



SEDA-COG JOINT RAIL AUTHORITY MEETING
WEDNESDAY, JUNE 10, 2015
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

Stephen Bridy, Northumberland County (via speaker phone)
Frank Dombroski, Montour County
Russ Graham, Centre County
John Gummo, Clinton County
Scott Harvey, Lycoming County
Tom Herman, Montour County
Brent Jones, Clinton County
Michael Krentzman, Mifflin County
Dave Park, Columbia County
Rob Postal, Mifflin County
Don Purcell, Northumberland County
John Showers, Union County
John Spsychalski, Centre County
Jerry Walls, Lycoming County
Eric Winslow, Union County

JRA OPERATOR

Gary Shields, President
Jeb Stotter, Vice-President
Diana Williams, Treasurer/Controller

GUESTS

Al Bubb, West Shore Railroad
Steve Campbell, Roaring Creek & Catawissa Valley Historical Study Group
Seth Keller, Staimain Recycling, Inc.
Alex Lang, Carload Express
Wayne Michel Reading & Northern Railroad
Mark Murawski, Lycoming County Planning
Mark Rosner, Northern Plains Railroad

LEGAL COUNSEL

Tom Schrack, Esq., McQuaide Blasko Law Offices
Michael Crotty, Esq., Siana, Bellwoar and McAndrew, LLP

JRA CONSULTING PROFESSIONALS

John Conrad, P.E., Bridge Engineer
Paul Jannotti, Jannotti Rail Consulting
Dan Mazur, Operating Agreement Consultant

**SEDA-COG JOINT
RAIL AUTHORITY**

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Affiliated with
SEDA Council of Governments

JRA STAFF

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

SEDA-COG Staff

Liz Regan, Public Information

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.

Welcome – Chairman’s Statements

Chairman Walls 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.

Chairman Walls asked if anyone would be recording the meeting. Mr. Michel stated that he will be recording the meeting.

Mr. Walls stated that a special meeting of the scoring Board members was held at 9:00 a.m. and the record of that meeting is available for public review, particularly for Mr. Bridy, a scoring Board member, who was unable to attend the special meeting.

ADMINISTRATIVE ITEMS

Public Forum

Chairman Walls asked if there is any comment to come before the Board.

Mr. Michel was recognized by the Chairman and rose to make comments. Mr. Michel stated that the Reading & Northern believe that in 1982 the JRA and its predecessors did a good thing in acquiring this property, operating it, preserving it, and using the North Shore as an excellent operator for the last 30 years. He stated he was an attorney for the Interstate Commerce Commission in 1981 and wrote the regulations enabling Conrail to do the line sale and abandonment program that created so many of the short lines. In 1985 he stated that he joined Conrail and ran the line sale program and spent his career trying to create short lines and create short lines that would remain viable for years to come. The difference of opinion is that since 1982, the world has changed. Conrail was privatized by the

federal government in 1986 in the largest IPO in history. The Commonwealth of PA saw fit to sell all 12 of its railroads in the 1990s and early 2000. It is the Reading & Northern's position that the railroads that continue to be owned by counties are best suited to be in private hands, and Reading & Northern is going to pursue their legal remedies as has already begun with the Sunshine Act and other issues, and Reading & Northern will be filing a lawsuit that will indicate that Reading & Northern believes the actions of this authority are illegal and in violation of the Municipality Authorities Act. The JRA will be seeing the lawsuit and it will be in before the July 8th decision.

Approval of the May 4, 2015 Special Meeting Minutes

Dr. Spychalski made a motion for the Board to approve the May 4, 2015 special meeting minutes; Mr. Park seconded the motion; motion carried.

Approval of the May 13, 2015 Meeting Minutes

Mr. Krentzman noted a correction to the minutes. Under the section "Approval of Engagement of Railroad Operations Consultant" the minutes indicated the consultant was from "Renovo, Nevada." The minutes should read "Reno, Nevada".

Mr. Krentzman made a motion for the Board to approve the May 13, 2015 meeting minutes with the above correction; Mr. Herman seconded the motion; motion carried.

Treasurer's Report

Mr. Harvey presented the Treasurer's Report for the month of May 2015 as well as the JRA's loan summary.

Mr. Dombroski made a motion for the Board to accept the Treasurer's Report for the month of May 2015 and file for audit; Mr. Gummo seconded the motion; motion carried.

Events Calendar/Staff Report

Mr. Stover presented the events calendar for June and July and Staff Report.

Operator's Status Report and Business Forecast

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

OLD BUSINESS

Bridge Engineer's Report

Board members were provided with the Bridge Engineer's report. Mr. Conrad stated that there are no action items and everything is on schedule.

Disposition of Vehicle/Consideration of New Vehicle Purchase

Consideration of bids for the sale of the 2005 Ford Explorer and purchase of a 2015 Ford Explorer were due on June 9, 2015.

2005 Ford Explorer Bids

Mr. Fury stated that one bid was received and opened on June 9 for the sale of the 2005 Ford Explorer. Results are as follows:

Allen Bubb	\$3,544.02
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Mr. Krentzman made a motion for the full Board to approve the sale of the 2005 Ford Explorer to Allen Bubb for the amount of \$3,544.02; Mr. Park seconded the motion; motion carried.

