



SEDA-COG JOINT RAIL AUTHORITY MEETING  
WEDNESDAY, JUNE 9, 2010  
LAUREL RUN FARM, BEECH CREEK, PA  
10:00 A.M.

**PRESERVING  
RAIL FREIGHT  
SERVICE**

*-serving the counties of*

**Centre**

**Clinton**

**Columbia**

**Lycoming**

**Mifflin**

**Montour**

**Northumberland**

**Union**

**AUTHORITY MEMBERS PRESENT**

John Gummo, Clinton County  
Mike Hawbaker, Centre County  
Bud Henry, Columbia County  
Tom Hetman, Montour County  
Rick Jenkins, Columbia County  
Don Kramer, Clinton County  
Rob Postal, Mifflin County  
Dennis Reitz, Northumberland County  
Frank Sawicki, Northumberland County  
Dennis Shaffer, Union County  
John Showers, Union County  
John Spychalski, Centre County  
Jerry Walls, Lycoming County

**GUESTS PRESENT**

Tom Avery, Railroad Operating Companies  
Al Bubb, NRHS  
Todd Hunter, Railroad Operating Companies  
Mark Murawski, Lycoming County Planning Commission  
Russ Nicodemus, Railroad Operating Companies  
Andrew Richards, Bellefonte Historical Railroad Society  
Dick Robey, Railroad Operating Companies  
Mimi Robey, Railroad Operating Companies  
Gary Shields, Railroad Operating Companies  
Jeb Stotter, Railroad Operating Companies  
Diana Williams, Railroad Operating Companies

**STAFF PRESENT**

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

**CALL TO ORDER**

**Call to Order**

Mr. Walls called the meeting to order at 10:00 a.m.

**SEDA-COG JOINT  
RAIL AUTHORITY**

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SEDA Council of Governments

### **Pledge of Allegiance**

Mr. Walls led the Pledge of Allegiance.

### **ADMINISTRATIVE ITEMS**

#### **Public Forum**

Mr. Richards, representing the Bellefonte Historical Railroad Society, addressed the JRA board and stated that he is looking forward to the first meeting of the Passenger Excursion Committee formed at the May 2010 JRA meeting. Regular inquiries regarding restoration of excursion services on BHRS have been received. The Centre County Commissioners are interested in getting the Christmas trains running again. The BHRS is excited about getting passenger operations back in service in some form on JRA rails.

Mr. Gummo stated an organizational meeting will be held in the very near future.

#### **Approval of the May 12, 2010, Meeting Minutes of the SEDA-COG Joint Rail Authority**

*Mr. Henry made a motion to approve the May 12, 2010 meeting minutes of the SEDA-COG Joint Rail Authority; Dr. Spsychalski seconded the motion; motion carried.*

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

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

*Dr. Spsychalski made a motion to approve the Treasurer's Report for the month of May 2010; Mr. Herman seconded the motion; motion carried.*

#### **Legal Issues**

Attorney Schrack stated that there are no legal issues that aren't already addressed in the agenda.

#### **Events Calendar/Projects Map/Staff Report**

Mr. Stover presented the events calendar for June and July, the projects map, and staff report.

#### **Operator's Status Report and Business Forecast**

Mr. Shields stated there was a derailment of a piece of maintenance-of-way equipment on the JVRR and there were no personal injuries.

Mr. Shields reported that a meeting was hosted at the LVRR to discuss Marcellus shale. Eric Madden, PennDOT Deputy Secretary of Aviation and Rail Freight, was in attendance as well as Mr. Stover, Mr. Fury and Mr. Murawski.

An advertisement was in the local newspaper for five additional positions on the railroad -- two in train service, one in mechanical, and two in administrative.

Mr. Shields reported that there are five promotions within the company:

- Jeb Stotter has been promoted to the Director of Administration and Customer Service
- Tom Avery has been promoted to the Director of Operations
- Diana Williams has been promoted to Treasurer/Controller
- Nate Blanchard has been promoted to Customer Service Manager
- Shane Smith has been promoted to Superintendent of Rules Examiner

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

Ms. Williams reported that May was a record month for other freight revenue -- \$932,000 and provided the JRA with a check in the amount of \$124,789.93 for operating fees.

