



SEDA-COG JOINT RAIL AUTHORITY MEETING
WEDNESDAY, JULY 14, 2010
SEDA-COG, LEWISBURG, PA
12:30 P.M.

**PRESERVING
RAIL FREIGHT
SERVICE**

-serving the counties of

Centre

Clinton

Columbia

Lycoming

Mifflin

Montour

Northumberland

Union

AUTHORITY MEMBERS PRESENT

Frank Dombroski, Montour County
John Gummo, Clinton County
Scott Harvey, Lycoming County
Mike Hawbaker, Centre County (via speaker phone)
Bud Henry, Columbia County
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
James Bowers, CPA, Bowers & Company
Allen Bubb, NRHS
Patrick Donlin, Williamsport Sun-Gazette
Susan Hochreiter, Bellefonte Historical Railroad Society
Todd Hunter, Railroad Operating Companies
Bill Kelly, Lycoming County Planning
John Mizerak, Delta Development
Don Purcell, Conrail – Retired
Tricia Pursell, The Daily Item
Dick Robey, Railroad Operating Companies
Mimi Robey, Railroad Operating Companies
Gary Shields, Railroad Operating Companies
Pete Simcox, Railroad Operating Companies
Jeb Stotter, Railroad Operating Companies
Diana Williams, Railroad Operating Companies
Frances Zartman, Fort Discovery

STAFF PRESENT

Steve Hurvitz, Esq., McQuaide Blasko Law Offices
Rob Wimbish, Esq., Baker & Miller
Kay Aikey
George Fury
Steve Kusheloff
Jeff Stover

**SEDA-COG JOINT
RAIL AUTHORITY**

201 Furnace Rd
Lewisburg
PA 17837

(570) 524-4491
fax 524-9190

jra@seda-cog.org
<http://jra.seda-cog.org>



Affiliated with
SEDA Council of Governments

CALL TO ORDER

Call to Order

Mr. Walls called the meeting to order at 12:40 p.m.

Pledge of Allegiance

Mr. Walls led the Pledge of Allegiance.

ADMINISTRATIVE ITEMS

Public Forum

Ms. Susan Hochreiter, of the Bellefonte Historical Railroad Society, stated the BHRS appreciates the continued efforts of the recently formed Passenger Rail Excursion Committee and hopes that a consensus will be reached soon that the JRA will support and that excursion service be resumed.

Approval of the June 9, 2010, Meeting Minutes of the SEDA-COG Joint Rail Authority

Dr. Spsychalski made a motion to approve the June 9, 2010 meeting minutes of the SEDA-COG Joint Rail Authority; Mr. Krentzman seconded the motion; motion carried.

Treasurer's Report

Mr. Reitz presented the Treasurer's Report for the month of June 2010.

Mr. Henry made a motion to approve the Treasurer's Report for the month of June 2010; Mr. Herman seconded the motion; motion carried.

Audit Presentation

Mr. Walls stated that the JRA's audit will be presented at the August meeting.

Legal Issues

Attorney Hurvitz stated that there are no legal issues other than several property issues which will be discussed in Executive Session. Attorney Schrack will join the Executive Session by phone as he has been working on these issues.

Events Calendar/Projects Map/Staff Report

Mr. Stover presented the events calendar for July and August, and Projects Status.

Mr. Walls expressed appreciation to Mr. Fury for keeping things running in the absence of the Executive Director during his vacation.

Operator's Status Report and Business Forecast

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

Mr. Shields reported that there was a minor derailment of five cars on July 9, 2010 on the JVRR at the Lewistown Yard; there were no injuries and no service disruptions.

Mr. Shields reported that the North Shore Railroad System went 171,584 hours without a FRA reportable injury. This is a major, significant accomplishment. Mr. Walls congratulated the North Shore Railroad on this accomplishment.

Mr. Avery reported that some staff of North Shore recently attended the shortline meeting with Norfolk Southern in Roanoke, VA. Business on the NS has ramped up so quickly that NS has not been able to respond quickly with manpower, equipment, etc., to meet current needs.

