



SEDA-COG JOINT RAIL AUTHORITY MEETING
WEDNESDAY, FEBRUARY 12, 2014
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

Frank Dombroski, Montour County
Stephen Bridy, Northumberland County
Russ Graham, Centre County
John Gummo, Clinton County
Scott Harvey, Lycoming County
Tom Herman, Montour County
Brent Jones, Clinton County
Dave Park, Columbia County
Rob Postal, Mifflin County
Don Purcell, Northumberland County
John Showers, Union County
John Spychalski, Centre County
Jerry Walls, Lycoming County
Eric Winslow, Union County

JRA OPERATOR

Gary Shields
Pete Simcox
Jeb Stotter
Pete Symons
Diana Williams

GUESTS

Reuben Brouse, NRHS
Mark Murawski, Lycoming County Planning Commission
Jeff Pontius, Penn Valley Railroad LLC
Andrew Richards, Bellefonte Historical Railroad Society
Dennis Shaffer, Reading & Northern Railroad

LEGAL COUNSEL

Tom Schrack, Esq., McQuaide Blasko Law Offices

JRA CONSULTING PROFESSIONALS

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

JRA STAFF

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

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.

ADMINISTRATIVE ITEMS

Public Forum

Mr. Richards extended his thanks on behalf of the Bellefonte Historical Railroad Society to the Rail Authority, the North Shore Railroad and the Penn Valley Railroad LLC for their support with the 2013 passenger excursions in the Bellefonte area. He also stated that the RDC restoration project is moving forward and the bid advertising for this project will be done within the next week.

Chairman Walls stated that Mr. Brent Jones has accepted the appointment to the Property Management/Capital Budget Committee.

Approval of the January 8, 2014 Meeting Minutes

Dr. Spsychalski made a motion to approve the January 8, 2014 meeting minutes; Mr. Herman seconded the motion; motion carried unanimously.

Dr. Spsychalski suggested that in the future the January minutes reflect the identities of the appointees to each of the committees.

Treasurer's Report

Mr. Harvey presented the Treasurer's Report for the month of January 2014 as well as the JRA's loan summary.

Mr. Fury reported the following numbers on what has been invoiced so far for current lease agreements and annual easements:

Total invoiced: \$466,319.57

CPI (adjusted annually): \$459,668.57

Non-CPI: \$6,651.00

In 2008 the amount invoiced was \$133,691.58. 2014 billing reflects an increase of \$332,627.99.

Lease payments to date are \$258,780.32, lease payments due equal \$207,539.25.

For the year 2012 there was outstanding property accounts receivable of \$25,931.31. That amount has been reduced to \$4,760.51.

Mr. Fury stated these figures do not include payments for new easements.

Mr. Gummo made a motion to approve the Treasurer's Report for the month of January 2014 and file for audit; Mr. Jones seconded the motion; motion carried unanimously.

Events Calendar/Staff Report

Mr. Stover presented the events calendar for February/March and Staff Report.

Board members were provided with a copy of the booklet "SEDA-COG Joint Rail Authority 2013/14 RTAP Presentation - Rehabilitation of Bridges". Mr. Stover stated this presentation, which was prepared by George Fury, was given to the PennDOT Bureau of Rail Freight in Harrisburg on January 17, 2014.

Mr. Postal asked if there would be an electronic version of the 30th Anniversary booklet available once it has been completed. Mr. Stover stated that he will check with the printer to get a PDF of the booklet. He will also have a Rail Blast sent out by SEDA-COG's Public Information Director.

Mr. Winslow suggested that a copy of the flyer that Focus Central Pennsylvania put together regarding short line rail service in the Focus Central PA counties be shared with Board members.

Mr. Brouse asked if he could have a few copies of the RTAP presentation booklets for NRHS.

Operator's Status Report and Business Forecast

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

Ms. Williams stated that the 12 month YTD operating fee revenue for 2013 versus 2012 saw an increase of 8.7% and the 12 month YTD carloads 2013 versus 2012 saw an increase of 5.9%.

Mr. Stotter stated that Mr. Hunter will be in attendance at the March JRA meeting to give a quarterly recap on the marketing development and new business. Some of this may need to be done in Executive Session.

