion.*

Attorney Schrack stated that if the transaction does not materialize, it will become public and on the record at a later date.

*Motion carried.*

### **OLD BUSINESS**

#### Lease of Former Rest Area (NSHR)

Attorney Schrack stated that on the agenda there is what is identified as a lease with Susquehanna Union Railroad Company (SURC) with regard to certain property, referred to as a former rest stop in Point Township, Northumberland County.

Mr. Stover stated that in 2016, the Authority was working with the operator on developing some business with a local company that was looking to do transload, but that it never came to fruition. The JRA recognized the value of having that parcel of approximately 6.5 acres which is wedged between Route 11 and the North Shore Railroad, two miles east of Northumberland. This parcel was formerly used and owned by PennDOT, and was a rest area from the 1960's. This parcel has no tracks on it and no vestige of any prior development other than the fact that it has a driveway in and a driveway out. SURC has stated that they can develop some other high value new rail traffic, which was the stated purpose that the JRA Board had made to PennDOT at the time the JRA purchased the parcel. An appraisal had been done by Lynnwood Appraisers (Linda Woodward), and the appraiser had set the value between \$158,000-\$162,000. PennDOT had a higher appraisal. The negotiated sale price was \$192,000. At the time, the JRA made a \$22,000 down payment and received a \$170,000 PIB loan, which the Authority is now paying back.

Attorney Schrack stated that during the executive session, the Board discussed whether a lease or sale would be appropriate. The Operator initially offered to purchase the parcel. The Authority Board, solicitor and staff discussed and tried to consider whether a lease would be better. After discussion in executive session, it was determined that an outright sale would be better if that would work for the operator. The terms discussed were that the purchase price would be \$205,000, provided the deed includes a right of first refusal that would allow the Authority to purchase back the property. The Authority wants to preserve this property for rail infrastructure purposes.

Ms. Wakeman commented that it is cleaner all the way around as there may be certain things the Board may want in a lease that is not necessarily required for a sale. Since a sale was offered originally, it makes more sense for the Board to divest itself of the liability and there is also the issue of a pre-emption with that as well. It is a cleaner and easier transaction.

Mr. Hormell commented that considering all that has been stated about this and considering that the sale is consistent with the original intent of why the Rail Authority purchased the property, and considering that there seems to be a very positive impact on rail service and economic development in that area because of the additional investment that is going to be made, he made the following motion.

***Mr. Hormell made a motion that the JRA Board sell the property to SURC at the price of \$205,000 with the conditions that have been stated on the record; Dr. Spsychalski seconded the motion.***

Mr. Stover stated that he recently spoke to the original appraiser, Linda Woodward of Lynnwood Appraisers out of Bloomsburg to get an update on this property as the Board had asked Mr. Stover to do at a previous meeting. Ms. Woodward responded that the property may not be worth what the JRA paid but could do an updated appraisal if so engaged. Mr.

Stover stated that it probably wouldn't be worth getting another appraisal. This was discussed with the Board during the executive session and it was felt that it would not be worth getting another appraisal based on Ms. Woodward's comment. SURC's offer for this property is above what the Authority originally paid.

Chairman Showers stated that SURC had suggested some language in the lease which Board members were concerned about in terms of the Authority having to pay SURC for any improvements made to the property, long term, and what control the Authority had over the dollar amount of those improvements. This helped the Board to consider looking at sale versus lease, as well as some comments by Board members that there is another piece of property for sale nearby that the operator could secure; the Authority could be left owning the rest area and not have any benefit come from it. Mr. Stover added that the rest area needs a substantial brush clearing which is estimated to cost \$18,000. The JRA can avoid that expenses if the parcel is sold. From this discussion, the Board came full circle from lease to sale.

Dr. Spsychalski commented as long as the sale includes the right of first refusal in the event that the incumbent owner no longer wants to own it. Mr. Stover replied that this is part of the motion.

Mr. Lang commented that given the uncertainty of the outcome of the RFP, Carload is not comfortable with the timing of this sale to the current operator.

Mr. Stover replied that this sale would be to the benefit of anybody who would be operating the North Shore Railroad because of the development of new high value traffic with high rail revenue. This would be an improvement in the rail traffic base of the North Shore Railroad.

Mr. Lang replied that if there is a change of operator, the concern is that the current operator would remain in control of that property as opposed to the JRA, which is more appropriate.