Mr. Stover relayed questions from Board Member Scott Harvey:

1. Mr. Harvey asked why the data in the proforma last month was based on 45 days rather than the normal 30 and in April the results for LVRR are even higher than March and over three times the 2009 results. Ms. Williams responded that on the LVRR there were two unit coal trains with a significant volume increase in the Marcellus shale business and there was also an increase in scrap. That also affects the demurrage.
2. What portion of results are directly attributable to the gas industry? Mr. Hunter responded that this year the railroad has handled as many cars related to Marcellus as the entire year for 2009.
3. What portion is due to operations and what portion is due to demurrage. Looking at operating fees versus revenue and the car counts it appears that demurrage is a significant factor in April. If demurrage is a significant impact driving results is there capacity to continue in this mode as gas business builds and is there capacity to store sand cars in the yard? Ms. Williams replied demurrage was up quite a bit. Mr. Hunter replied this is a tough question to answer. One of the things changing is that the terminals operating are planning to increase their throughput of cars. If everything stayed static with the terminals it could be a concern going forward. Mr. Walls stated the turnaround on cars coming in and getting unloaded and moving out would be faster with the improved terminal operations and therefore the capacity of the yard will not be strained.
4. What business projectory is the LVRR projecting for the next several years and how does this current condition compare with those projections made a year ago? Mr. Shields replied that this is difficult to predict.

Mr. Stover said these questions from Mr. Harvey are driven by the desire to be understanding and comfortable with the operator's capacity requirement projections balanced against current property capacity, undeveloped available property capacity, considered property acquisitions, and the TIGER II capacity additions.

Mr. Shields stated the railroad is required to do a test on all the locomotive horns to make sure they are within the law. The one spot this can be done is in the Newberry Yard. Mr. Walls suggested publicizing this in the Sun-Gazette that these horn tests are going to be conducted to alert the public that this is going to be happening. Mr. Kusheloff stated he will contact Mr. Shields regarding this.

## OLD BUSINESS

### Delta Development Group TIGER II Agreement

Mr. Stover reviewed the following handouts:

- Revised handout entitled "Rail Freight Infrastructure Expansion for Marcellus Gas Development: A Central Pennsylvania Coordinated Strategic Approach"
- Status report from Delta of meetings scheduled with federal delegation, PennDOT, Governor, state representatives and counties.

A proposal from Delta Development Group for the grant application work and the supplemental project advocacy has been received and a number of meetings have been held to date.

Mr. Stover stated that July 16 is the pre-application deadline.

Terms call for the TIGER II grant application and related services to be split 50/50 with Lycoming County. There will be separate agreements, however, for both clients at \$75,000 each.

Mr. Stover stated that the Rail Authority could apply for a PIB loan and could be eligible for a loan up to \$4 million.

***Mr. Herman made a motion for the Rail Authority to authorize staff to submit the application for the list of TIGER II projects with the understanding that it may need to be adjusted in some degree; Mr. Sawicki seconded the motion; motion carried.***

Mr. Sawicki asked if projects can be added to the list; Mr. Stover replied if they fit in. Mr. Walls stated there are criteria that would need to be met and the Rail Authority needs to make sure it is part of a regional rail system package.

***Mr. Showers made a motion for the Rail Authority to engage Delta Development Group for a fee of \$75,000 plus up to \$49,000 for additional environmental work; Mr. Sawicki seconded the motion; motion carried.***

### Koppers Easement (LVRR Muncy)

Mr. Stover stated Attorney Schrack has edited an easement document prepared by Koppers' counsel. It governs the use of tracks owned by Koppers necessary to access the Halliburton site. Attorney Schrack stated that Halliburton is not going to be a party to the easement agreement. The draft provided had a few terms that would make the Authority responsible for the activities of Halliburton so some changes needed to be made to the document. No response has been received to the draft sent to Koppers.

*Mr. Hawbaker made a motion that the Rail Authority give a conditioned approval on the Koppers easement subject to review of any changes by legal counsel and the Executive Director to be fully reported and further ratified at the next appropriate Rail Authority meeting; Mr. Jenkins seconded the motion; motion carried.*

### **NBER Main Rail Grinding**

Mr. Stover stated that per the Zeta-Tech report dated March 16, 2010, the NBER Main needs a substantial rail grinding program. The rail profile needs to be reshaped to accommodate both the new and old wheel configurations.