OLD BUSINESS

TIGER II Status and Action Items

Mr. Stover reviewed the status of the various TIGER II projects that were listed on the agenda grid as well as the updated TIGER II budget that was distributed at the meeting.

South Avis Access Road

Mr. Stover stated that the South Avis Access Road project has been completed except for the final "walk-through" that has been delayed due to the weather conditions.

Bridge Engineer's Report

Board members were provided with the Bridge Engineer's Report and recommended action item. Mr. Conrad was in attendance at the meeting and updated Board members on projects he is working on.

Mr. Conrad stated the costs have now become known regarding the increased number of bearing piles and splices for the Loyalsock Creek Bridge project. A change order request in the amount of \$283,465.00 is being recommended by Mr. Conrad. It was noted that these change orders are still within the budgeted contingency for the project.

Dr. Spsychalski made a motion for the Board to approve a change order for the Pier #2 and West abutment bearing piles and pile splices as noted in the Bridge Engineer's Report – Action Item; Mr. Harvey seconded the motion; motion carried unanimously.

NEW BUSINESS

Jannotti M/W Report

Mr. Paul Jannotti of Jannotti Rail Consulting attended the board meeting and presented the results of the 2013 track inspections. He also updated the Board on the proposed 2014 M/W program. Board members were provided with a bound copy of the 2013 report. Mr. Jannotti stated that the railroads are in fair to good condition and that each year they have been improving. The Carbon Run Branch on the SVRR is the only questionable area on the JRA railroads. The tie counts on all the railroads except for the Carbon Run Branch are tremendous and meet or exceed the JRA standards. Mr. Jannotti also called attention to the longer-run implications of so-called mud conditions that are present at various locations.

Since Mr. Gummo had to leave, he asked Chairman Walls if he would detour from the agenda. Mr. Gummo stated that during the meeting of the Passenger Excursions Committee earlier in the day, the Committee put forth a motion to commend Dr. John Spsychalski for the exceptional job he has done with the passenger excursions.

Mr. Gummo made a motion for the Board to commend Dr. John Spsychalski for the exceptional job that was done with the Passenger Excursions in 2013; Mr. Herman seconded the motion; motion carried unanimously with Dr. Spsychalski abstaining.

Mr. Harvey asked Mr. Jannotti if the operator has met the 2013 Maintenance of Way Program; Mr. Jannotti replied yes.

Dr. Spsychalski made a motion to accept Mr. Jannotti's 2013 Track Inspection Report and recommendation for approval of the 2014 Maintenance of Way Program; Mr. Herman seconded the motion; motion carried unanimously.

COMMITTEE REPORTS

Property Management/Capital Budget Committee

Danville Municipal Authority

Mr. Fury stated that the Danville Municipal Authority (DMA) requested an easement for sewer line upgrades at three (3) sites in the Borough of Danville. All occupations are gravity fed with less than 5-10 PSI.

Site #1: Rooney Avenue: transverse crossing of 36" steel carrier pipe via boring and jacking with directly applied cure-in-place liner of felt or woven fabric impregnated with resin, to carry sanitary sewage, open channel, maximum pressure of 5 PSI. Annual fee is \$1,800.

Site #2: DL&W Avenue from Ferry Street to a manhole 1,200' southeast to the intersections of DL&W Avenue and Pearl Street; replacement of existing manhole in Ferry Street and upsizing pipe within the public R/W – no charge as this work is within the public right-of-way. Re-line 1,200 feet of existing pipe to Pearl Street – no charge. All work in this area is considered to be maintenance and there is no fee associated with the occupation.

Site #3: Metso Minerals Site: transverse crossing of two (2) parallel and horizontally drilled 6" HDPE pipes – gravity fed sanitary sewage, maximum pressure of 10 PSI – annual fee is \$1,800.

Application fee of \$700 applies. All required documentation has been received and approved.

Mr. Herman made a motion for the Board to approve the proposed easement in the amount of \$3,600 annually and authorize the Chairman and Secretary to execute the documents; Mr. Postal seconded the motion; motion carried.

