



**SEDA-COG JOINT RAIL AUTHORITY MEETING  
WEDNESDAY, FEBRUARY 9, 2011  
SEDA-COG, LEWISBURG, PA  
12:30 P.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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Affiliated with  
SEDA Council of Governments

**AUTHORITY MEMBERS PRESENT**

Scott Harvey, Lycoming County  
Mike Hawbaker, Centre County (via speaker phone)  
Tom Herman, Montour County  
Rick Jenkins, Columbia County  
Don Kramer, Clinton County  
Michael Krentzman, Mifflin County  
Dennis Reitz, Northumberland County  
Frank Sawicki, Northumberland County  
Dennis Shaffer, Union County  
John Showers, Union County  
John Spsychalski, Centre County  
Jerry Walls, Lycoming County

**GUESTS PRESENT**

Tom Avery, Railroad Operating Companies  
Allen Bubb, NRHS  
Rebecca Burke, Lycoming County Commissioner  
Malcolm Derk, Snyder County Commissioner  
Todd Hunter, Railroad Operating Companies  
Bill Kelly, Lycoming County Planning  
John Mizerak, Delta Development  
Mark Murawski, Lycoming County Planning  
Marissa Price, Delta Development  
Don Purcell, Norfolk Southern – Retired  
Andrew Richards, Bellefonte Historical Railroad Society  
Gary Shields, Railroad Operating Companies  
Pete Simcox, Railroad Operating Companies  
Jeb Stotter, Railroad Operating Companies  
Diana Williams, Railroad Operating Companies  
Fran Zartman, Fort Discovery

**STAFF PRESENT**

Tom Schrack, Esq., McQuaide Blasko Law Offices  
Kay Aikey  
George Fury  
Jeff Stover

**CALL TO ORDER**

**Call To Order**

Chairman Walls called the meeting to order at 12:30 p.m.

### **Pledge of Allegiance**

Chairman Walls led the Pledge of Allegiance.

Chairman Walls noted the passing of George "Bud" Henry and shared some of the memories of Mr. Henry and his dedication to and love for the SEDA-COG Joint Rail Authority as well as his family.

### **ADMINISTRATIVE ITEMS**

#### **Public Forum**

There were no comments from the general public.

#### **Approval of the January 12, 2011, Meeting Minutes of the SEDA-COG Joint Rail Authority**

*Dr. Spychalski made a motion to approve the January 12, 2011, meeting minutes of the SEDA-COG Joint Rail Authority; Mr. Herman seconded the motion; motion carried.*

#### **Treasurer's Report**

Mr. Reitz presented the Treasurer's Report for the month of January 2011.

Dr. Spychalski suggested that the Loan Summary also include the maturity date and pay off date. Mr. Stover stated that this will be included next month.

Chairman Walls asked that future Financial Statements include a more accurate reference be made to the first loan payment and list which project it is for. Mr. Stover stated that this will be done for future Financial Statements.

The Treasurer's Report for the month of January 2011 was unanimously approved.

#### **Legal Issues**

Attorney Schrack stated the Board should have a copy of three letters relating to an inquiry raised by the Attorney General's office on January 25, 2011. The Attorney General's office raised some issues concerning the award of the Operating Agreement. At this time contact has been made with the Attorney General's office and a meeting has been scheduled which will take place next week. The Authority Staff is in the process of cooperating and providing all responsive documents that have been requested. The meeting will give a better picture of what the Attorney General is requesting and the Board will be advised of this at the March meeting.

Dr. Spychalski suggested that the Chairman, Executive Director and the Board consider the possibility of having an Executive Session at the end of the Board meeting to give Board members some additional background on this. Attorney Schrack replied that to have a basis for Executive Session you need to have existing litigation. This matter is just an inquiry at this point. The Authority Staff and Solicitor are dealing with the Attorney General and this issue should be dealt with openly and on the record. There is no need for an Executive Session to discuss this. He further stated that he could relay information from the meeting with the Attorney General's office to the Chairman and Executive Director of the JRA.

### Events Calendar/Projects Map/Staff Report

Mr. Stover presented the events calendar for February-March 2011 and Projects Status Report.

### Operator's Status Report and Business Forecast

Mr. Shields referred to the Operator's Report included in the packet.

Ms. Williams reported that there is a 12% increase in operating fee revenue from 2009 to 2010, and for YTD 2009-2010 there is a 30% increase. Ms. Williams reported that Jim Bowers C.P.A. will be finalizing the operator's audit in March to be prepared by the end of March.

Mr. Shields stated that an additional locomotive has been purchased. It is a GP38 and is a 2,000 horsepower unit. It will go to the Lycoming Valley shop for a paint job.

Mr. Simcox stated that the rail inspector from Loram will be out to hy-rail on the NBER next week. The plan is to find out why the rail spalling is happening and necessary corrective measures.