The JRA's Asset Upgrade Guidelines call for the JRA to pay for the first rail grinding after the installation of new CWR. The NBER Main has been ground once and the cost was shared 50/50 with the NBER.

Mr. Stover stated no prices have been received, but it is likely to be over \$100K. Staff proposes the JRA pay 50% of the cost. This could be more fully discussed at the July or August meeting.

Mr. Reitz referred to the Authority's Guidelines for Asset Upgrades, the working draft dated February 2010 and stated relative to the new contract and the guidelines this would be the operator's responsibility as it would qualify as a subsequent rail grinding.

Mr. Stover replied that the first rail grinding was split 50/50.

Mr. Walls asked Mr. Reitz if he objected to having staff get firm prices on rail grinding. Mr. Reitz replied he doesn't have a problem with getting prices, but isn't certain this is the JRA's responsibility. Dr. Spsychalski stated he will not support a 50/50 split.

*Mr. Hawbaker made a motion for the JRA to authorize staff to advertise for contract services bids for the NBER Main Rail Grinding with the understanding that the JRA has the right to reject any bids; Mr. Herman seconded the motion; motion carried.*

### **Consulting Contract for Dan Mazur**

Mr. Stover stated that Attorney Schrack has refined a consulting contract with Dan Mazur to provide railroad financial consulting services. The consulting fee is \$80 per hour, \$.50 per mile and reimbursement of out-of-pocket expenses.

*Mr. Kramer made a motion that the JRA approve the consulting contract with Dan Mazur for railroad financial consulting and authorize the JRA officers to sign; Mr. Postal seconded the motion; motion carried.*

## **NEW BUSINESS**

### **Bid Award – Trenton Avenue Residential Property (LVRR – Newberry)**

Mr. Stover reported that bids were opened June 1 for the six (6) 4,000 sq. foot lots in Newberry. These lots are along Trenton and Federal Avenues and occupy a portion of the R/W of the former Williamsport Industrial Track. Minimum acceptable bid was \$50,000. Clinger Homes submitted a bid for \$51,750.00.

*Mr. Shaffer made a motion that the JRA approve the Clinger Homes bid for \$51,750.00 for the six lots in Newberry; Mr. Reitz seconded the motion; motion carried.*

**Bid Award for Kennedy King Site Work (LVRR – Newberry)**

Mr. Stover reported that John Conrad has prepared bid specs for the construction of the railroad road bed for the siding to serve the former Kennedy King site. Bid also includes the construction of the new access road which will connect the site to Trenton Avenue. This work is 100% reimbursable by the DCED grant and is the last piece of work for Kennedy King.

A bid was received from Amtrac Railroad Contractors of Maryland in the amount of \$268,946.00.

*Dr. Spsychalski made a motion for the Rail Authority to accept staff's recommendation to award the bid to Amtrac Railroad Contractors of Maryland in the amount of \$268,946.00; Mr. Postal seconded the motion; motion carried with Mr. Hawbaker abstaining.*

**Street Running track Bid Authorization (JVRR)**

Mr. Fury reported that the Lewistown Street Running track project is being accelerated due to the fact that the largest customer affected by the track construction, Standard Steel, will be on shut down from July 10 to August 1. The pre-bid meeting is set for June 17 with bid opening on June 25.

*Mr. Herman made a motion that the Rail Authority authorize bidding of the Street Running project and authorize staff to award to the lowest responsible bidder for ratification at the July Rail Authority meeting; Dr. Spsychalski seconded the motion; motion carried.*

**COMMITTEE REPORTS**

**Property Management Committee Report**

Since the Property Management Committee did not meet there was no report.

Mr. Walls recessed the JRA regular meeting into Executive Session at 11:55 a.m.

The regular meeting reconvened at 12:01 p.m.

*Dr. Spsychalski made a motion that the JRA authorize staff to make an offer on the Overhead Door property and start negotiations for an option; Mr. Herman seconded the motion; motion carried.*

Mr. Walls recessed the JRA regular meeting into Executive Session at 12:02 p.m.

The regular meeting reconvened at 12:13 p.m.

**ADJOURNMENT**

Mr. Walls adjourned the meeting at 12:15 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 July 14, 2010.

  
Secretary/Assistant Secretary