



SEDA-COG JOINT RAIL AUTHORITY MEETING  
WEDNESDAY, MAY 11, 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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**AUTHORITY MEMBERS PRESENT**

John Gummo, Clinton County  
Scott Harvey, Lycoming County  
Mike Hawbaker, Centre County  
Tom Herman, Montour County  
Rick Jenkins, Columbia County  
Don Kramer, Clinton County  
Michael Krentzman, Mifflin County  
Dave Park, Columbia 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  
Todd Hunter, Railroad Operating Companies  
Don Purcell, Norfolk Southern – Retired  
Richard Robey, Railroad Operating Companies  
David Rolley, Larson Design Group  
Gary Shields, Railroad Operating Companies  
Robert Smith, Retired  
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  
Jim Saylor  
Jeff Stover

**CALL TO ORDER**

**Call to Order**

Chairman Walls called the meeting to order at 12:35 p.m.



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### Pledge of Allegiance

Chairman Walls led the Pledge of Allegiance.

Mr. Kramer stated that former Board member Bud Webb has had a stroke and is currently in the Muncy Valley Hospital. Staff will send a planter or flower arrangement to Mr. Webb. Mr. Kramer will confirm if Mr. Webb can have visitors.

### **ADMINISTRATIVE ITEMS**

#### Public Forum

Mr. Bubb shared that April 8, 2011 was the 185<sup>th</sup> anniversary of the founding of the Danville/Pottsgrove Railroad which is the original predecessor of today's Shamokin Valley Railroad.

#### Approval of the April 13, 2011 Meeting Minutes

*Dr. Spychalski made a motion to approve the April 13, 2011 meeting minutes; Mr. Herman seconded the motion; motion carried.*

#### Treasurer's Report

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

Chairman Walls asked Mr. Reitz for his advice if the Authority should pay off any of the smaller loans given the Authority's revenue and wondered if there would be a pre-payment penalty. Mr. Reitz replied he didn't know if there is a pre-payment penalty. Mr. Stover replied he guessed there isn't unless you refinance with another institution. Mr. Reitz stated that it appears that the Authority's cash flow situation is such to pay off the loans at M&T Bank for the JVRR Engine House and LVRR Engine House.

Mr. Harvey asked about the Authority's pending obligation with the Loyalsock Creek Bridge and the PIB loan. The financing term starts as soon as the money is accessed so the longer the Authority delays in accessing the money, the further into the calendar it will go to pay it back. The Authority may want to hold on to the cash to spend for the Loyalsock Creek Bridge project and push back the PIB loan.

Chairman Walls asked Mr. Stover to do a financial projection of revenue and debt service and other predictable major costs so Board members can look at the option of retiring debt where appropriate or holding the JRA assets to do other worthy projects.

*Mr. Harvey made a motion to approve the Treasurer's Report for the month of April 2011 and filing for audit; Mr. Hawbaker seconded the motion; motion carried.*

#### Herring & Roll Audit Oversight

Mr. Stover stated that Randy Herring, CPA, has presented the Operator with a letter outlining the terms of how they will proceed to review the Operator's records. Both the Operator and Bowers & Company have agreed to the terms. A letter dated May 5, 2011 to Mr. Herring from Bowers & Company was

provided to Board members. Mr. Herring or someone from his firm will travel to New York to the office of Bowers and Company to review the records.

### **Legal Issues**

Attorney Schrack stated at the last meeting there was brief discussion regarding a boundary line dispute involving some rail siding in Wingate off the NBER. He updated members and stated that a title search was done to confirm whether or not Mr. MacNamara had title to the rail siding. Nothing was found in the record to support Mr. MacNamara's claim. Mr. MacNamara was notified of this and he is now taking the documentation back to his surveyor to see if this can be resolved. If it cannot be resolved, then it may be necessary to bring in an independent surveyor. Mr. MacNamara wants to cooperate with the Authority.

Chairman Walls asked if on the property itself is there anything that would pose detriment to operations of the railroad. Attorney Schrack responded no.

Attorney Schrack stated that the Attorney General's Office has sent a letter indicating that after careful consideration, the Attorney General's Office will not pursuing any further action against the Authority.

Attorney Schrack stated it was discussed at the last meeting to consider the potential amendment to the Authority's By-laws to include an indemnification provision. There was discussion on liability of Board member under current law. Attorney Schrack distributed to Board members a summary memo on this matter. Members were asked to review this and discussion would be held on this at the next meeting. Any Board members having any questions or issues after reviewing the document were asked to forward them to Mr. Stover.

### **Events Calendar/Staff Report**

Mr. Stover presented the events calendar for May-June 2011 and Projects Status Report. Mr. Stover stated he will not be present for the June 8 JRA meeting. Mr. Shaffer suggested that the June meeting not be held.

Chairman Walls announced that Mr. Stover has been sworn in on the Governor's Transportation Funding Advisory Commission. This is a high level entity and reflects the respect that Mr. Stover enjoys in the rail freight community state-wide.

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

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

Ms. Williams stated that Mr. Harvey had raised a question at last month's meeting on the operating fee revenue being higher on the LVRR in February 2010. The reverse has happened this month and it was due to submitting settlement to Norfolk Southern. It has since worked itself out. Mr. Bowers will be available to attend the July meeting to answer any questions on the Operator's Audit.