### **OLD BUSINESS**

#### Loyalsock Creek Bridge – PIB Loan

Mr. Krentzman reported on the action of the Operating Agreement Committee meeting held February 9, 2011, and stated that the Committee would like to recommend to the full Board to agree to go along with the Intergovernmental Agreement between the JRA and the Lycoming County Commissioners. This agreement deals with the Loyalsock bridge project which requires cooperation in the funding strategy. Mr. Krentzman stated that after much discussion at the Operating Agreement Committee, it is the recommendation of the Committee to move forward and assume the projects and take on the debt as outlined.

***Mr. Krentzman made a motion that the full Board approve the Intergovernmental Agreement with the County of Lycoming with the understanding that it is contingent upon a favorable approval by Jersey Shore State Bank in accordance with the provisions of the two loan agreements with the Bank for the Bulk Transfer facility and the Wood property acquisition; Mr. Harvey seconded the motion.***

Mr. Shaffer asked for clarification of what the Board was voting on and asked if the full Board would vote on the loan at a later time. Chairman Walls replied that this is not the loan instrument; it is the Intergovernmental Agreement and the loan instrument will come down from PennDOT to Lycoming County. The urgency of this is that the PIB loan application has to be submitted to PennDOT by March 1, 2011.

Mr. Shaffer then stated that with the full Board voting on the Intergovernmental Agreement, the Board is voting to authorize whoever to submit the PIB loan application. Attorney Schrack stated that the County is the applicant and the Authority by entering in this agreement is not going to have any say in how the application is going to be submitted and whether the loan will be undertaken.

Commissioner Burke stated that Lycoming County is taking the responsibility of filing for the loan and the Intergovernmental Agreement defines the Authority's role in the repayment of that money as well as how the other funds from the TIGER grant are being designated for the use by the Authority. If Jersey Shore State Bank decides that this is inappropriate to do, then the County and the Authority would need to meet again and decide how the distribution of the \$10 Million TIGER grant would be utilized.

Mr. Stover reviewed the TIGER II/PA Capital Budget/PIB Budget Funding Sources and Uses handout which shows an overall budget which includes TIGER II, the PIB loan for the Loyalsock Creek Bridge and Airport Access Report and DCED grant from the Redevelopment Assistance Capital Program for the Irontown Commerce Center in Danville.

Mr. Stover further stated that the Authority's annual debt at a minimum would be \$470,000 a year but would be capped at \$550,000. The Authority's share of the PIB is about \$4.4 Million. The PIB loan rate is currently 1.625%. Partnering with Lycoming County is allowing the Authority to tap into the highway pot of the PIB and not the rail pot. Mr. Stover then reviewed the General Financial Fiscal Years 2008-2014 handout which shows the projections per year. Mr. Stover explained that the JRA will be able to afford the debt service.

The revised Intergovernmental Agreement was provided to Board members.

Commissioner Burke stated that the County of Lycoming and its commissioners are very enthusiastic about the partnership. Should the Authority's Board decide to approve the agreement and take on the debt, with the concurrence of Jersey Shore State Bank, the Lycoming County Board of Commissioners will address it next week as well as take formal action to make the PIB loan application.

Mr. Shaffer then stated that the JRA Board would be authorizing going forward with the \$4.3 Million loan. Attorney Schrack added contingent upon the approval of Jersey Shore State Bank.

*Motion carried with Mr. Hawbaker abstaining.*

## **NEW BUSINESS**

### **Maintenance of Way Report and 2011 Plan**

Mr. Jannotti, JRA Track Consultant, gave an extensive overview of his 2010 assessment of track condition. He conducted a detailed inspection of the rail lines this past fall. Mr. Jannotti provided Board members with a copy of his 2010 Track Inspection Report. Mr. Jannotti also approved the railroad's proposed 2011 Maintenance of Way plan.

Chairman Walls asked if the ditching is measured in lineal feet and Mr. Jannotti replied yes it is. Chairman Walls suggested listing the units of measure in the summary report. Chairman Walls asked if the 4500 lineal feet of ditching completed included the area of standing water in Jersey Shore and will the ditching being done in conjunction with the Jersey Shore trail extension be factored in here or is it in addition to what has already been done.

Mr. Fury stated that part of the arrangement with the trail construction is that ditching will be done on both sides of the railroad and the water that comes off of Bridge Street will be addressed. The other issue is the pipe under Allegheny Street that goes nowhere so there is nowhere for the water to go. The

Borough needs to address this. The railroad will have ditches on both sides to alleviate the drainage issues from the trail head south to the end of the trail project.

Chairman Walls referred to Attachment Two of the report and noted that there was a major increase in the amount of tie replacements from 8,500 in 2010 to 16,550 in 2011, and in surfacing there was an increase. He asked Mr. Jannotti for an explanation of this. Mr. Jannotti replied that the extra traffic warrants more ties.

Mr. Shaffer asked what the replacement ratio is for the ties replaced in 2010. Mr. Jannotti replied that there were 4,300 more ties replaced than proposed last year. Mr. Jannotti did not know the replacement ratio. There are 200 miles of track and there are roughly 3,300 ties per mile so there is around 2% replacement ratio.