Survey of Shamokin

Mr. Fury stated that this item is being tabled until the March meeting when further information is received from Vassallo Engineering.

Sunesys

Mr. Fury stated that Sunesys, Inc. has approached staff requesting an easement over the NBER Main in Blair County, where Route 350 crosses over the railroad. This is a transverse occupation consisting of a fiber optic cable hung from existing poles within the PennDOT R/W. All plans have been received and approved. There is no easement fee associated with this crossing as it is within the public R/W. The application fee of \$700 applies.

Mr. Park made a motion for the Board to approve this easement with Sunesys and to authorize the Chairman and Secretary to execute the documents; Mr. Graham seconded the motion; motion carried.

Passenger Excursions Committee

Committee Chair Spsychalski first called Board members' attention to the final accounting of the 2013 passenger excursions provided in the meeting packet, and to comparative total annual passenger excursions performance data for 2011, 2012, and 2013 provided as a handout to Board members. Next, he reviewed a summary report of passenger excursion-related expenses submitted by the North Shore Railroad, and a detailed financial report of passenger excursion-related expenses submitted by Penn Valley Railroad, LLC.

Committee Chair Spsychalski reported that the committee met and reviewed the draft timetable for 2014 passenger excursions and voted to send the draft forward for review by the North Shore Railroad and Penn Valley Railroad LLC. Upon completion of their reviews, a final draft of the time table will be submitted for ratification by the JRA Board on March 12.

Chairman Walls asked that Mr. Stover work with SEDA-COG's Public Information Director, Steve Kusheloff, for preparation of an article on the spirit of partnership between the JRA, the sponsoring organizations for the excursions, the North Shore Railroad, and Penn Valley Railroad, LLC.

Consideration of VIP Passenger Excursions

Mr. Stover noted that the JRA needs to approve, on a case by case basis, each passenger excursion that is considered a "VIP" or non-public event.

He reported that a VIP passenger run to Allenwood is proposed on April 25, 2014. This is to be done for the National Railroad Historical Society (NRHS) Board of Directors. The operator's power and passenger equipment will be used for this run.

A proposed VIP run is tentatively scheduled for October 1, 2014 for the Northeast Association of Rail Shippers (NEARS) annual meeting in State College. The operator's power and passenger equipment will be used for this run.

Jersey Shore Steel is hosting an "invitation only" trip in conjunction with a steel trade association meeting on April 8, 2014 from Williamsport to South Avis. The operator's power and passenger equipment will be used for this run.

Dr. Spsychalski made a motion for the Board to approve the proposed VIP excursions by "invitation only"; these excursions are not open to the public; Mr. Bridy seconded the motion; motion carried.

Staff will work with each of the above organizations to get a Memorandum of Understanding (MOU).

Governance Committee

Committee Chair John Showers discussed scheduling a future meeting for this committee. Board members were asked to bring their calendar to the Operating Agreement Committee on February 20, 2014 so a date can be selected at that time.

Operating Agreement Committee

Chairman Walls stated that the Operating Agreement Committee will meet on Thursday, February 20, 2014 at 9:00 a.m. at SEDA-COG.

LEGAL

Operating Agreement Consultant's Report

Mr. Dan Mazur presented the 2013 and 2014 Budget Expense Ratio Update via PowerPoint.

2013 Transportation Expense Ratio

- Target: About 43%
- Results for 2013:
 - Higher than Target
 - Higher than 2012
 - Lower than 2013 Budget
 - Both revenue and expenses under Budget
 - Highest ratio in last 7 years
- Transportation Ratio continued to increase in 2013, but remains within a reasonable range for a shortline railroad.