Mr. Stover commented that the Rail Authority does not have control of any of the customers on the line. If they need rail service at a fair price, it moves and everybody benefits, both the operating railroad and the Authority. The Authority's fiduciary duty, as posed to PennDOT some years ago, is if there is an opportunity to fulfill an objective, and the Authority turns it down, it would be contrary to the Authority's best interest or mission.

Mr. Lang asked if the Authority would be willing to consider leasing it to SURC temporarily until the RFP is resolved. Mr. Stover replied it was fully vetted and discussed and the Authority was looking at a sale. As it was stated by Board members during the meeting, a sale would make more sense. A lease was much more complicated than an outright sale. A lease does not really engender to the lessee an incentive to make investments in a property they do not own.

Mr. Lang stated that Carload remains uncomfortable and just wanted to state that for the record, that given the circumstances of the uncertainty of the RFP, that the sale to the current operator is inappropriate.

Chairman Showers replied that Carload's comment has been noted.

Attorney Schrack stated it is up to the Board if they want to proceed with the transaction given the comments that have been stated.

*Motion carried.*

### RTAP Applications (WDR, NSHR and NBER)

#### SEKISUI SPI

Last year, staff worked with SEKISUI SPI, through Columbia County, for a multimodal grant under the Commonwealth Financing Authority, but it was unsuccessful. SEKIUSI SPI now intends on submitting a RTAP for a two-track rail spur into its South Campus. Preliminary cost is \$3.9 million.

In order for SEKISUI SPI to apply for a RTAP, it needs a Capital Budget line item. They do not have one, but the JRA does from SB 651 from 2017 with a \$3,000,000 state share.

This is essentially the same project as the one submitted (albeit unsuccessfully) in 2018 for the Multimodal Transportation Program.

The JRA needs to allocate its line item to SEKISUI SPI for that expanding company to apply for a RTAP.

*Ms. Wakeman made a motion for the full Board to allocate line item SB 651, 2017, page 112, line 13, to SEKISUI SPI for that company to submit a RTAP application for new rail facilities at its South Campus, Mr. Postal seconded the motion; motion carried.*

Mr. Stover stated that the line item is very broad, to be able to construct rail facilities for industrial sites along the North Shore Railroad. If this project gets funded, it is going to use up the \$3 million-line item. The budget is going to be \$3.9 million as there were some proposed roadway improvements that were in the multimodal budget which are not eligible for the RTAP, so it was taken out of the budget.

Mr. Stover stated another motion is needed. The multimodal grant called for a \$42,210 contribution from both the JRA and NSHR, and staff would like to hold to that contribution. This will give an improvement of a new box culvert on the NSHR main line.

*Dr. Spychalski made a motion for the Board to authorize the Executive Director to send a letter to SEKISUI SPI confirming the \$42,210 contribution from both the JRA and NSHR; Mr. Park seconded the motion; motion carried.*

#### NBER Bridges and Drainage

Mr. Stover stated that this was originally going to be a RTAP application, but because of some timing with the Borough of Milesburg and their work on a bridge which is parallel to the Nittany Main structure over Moose Run, that this project may be a candidate for a future multimodal application.

Mr. Fury stated he spoke with Milesburg Borough Secretary. The Borough is in a 3-year period saving the money for a match for their bridge. There is a PennDOT multimodal grant application window that opens up September 9<sup>th</sup>; this project would be a good candidate to replace both the Railroad Street and NBER Main bridges over Moose Run. Because it is a shared structure, staff thought it would be better to go after the PennDOT multimodal grant but submit a RFAP application for replacement of the bridge on the branch. A second part of the RFAP application is at Port Matilda to help with the drainage issues at the borough building.

The cost of this project at Port Matilda is approximately \$100,000 – \$125,000 and \$450,000 for the bridge on the branch over Moose Run for a total of approximately \$600,000 for a RFAP grant.

*Mr. Graham made a motion for the full Board to authorize a RFAP to be submitted for projects on the Nittany & Bald Eagle Railroad; a bridge in Milesburg and Port Matilda drainage facilities; Mr. Jones seconded the motion; motion carried.*

Mr. Stover stated this would be a \$90,000 local match if this project gets funded.

#### Target Site

Staff has worked for over 15 years to bring rail into Great Stream Commons. TIGER II money and the JRA's cash were used to build track through White Deer and bring an active railroad up to the border of Great Stream Commons. About ten years ago, Mr. Conrad put together some rail alignments to show how the south site could be served (now owned by Union County) and as well as the north site which was purchased by Target about 15 years ago.

JRA staff is preparing a RTAP application for a rail spur extension at Great Stream Commons to serve the Target site (AKA North Site). Jason Shura is working with the developer's engineer, AECOM, on the alignment and cost estimates.