Mr. Simcox said his men were performing extra track inspections due to heat on the NBER. He stated that inspections are normally done once a week, but in very cold or hot temperature additional inspections are needed, particularly on welded rail. Mr. Fury commended Mr. Simcox and his staff on the work done in the Newberry Yard.

Mr. Hunter reported that North Shore received two Norfolk Southern Marketing awards at the NS Shortline meeting in Roanoke, VA. The one award was for efforts in developing the Marcellus Shale business; the other award is a platinum award for carload business. Mr. Hunter stated he was recently appointed to the Norfolk Southern Shortline Caucus Committee.

Mr. Bowers, CPA, Bowers & Company, gave a report on the Operator's Audit for the year ending December 31, 2008. He stated that the company's financial condition is very solid and has improved from 2008-2009. The working capital is \$400,000 greater than in the past. Earnings for the year, combined as all companies, not just the JRA companies, is about \$1 Million for the year ending December 31, 2009, which has doubled from the prior year. About 80% of those numbers represent the JRA properties and there is an approximate \$800,000 profit this year versus \$300,000 in the past.

Mr. Walls stated that the contract operator is responsible for operating the five SEDA-COG Joint Rail Authority owned railroads. Mr. Bowers stated in addition there are two other entities – one is a leasing company, Rail Scavengers, and one is a Union County railroad, the Union County Industrial Railroad Company, which is not JRA owned. Mr. Bowers stated about 80-85% of the operations of the North Shore Railroad Companies and affiliates are the JRA owned operating companies.

Members were presented with a bulleted list of questions for Mr. Bowers which were discussed.

- Net income from all railroads plus affiliated companies.
- Net income from the sale of tax credits.
- Identify entities which purchased the tax credits.
- Identify the amount of tax benefit flowing to our operator as a result of the tax credits.
- Explanation of tax credits purchased and justification for inclusion of same as a maintenance of way expense.
- Summary not only for year 2009, but a cumulative summary for the past three years.
- Occurrences having a significant impact – does not include Mr. Pontius's dismissal.

Dr. Spychalski called attention to Note 10 on page 5 of the Operator's Audit. It is stated in the Note that income of \$725,000 from assignment of the tax credit for the year ended December 31, 2009 is included in Other Income in the Combined Statements of Income and Retained Earnings on page 3 of the Annual Report. However, the amount shown on the Other Income line for Year 2009 on page 3 is \$574,898. Dr. Spychalski asked Mr. Bowers to explain why the total amount on the Other Income line is \$150,102 less than the \$725,000 tax credit assignment stated in Note 10. Next, Dr. Spychalski asked Mr. Bowers for information on the components of the amount of \$2,291,858 that is reported for Year 2009 on the General and Administrative Expenses line of the Income and Retained Earnings Statement, page 3 of the Audit Report.

Mr. Bowers responded with an explanation of the \$150,102 difference between the amount of tax credit assignment reported in Note 10 and the amount reported in the Income and Retained Earnings Statement. However, Mr. Bowers did not have detailed information at hand on the components of the \$2,291,858 General and Administrative Expenses entry on the Income and Retained Earnings Statement.

Mr. Shaffer stated he has four points that are important relating to Mr. Bowers' report.

1. Mr. Bowers reported the Operator had a profit of \$900,000 for the operation of the railroad and \$725,000 for the sale of tax credits for the year 2009, total of \$1,625,000.
2. Mr. Shaffer stated that Mr. Bowers was asked who the tax credits were sold to; Mr. Bowers refused to say who purchased the tax credits.
3. Mr. Bowers indicated that the Rail Authority's properties were assigned to this company for the purpose of selling the tax credits.
4. Mr. Bowers indicated that the company that purchased these tax credits obtained a beneficial interest in the Rail Authority's properties.

OLD BUSINESS

TIGER II Application Authorization

Mr. Stover reported that staff is working on the TIGER II grant application in partnership with Lycoming County. Staff has met with both state and federal legislators and others to seek support for the project. The effort consists of 18 projects in a six-county area that are all designed to work in concert to be infrastructure expansions to meet the needs of the Marcellus Shale industry. The projects entail over 6.6 miles of new track construction and construction/rehabilitation of three major bridges. The total project cost is over \$50 Million. Of that amount, approximately \$20 Million is related to the Airport Access Road and LVRR Loyalsock Creek bridge. Other rail facility costs are \$30 Million, and based upon the level of work the Authority has done in recent years, this represents probably about 30 years worth of capital projects.