2015 Ford Explorer Bids

Mr. Fury stated that three bids were opened on June 9 for the purchase of a 2015 Ford Explorer. Results are as follows:

Lake Ford Lincoln, Inc.	\$31,488.00
Sunbury Motors	\$32,197.00
John Kennedy Ford	\$32,563.73

Mr. Herman made a motion for the full Board to approve purchase of a new Ford Explorer from Lake Ford Lincoln, Inc., for the amount of \$31,488.00 plus fees for the title, tag and transfer of plates; Mr. Krentzman seconded the motion; motion carried with Mr. Postal abstaining due to Mr. Lake being on the MCIDC Board.

COMMITTEE REPORTS

Passenger Excursions Committee

Committee Chair John Spychalski reported on the work of his committee. Dr. Spychalski stated there is a passenger excursion on Saturday, June 20 running from Lock Haven to Bellefonte, Pleasant Gap and return to Lock Haven. All board members, staff of the JRA and employees of the freight railroad are welcome to ride as guests.

Mr. Stover stated that he had seen some half page ads "Ride to the Cruise" in the *Lock Haven Express* and noticed that the logos for the Penn Valley Railroad, the JRA and the Nittany & Bald Eagle Railroad were not included in the ads. Dr. Spychalski stated that he will contact Mr. Rolley regarding this as he is the organization contact for the Lock Haven excursion on June 20.

Mr. Herman stated that a meeting with the Veterans of Foreign Wars is going to be held to consider sponsoring a passenger excursions to benefit the disabled veterans and wounded warriors in Pennsylvania.

Consideration of July 4 NSHR Employee Excursions Trip

Mr. Stover stated that a non-public passenger excursion has been proposed that was not previously considered. The operator seeks to run a special on July 4 for employees and their families.

Dr. Spychalski made a motion for the full Board to approve the July 4 NSHR Employee Excursions Trip as this does not conflict with any of the public excursions; Mr. Herman seconded the motion; motion carried.

Property Management/Capital Budget/Safety Committee Meeting

Acting Committee Chair Dave Park reported on the work of his committee

PMC Sites Tour Summary

Mr. Fury stated that the PMC sites tour was held on Thursday, May 21.

The sites visited included:

- North Yard at Burnham
 - > 19.2 acre site (11 acres usable) has been cleared and was better able to be appreciated.
- Bellefonte (Rumberger) Engine House
 - > Aging structure was examined despite necessary repairs and upgrades have been completed
 - > Greatly constrained site between creek and hillside
 - > George Fury introduced a new concept in the Bellefonte Sunnyside Yard: a new engine house
 - > Flood plain issues likely can be dealt with
 - > Much more due diligence to be done, of course, but the concept seemed well received
- Multimodal Transportation Project in Lock Haven for First Quality
 - > Access road and rail aspects
 - > When done will be the truck access to the First Quality Tissue existing and proposed plants
 - > Walnut Street grade crossing will be greatly extended to accommodate a major new intersection

Another tour is being offered for two Board members who were unable to attend on May 21 (Walls and Harvey). Other Board members interested are Mr. Winslow, Mr. Postal and Mr. Purcell.

Chairman Walls had some questions regarding flood plain issues in the Bellefonte Sunnyside Yard. Chairman Walls recommended that Mr. Fury contact Mr. Bob Jacobs of Centre County Planning.

Mr. Bridy joined the meeting via speaker phone at 1:15 p.m.

Board members agreed that Mr. Fury should do the due diligence and bring back a proposal for feasibility of the site and a design for a new facility in the Sunnyside Yard in Bellefonte once the other Board members have done the PMC sites tour to the Bellefonte Sunnyside Yard.

LEGAL

Legal Issues

RFP Status

Attorney Schrack stated that a special meeting of the 10 scoring Board members was held at 9:00 a.m. on June 10, 2015 to discuss the Phase 2 RFP proposals. It is anticipated that a decision by the Authority's scoring Board members will be held at its July 8th regular meeting.

Attorney Schrack gave a recap of the RFP process and how the Authority has handled the process. Attorney Schrack stated:

Several years ago the Authority Board decided to issue a request for proposals for an operating agreement to take effect after the expiration of the operating agreement with the current operator. The Authority's decision to do this was not motivated by a problem with the service provided; rather, recognizing that an RFP for rail operating services was not done since the engagement of the current operator, the Board decided that it would be prudent to provide an opportunity for other railroad companies to submit a proposal in a competitive procurement process to allow for a fair and unbiased review of the Authority's rail operator services.

Approximately one year ago, the Authority's Operating Agreement Committee began the RFP process by holding public meetings of the Committee for the purpose of deliberating and preparing the terms of the RFP and the new operating agreement. This was done with the assistance of the Authority's Executive Director, Operating Agreement Consultant, and Solicitor. After numerous meetings of the Committee, involving a significant amount of care and attention to detail, the Committee presented the RFP and Operating Agreement to the full Board for adoption. The RFP was issued on May 16, 2014, with immediate interest being expressed by members of the public and the railroading community.