2013 Maintenance of Way Expense Ratio

- Target: About 21%
- Results for 2013:
 - Higher than Target
 - Higher than 2012
 - Higher than 2013 Budget
 - Second highest ratio in the last 7 years
- Operator took advantage of current pricing and did more work than had been budgeted

2014 Budget Transportation Expense Ratio

- Target: About 43%
- 2014 Budget:
 - Higher than Target
 - Higher than 2013
 - Highest ratio in the last 8 years
- Transportation Ratio is projected to significantly increase, partly due to a decline in non-freight revenue

2014 Budget Maintenance of Way Expense Ratio

- Target: About 21%
- 2014 Budget:
 - Lower than Target
 - Lower than 2013
 - Third highest in the last 8 years
 - Above the average for the past 7 years
- The majority of the decrease in 2014 is related to fewer ties being installed compared to 2013

Mr. Mazur stated that he has additional and detailed information, but the recommendation is that it would be discussed in executive session.

Legal Issues

Attorney Schrack updated the Board on pending legal issues.

- Consultant Agreement with Dan Mazur – Attorney Schrack indicated that Mr. Mazur had requested an adjustment to his consulting agreement with regard to the indemnification language. The indemnification language in the existing agreement provides that there would be a mutual indemnification. Based on Mr. Mazur's existing and anticipated future relationship with the Authority, it is reasonable to modify the agreement to remove the requirement that Mr. Mazur indemnify the JRA, provided that there will be additional limitations included concerning the JRA's obligation to indemnify Mr. Mazur. In essence, Mr. Mazur is responsible for reporting findings and recommendations to the Authority, but any ultimate actions or decisions based on his recommendations are the prerogative of the JRA.

Mr. Harvey made a motion for the Board to approve the amendment to the agreement with Mr. Mazur subject to approval by the solicitor and recommendation by the staff and authorize the Chairman to execute the amended agreement; Mr. Park seconded the motion; motion carried.

- JVRR Burnham Property: Mr. Stover reported that the Authority is poised to close on the 19.5 acre parcel in Mifflin County at the end of the JVRR. The tax claim process has passed and all the timeframes for required advertising have expired, and a draft deed is in the hands of Attorney Larry Coploff. The closing is scheduled for some time near the end of February. The final price for this property is \$66,000.
- Consideration of NARCOA Runs: Mr. Stover stated that a few questions have been posed regarding the "speeder" runs on the JRA lines. These small inspection cars have run under the Operator's supervision for 23 years. Mr. Stover has been in contact with Mr. Larry Maynard who is the local NARCOA contact. Mr. Maynard has provided staff with information that was passed to Attorney Schrack for his review. Previously each participant signed a release naming both the JRA and the NSHR as indemnified.

Attorney Schrack stated that under the Operating Agreement any use of the rail lines for any activities other than rail freight service requires the prior approval of the JRA. He further stated that JRA and Operator must ensure that they are protected from any liability risks or concerns associated with these runs. Mr. Maynard provided the standard general release from NARCOA and documentation is in place to protect the JRA. The Authority as well as the Operator will be released parties under the release. NARCOA will add the Authority and the Operator as an additional insured.

Mr. Bridy made a motion for the Board to approve the proposed NARCOA speeder trips on JRA lines provided they are done under the Operator's supervision, required releases signed by all participants naming the JRA and Operator, and a Certificate of Insurance (\$10 Million general railroad liability and \$20 Million general aggregate) is supplied to the Authority; Mr. Showers seconded the motion; motion carried.

Chairman Walls called for an executive session at 2:13 p.m.

Chairman Walls reconvened the regular meeting at 3:17 p.m.

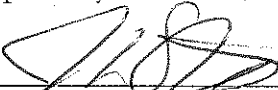
Attorney Schrack stated that the Authority concluded the Operating Agreement Consultant's report in executive session and then went into the legal portion of the agenda to discuss the Munro condemnation matter, which included Attorney Allen Neely of McQuaide Blasko via speaker phone and David Schultz of South Avis Realty via speaker phone.

The suggested action is the authorization of the Executive Director, solicitor and Attorney Neely to proceed with the filing of the cross appeal in the Munro eminent domain proceeding pending concurrence by South Avis Realty in that filing.

Mr. Graham made a motion for the Board to authorize the Executive Director, Solicitor and Attorney Neely to proceed with the filing of the cross appeal pending concurrence by South Avis Realty of that filing; Mr. Park seconded the motion; motion carried.

Chairman Walls adjourned the meeting at 3:19 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 March 12, 2014.



Secretary/Assistant Secretary