Mr. Mizerak from Delta Development updated board members on the TIGER II process. The pre-application will be submitted July 23 and the full application is due August 23 to U.S. DOT. Announcement of projects to be funded will be made in late September/early October. The funding must be obligated by the fall of 2012.

Mr. Walls stated that all 18 projects can get underway within the 2012 deadline.

Mr. Stover stated that all of the projects must have National Environmental Policy Act (NEPA) clearance or nearly so. For the most part, all the improvements and infrastructure expansions are on Rail Authority property. Mr. Stover stated that one of the projects includes land acquisition in Lycoming County. Negotiations are still in process for the real estate, but may need to be discussed further in Executive Session. Mr. Stover clarified that the grant is not to "fix the railroad". The projects are capacity expansions, new facilities and almost seven miles of track construction and bridge replacements. For the most part, all are capital projects.

Mr. Walls called for an Executive Session at 1:51 p.m. to discuss legal issues relating to property acquisition.

The regular meeting reconvened at 2:30 p.m.

Mr. Herman made a motion to authorize an additional \$17,380 to pay for the extra environmental assessments work required by U.S. DOT for the TIGER II application; Mr. Reitz seconded the motion; motion carried with Mr. Hawbaker abstaining.

Lewistown Street Running Track Bids (JVRR)

Mr. Fury stated that the Lewistown Street Running Track project bid meeting was well attended by 15 or 16 contractors. The lowest bidder was W.E. Yoder at \$671,532.98, which was significantly under the budgeted amount. Since the bid amount was low, additional work can be completed within budget, such as extending the concrete paneled track most of the way through Water Street. A small section of the track will be finished with rubber seal and asphalt, but the entire track will be reconstructed. The adjusted bid amount which covers the additional work is \$976,011.98. Work started July 12 and is expected to be completed by the deadline of August 1. The Juniata Valley Railroad has been invoiced for their share of the local match in the amount of \$100,000.00.

Dr. Spsychalski made a motion to ratify the staff determination that W.E. Yoder is low bidder for the Lewistown Street Run Track project and ratify awarding this project to them in the adjusted amount of \$976,011.98 and authorize the Chairman and Secretary to execute documents as needed; Mr. Krentzman seconded the motion; motion carried with Mr. Hawbaker abstaining.

Newberry Yard and Engine House Electrical Bids (LVRR)

Mr. Fury stated that bids on the electrical work in Newberry were opened on July 9, 2010. Project bids are for 1) electrical upgrades to the engine house, 2) electrical upgrades to the Sechler garage, and 3) lighting upgrades to the west end of Newberry Yard. Each project was bid separately. Low bidder was James Brouse, but he did not include all the items in his bid so he was disqualified for the engine house work. Mr. Brouse also bid on the Sechler garage upgrades and Newberry Yard lights; he was low bidder and those bids were in order. Kemco Enterprises was the low bidder for the Newberry Engine House. This bid includes installation of the automatic fire alarm system plus emergency lighting and emergency exit signs over all doors.

Mr. Kramer made a motion to approve awarding the following bids: electrical upgrades to the Newberry Engine House to Kemco Enterprises in the amount of \$48,850.00; Sechler Garage upgrades to James D. Brouse in the amount of \$3,800.00; and for the Newberry Yard Lights to James D. Brouse in the amount of \$4,900.00; Mr. Jenkins seconded the motion; motion carried.

Bellefonte Yard Lights (NBER)

Mr. Fury reported that Allegheny Power Company has returned a quote in the amount of \$7,948.47 to install poles and lights in the Bellefonte Yard. Allegheny Power will be providing a R/W agreement to install its equipment on JRA property in the yard. Allegheny Power Company will be forwarding a R/W agreement similar to the one received from PPL for running power to the Bulkmatic site in Newberry.