Chairman Walls suggested that Board members review this report and if there are any questions to send them to Mr. Stover. Mr. Jannotti will attend a future Board meeting to address the questions.

Dr. Spychalski raised the concern about the muddy ballast problem on the west end of the NBER and stated there needs to be a collective effort to correct the problem. Discussion regarding this problem ensued among Board members. Mr. Jannotti will provide the Board with a report regarding the solution to this problem.

### **2010 Audit Proposals**

Mr. Stover stated that Herring & Roll has been doing the annual audit for the JRA. Mr. Herring's proposal for this year is for \$5,500.00.

***Mr. Sawicki made a motion for the full Board to approve Herring and Roll's audit proposal; Mr. Kramer seconded the motion; motion carried.***

Mr. Shaffer stated that when the Board approved the auditor for the operator there was a proposal to approve Mr. Bowers as the auditor. There was a concern that Mr. Bowers was the railroad's auditor and the person who was putting together the tax credit sale situation. The Board did not approve Bowers. at the December 2007 meeting. In January 2008, there was a revised proposal on Bowers' audit and the Board approved Bowers as the auditor with the stipulation that the JRA's auditor oversee the audit. He stated he has a feeling this has not been done. Mr. Stover stated that Herring is the auditor that caught the discrepancy last year. Ms. Williams stated that Herring & Roll does review the audit and checks the books for any discrepancies.

Chairman Walls stated that Jones did oversee or reviewed the methodology and some aspect of the work that Bowers was doing to perform the audit.

Mr. Reitz referred to the minutes of January 9, 2008 under "Approval of Operator's Auditor Reconsideration." "Mr. Jones explained that Mr. Robey needs to find an auditor to help close the books on an accrual basis. This will allow Mr. Bowers to do the audit with Mr. Jones oversight. Mr. Jones would not accept an offer to close the books for Mr. Robey because of his concerns about the appearance of a conflict of interest. Mr. Robey agreed. Mr. Hawbaker made a motion to approve Mr. Jim Bowers, C.P.A. as the operator's accountant, with oversight provided by Mr. John Jones, C.P.A.,

provided that Mr. Robey engages a third party to close his books on the accrual basis. Mr. Kramer seconded the motion; motion carried.”

Mr. Shaffer stated that he doesn't know whether what has been done in the past could be considered oversight. He wanted to make sure that the JRA auditor is doing that. Mr. Herring should be involved at every step. He should be looking over the shoulder of Mr. Bowers. Chairman Walls stated that is the clear intent of the Authority. Chairman Walls asked that Mr. Stover make certain that Mr. Herring is planning to do that for his audit proposal of \$5,500. Mr. Stover stated this is work over and above that. Chairman Walls stated Mr. Herring is authorized and required to do that oversight.

Mr. Stover stated that DCED requires a project audit and this one is for the Maitland Track to Krentzman. This was an \$118,000 project. Staff has asked Randy Herring to submit a separate proposal for this work. His firm completed a similar DCED project audit last year. Mr. Stover stated that if his proposal is less than \$5,000 that he be engaged to start work on that.

***Mr. Herman made a motion that the full Board authorize the Executive Director to get the DCED project audit started with Mr. Herring with the intent to place it on the agenda for ratification at the March meeting; Dr. Spsychalski seconded the motion; motion carried with Mr. Krentzman abstaining.***

#### **Insurance Consultant Engagement Services**

Mr. Stover that the JRA's insurance comes up every year for renewal and is related primarily to the McRail insurance. This is the general liability policy. Mr. Blassick owns Risk Solutions, Inc. and is an insurance consultant. Mr. Blassick can work with the Authority to produce a liability insurance Request for Proposals. His rate is \$275 per hour and his senior associate is \$200 per hour. The proposed engagement letter is not a retainer; he would be paid only for the hours he works on behalf of the JRA.

Mr. Krentzman stated his only concern is that there is not any “not to exceed language” and notification of when they are going to be doing something for the Authority, what the scope of it is and some ballpark of what the cost might be.

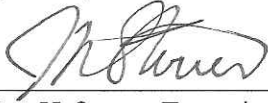
Mr. Stover replied there is no intention of needing him for anything until the RFP is done.

***Mr. Krentzman made a motion that the full Board authorize the Executive Director and Chairman to sign the engagement letter with Mr. Blassick with the understanding that a cost estimate be presented in advance; Dr. Spsychalski seconded the motion; motion carried.***

Chairman Walls noted that Snyder County Commissioner Malcolm Derk attended a portion of the meeting. He was invited to come back to future meetings.

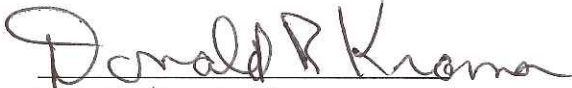
Chairman Walls adjourned the meeting at 2:10 p.m.

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 March 9, 2011.



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Secretary/Assistant Secretary