The developer is proposing three phases for this project – the first phase will be 400,000 square feet of construction in spring 2020; the second phase, 500,000 square feet in a separate building 100 feet to the south; and the third phase, also 500,000 square feet, and again separated by 100 feet.

Mr. Stover stated that the Authority needs to get the Union County's line item allocation for the Great Steam Commons rail spur item which is \$2.8 million.

Attorney Schrack stated there is an MOU with Moran Industries, Inc. d/b/a Moran Logistics, which provides the responsibilities of the JRA. One of the items that has been added to the MOU is "a lease may be required with Moran for a term of 10 years". This is the JRA's standard MOU.

Ms. Wakeman asked for clarification on Section 3 "Responsibilities of the Authority", Item c "providing the necessary track materials required for construction of the rail spur", as it sounds like the JRA is giving the developer everything they need to build the rail spur. Mr. Stover replied that the grant will come to the Authority. Mr. Stover suggested inserting the language of solely using grant funds.

Mr. Stover stated that the budget of \$1.2 million will change based upon Mr. Shura's estimates. There will be no contribution from the JRA.

Chairman Showers stated that Union County is grateful for the support from the JRA and the investment to Columbia Avenue.

Mr. Stover stated that there is probably no need to enter into a lease with the Target site developer, but the MOU would suffice as there is an intent to lease in the MOU.

*Mr. Jenkins made a motion for the Board to approve the MOU with Moran Industries, Inc., d/b/a Moran Logistics as outlined to Board members and with the changes noted in discussion and the price flexibility; Mr. Winslow seconded the motion; motion carried.*

Mr. Stover stated that in discussion with Mr. McLaughlin, it was felt that a letter of intent from Union County was needed to lease the rail spur extension at Great Stream Commons.

*Dr. Spychalski made a motion for the Board to enter into a lease with Union County for the rail spur extension at Great Stream Commons; Mr. Harvey seconded the motion; motion carried with Messrs. Showers and Winslow abstaining.*

*Ms. Wakeman made a motion for the Board to authorize submission of a RTAP application for the rail spur to the Target site using the Union County line item; Mr. Hormell seconded the motion; motion carried with Messrs. Showers and Winslow abstaining.*

**Bank RFP**

Chairman Showers stated at the last JRA Board meeting, a question had been raised by Board member Mr. Hormell, regarding the current interest rate on JRA accounts. Inquiries were made by staff with Jersey Shore State Bank (JSSB).

Mr. Stover stated that JSSB was paying the JRA 0.2% interest on its general account. JSSB is now willing to offer higher interest rates for the JRA.

*Operating funds – Business Int Checking Account 1.25%, excess operating funds at an interest rate 2.10% through year and, with a guaranteed floor of 1.50% next year, rate will fluctuate with market conditions. The money market account allows for 6 withdrawals per month, deposit as often as needed.*

The above changes alone will greatly increase interest earned on JRA accounts.

Solicitor Schrack reviewed the two JRA loans with JSSB. Mr. Stover stated that in December 2019, either or both of the loans can be refinanced with no penalty. Attorney Schrack stated that the JRA did a loan modification with the bank in 2014. The modification agreement provides that there is a pre-payment penalty if the JRA refinances with any other bank prior to December 1 on one of the loans and December 17 on the other loan.

Mr. Stover stated that the question before the Board is whether to do a RFP seeking responses from banks in the region.

Mr. Harvey stated that he supports the JRA seeking an RFP as he thinks there is some risk that the loan interest with JSSB could go up in December when the interest rates are reviewed. There is an opportunity for the JRA to improve the interest on savings. He further stated it is wise to shop at this point. It behooves the JRA to act as responsibly as possible and seek the best deal for the JRA. If the JRA chooses not to change banks, that is an option, but at least it - will be done with all the information that is available.

***Mr. Harvey made a motion for the full Board to approve issuance of a Request for Bank Proposals to refinance the JRA's two bank loans and handle all JRA deposits and checking accounts; Dr. Spsychalski seconded the motion; motion carried.***

With there being no further business to come before the JRA Board, Chairman Showers adjourned the meeting at 10:34 a.m.



**SEDA-COG Joint Rail Authority Special Meeting**

**August 27, 2019**

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Respectfully submitted,

  
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Jeffery K. Stover, Executive Director

I hereby certify these minutes were approved by the SEDA-COG Joint Rail Authority Board of Directors on September 11, 2019.

  
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Secretary/Assistant Secretary