Dr. Spsychalski made a motion to approve Allegheny Power Company's quote of \$7,948.47 for installation of all necessary lighting equipment in the Bellefonte Yard, and authorize the Chairman and Secretary to execute the R/W document upon receipt and approval by the JRA solicitor; Mr. Showers seconded the motion; motion carried.

Lycoming County Housing Authority Easement (LVRR)

Mr. Stover stated that an appraisal in the amount of \$3,174.00, for an easement of a .5 acre corner piece of property was received and has been forwarded to the Lycoming County Housing Authority for their review. This property is next to the Kennedy-King site. The reason for not acquiring the property is because the easement is sought from the Lycoming County Housing Authority which is constrained in selling land. The easement cost is part of the Kennedy-King DCED grant which is 100% reimbursable both for the cost of the appraisal and cost of the easement.

Mr. Herman made a motion to authorize the Chairman and Secretary to sign the permit easement document to the Lycoming County Housing Authority in the amount of \$3,174.00; Mr. Harvey seconded the motion; motion carried.

NEW BUSINESS

2011 Rail Freight Assistance Program

Mr. Fury stated Mr. Conrad has identified four bridges that need work and estimates the costs for this work at \$356,814.00. Local match requirement will be \$107,044.20. Staff recommends submittal of an application for the 2011-12 RFAP for work on the four bridges.

Mr. Herman made a motion to authorize submission of an RFAP application by July 30, 2010, pending review of the engineer's estimated costs in the amount of \$356,814.00; Mr. Shaffer seconded the motion; motion carried.

COMMITTEE REPORTS

Property Management Committee

Mr. Kramer stated there is nothing to report from this committee.

Passenger Excursion Committee

Mr. Gummo reported that the first meeting of the Passenger Excursion Committee was held on July 1, 2010, and minutes from the meeting are available. A suggestion was made to obtain a 501c3 status to

facilitate either the lease or purchase of passenger cars. The next meeting will be held July 21, 2010 in the offices of Jason Fink at Lycoming/Williamsport Chamber of Commerce.

Capital Budget Committee

Mr. Shaffer reported that the Capital Budget Committee met on July 13, 2010, to discuss the 2010 JRA Capital Budget grid. The major revision to the Capital Budget was to cover unexpected costs for the traffic lights at South Main Street on the JVRR and other crossing protection – lighting and fixtures – having to do with the Lewistown Street Running Track. The project includes pre-emption of the traffic signals.

Mr. Stover reviewed the 2010 JRA Capital Budget and stated that some of the items that were changed were either deferred to next year or are projects that were re-evaluated, zeroed out, or substantially reduced.

Mr. Shaffer made a motion that the full board adopt the updated July 2010 JRA Capital Budget; Mr. Jenkins seconded the motion; motion carried.

Operating Agreement Committee

Mr. Krentzman reported that the Operating Agreement Committee met on July 14, 2010, and has agreed as a committee to recommend that the JRA accept, as presented from legal counsel, the Settlement Addendum to Operating Agreement and the Guaranty Agreement relative to the STB litigation. Mr. Krentzman stated there were some minor language additions made.

Mr. Krentzman made a motion for the full board to approve the Settlement Addendum to Operating Agreement and the Guaranty Agreement with minor additions; Mr. Herman seconded the motion; motion carried with Dr. Spsychalski, Mr. Reitz and Mr. Shaffer opposed. Mr. Shaffer opposed the motion as the Board was not provided with information as to what they were voting on or what the results of the vote would be. Mr. Shaffer stated it was his opinion that he felt what was voted on and how it was voted on violated the provisions of the Pennsylvania Municipal Authorities Act.

Mr. Walls called for an Executive Session at 3:00 p.m. to discuss a potential lease of another railroad segment.

The regular meeting reconvened at 3:17 p.m.

Mr. Walls stated that a recommendation has been made by the Executive Director to authorize staff to enter into negotiations with West Shore Railroad Corporation for lease of that railroad.

Mr. Herman made a motion that the full board authorize staff to enter into negotiations with West Shore Railroad Corporation for lease of the railroad; Dr. Spsychalski seconded the motion; motion carried.

ADJOURNMENT

Mr. Walls adjourned the meeting at 3:20 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, 2010.



Secretary/Assistant Secretary