The Authority had five proposers in Phase 1 of the process. Shortly into Phase 1 of the process, six Board members, in recognition of the fact that they were representatives of companies having customer relationships with the current operator, elected to recuse themselves from the process in order to preserve the integrity of the process and to avoid any appearance of impropriety or bias. Due to these recusals, the Board publicly announced that the full Board, rather than the Operating Agreement Committee, would carry on the duties of evaluating the proposals. In Phase 1, after a thorough, objective review process by the scoring Board members, four proposers were invited to move forward to Phase 2 of the process. One of those proposers elected to withdraw from the proceedings, leaving three proposers in Phase 2 of the process.

Both the proposers and the Authority have conducted a significant amount of due diligence as part of the Phase 1 and Phase 2 processes. In Phase 2, particularly, the Authority has had the proposers' rail lines field viewed in person and evaluated by independent professional engineer consultants, Paul Jannotti and John Conrad. The Authority has engaged Delta Development Group to conduct an independent survey of the customers of the proposers. Recently, the Authority has engaged Railroad Industries Incorporated to provide an independent, disengaged review of the proposed operating plans of the three proposers. All of this was done by the Authority in pursuit of a thorough, objective evaluation of all proposals.

Attorney Schrack stated that everyone involved in the RFP process, including the proposers, the Authority Board members and staff, and the other various professionals involved, should be commended for the time and hard work they have invested in this process and will invest in this process over the next month. The overwhelming response from the public has been very positive. Members of the public have expressed their viewpoint that the Authority's handling of this process has been and continues to be "above-board." The scoring Board members have been able to conduct their evaluation of the proposals so far in an independent, objective manner, free from an outside influence.

Attorney Schrack felt that this has been a great experience for the Authority, and he stated that he is confident that the JRA will fulfill its objective at its July meeting by awarding the operating agreement to the proposer that will best serve the Authority's mission and the customers on the Authority's rail lines.

Attorney Schrack stated that an executive session is needed to discuss the ongoing litigation involving the Reading & Northern Railroad. No action will be taken.

Mr. Krentzman then made a statement. He stated:

It is with all due respect to a comprehensive, well-reasoned, well written statement by the JRA's attorney, Mr. Schrack, who has represented the Authority commendably throughout and including the current litigation that the JRA is facing right now. With all due respect to everyone, the JRA pays the attorney and I don't want to be presumptuous and speak for the Board, but as a member of the JRA Board, I want to make a statement about what my assessment is of what is going on here. With all due respect to Mr. Herman, the Chairman, Mr. Walls; Mr. Stover, the Executive Director, I am the longest tenured Board member in this room, and I have seen a lot of changes and I have seen the Authority handle a lot of things. I can speak to the philosophy of how and why this Board operates, and it is out of public service. Nobody in this room on this side of the table as a Board member gets a dollar from this service. Those of us who operate businesses or are in the management of businesses, we spend valuable time that our employees and customers and our people need us here. They need us there doing our jobs, but we come here to serve the public. We represent as fiduciaries – putting other's value ahead of ours – we operate as fiduciaries. Our constituencies include the jobs that are attached to the companies that are part of this public network of railroads. Like Mr. Keller's company who we compete with in the scrap business. They are on our lines. We both need good rail. Mr. Schrack alluded to recusals – those of us who serve in some customer capacity. Under the law, we could absolutely vote, but for the sake of appearances and being above, above-board, we agreed even with whatever counsel we get, and being insured if we wanted to,

we stepped aside because this Board pursues the public's interests. But, I am reminded of the words of my company controller: "this is America." Any man with a cell phone can come in and hire someone to attempt to make the lives of others more difficult and they can pursue indeed any agenda they wish, including a self-interested one, including one that is frivolous and actionable, including vexatious behavior. I want to say to the proposers in this room who I thank for your proposals to our incumbent railroad, another proposer who is doing a great job; we've gotten great proposals back. We've met our fiduciary duty to the constituencies we serve to ensure the best deal from a reputable operator under all the law because throughout this process and where we are right now, we are well prepared, we have been well counseled, we are well armed, we are well financed, and we are ready to handle litigation with anyone. Tom, I want to thank you very much for the way you put a finer point on this and for everyone else in this room to know and understand: this process will stand.

Chairman Walls called for an executive session and recessed the regular meeting at 1:25 p.m.

Chairman Walls reconvened the regular meeting at 3:07p.m.

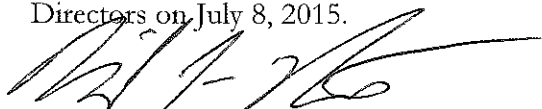
Chairman Walls adjourned the meeting at 3:08 p.m.

Respectfully submitted,



Jeffrey K. Stover, Executive Director

I hereby certify these minutes were approved by the SEDA-COG Joint Rail Authority Board of Directors on July 8, 2015.



Secretary/Assistant Secretary