Chairman Walls asked if the corrective timing thing apply to JVRR, LVRR and Nittany. Ms. Williams responded only LVRR. Mr. Harvey asked if this impacts the car count and the financials. Ms. Williams responded it is just the financials.

Mr. Shields extended an invitation to the Board that North Shore would like to host the September 14 JRA Board Meeting at their office in Northumberland.

Discussion followed regarding the May 6, 2011, letter regarding the Lycoming Valley Railroad Company converting the Main Track between CP Muncy and Berry from controlled to non-controlled track and renaming it Lycoming Valley Industrial Track. Board members were provided with a copy of the letter.

Originally, Conrail was to deliver interchange to Newberry Yard on a daily basis and they ran their trains up the Corning Secondary. This has ceased with the operation of the Car Wash Yard. Norfolk Southern no longer uses the Corning Secondary, (Lycoming Main), and the only time they would use it would be to detour a train between Linden and CP Muncy. At present the only NS trains entering Newberry are coal trains and they come in by way of Linden. The only way the track would be downgraded is the operations end of it, with track standards being maintained at current specifications. The track would be knocked down to restricted speed which is 20 mph; at the present it is 25. There will be no dispatcher controlling the track; it will be run just like all of JVRR, NSHR, SVRR, and the branch on the Nittany. These are all run at restricted speed, basically watching out for a train ahead. FRA is fine with the way it is going to be operated and Norfolk Southern approve. Mr. Avery stressed that the railroad is not lowering the maintenance on the track just the speed for operation.

Chairman Walls asked if the classification under Rule 137 "other than Main tracks" carries with it any other ramifications. Mr. Avery responded that it states that you operate at restricted speed looking out for misaligned switches, broken rails, trains or M&W ahead. If the train is coming around a curve that is blind, the speed needs to be reduced.

Chairman Walls asked if this has any adverse affects relative to marketing. Mr. Hunter replied it will have positive affects and increases the flexibility of the LVRR to serve customers.

Mr. Stover asked what the average time crews had to wait after calling the dispatcher to go south of Williamsport. Mr. Avery replied around one hour. Chairman Walls asked if this pushes into overtime costs. Mr. Avery replied it is hours of service as the railroad is only allowed to be out there 12 hours.

Mr. Harvey asked if this change in classification is assigned to property or to the operator. Mr. Shields replied it is an operational improvement and is operator specific.

## **OLD BUSINESS**

### **Insurance RFP**

Mr. Stover stated this matter is a continuation from the last meeting relative to specialized consulting services to be provided by John Blassick of Risk Solutions, Inc. Mr. Blassick did not include an overall evaluation and detail of the Authority's insurance, but feels that what the Authority currently has is appropriate. Mr. Blassick is willing to do a full assessment of the JRA's insurance at \$2,500 more than

his original proposal. Mr. Blassick's total fee is \$9,000 to do the work. An RFP would be issued this summer for solicitation of both the liability and property insurance that the Authority maintains with PIRMA and with McRail.

***Mr. Herman made a motion for the Board to authorize Risk Solutions, Inc. to issue an insurance RFP on behalf of the JRA at a cost of \$9,000; Mr. Sawicki seconded the motion.***

Chairman Walls asked if this will provide elements of a risk management plan as it relates to insurance as there is a lot more to a risk management plan than just the insurance side. There needs to be risk management provisions in an insurance plan as well. Chairman Walls suggested this be discussed in conjunction with the strategic plan. ***Motion carried unanimously.***

### **TIGER II Status**

Mr. Stover stated Mr. Jannotti has five sets of bid specs completed for TIGER II projects.

Mr. Harvey asked if there is enough staff to get this work done. Mr. Stover replied everything is ok at the moment, but this may be something that will be part of the strategic planning process.

### **Strategic Planning RFP Update**

Mr. Stover stated a pre-proposal meeting was held May 10 with four consultants in attendance. A revised RFP was provided to Board members. An addition was made to the RFP to ask the consultant to assess all 200 route miles of track for suitable sites for rail-served industrial and economic development.

### **RACP Resolution and Public Comment Session-Iron Town Commerce Center Project**

Mr. Stover stated that the RACP (Redevelopment Assistance Capital Project) Resolution is for the project in Danville, the Iron Town Commerce Center which is the former TRW plant, now owned by Miller Brothers LLC, which is an industrial properties real estate company and developer. Messrs. Herman, Dombroski, Stover and Fury met with Mr. Jim Miller and the Montour County Commissioners last week. Part of this process is that the Commissioners have to pass a resolution which they will do, but also need to touch base with the Borough of Danville. There is a resolution and some other documents which need to be signed authorizing the application. The grant is for \$750,000 to build a rail spur off the NSHR to the former TRW plant; Miller will provide virtually all of the match.

Attorney Schrack stated there are two documents which he has reviewed and are indemnification related. There are two documents that are going to be signed by the Authority and Montour County, but only one will be submitted in connection with the grant documents and that is a Cooperation Agreement. Under that, the County is obligated to indemnify, to pay back the Commonwealth for any ineligible costs. What the County wants from the JRA is a similar arrangement whereby the JRA will then indemnify the County if the County has to pay out of pocket ineligible costs.

***Dr. Spsychalski made a motion for the Board to approve the resolution authorizing the RACP application submission to DCED and to authorize the Chairman and Secretary to execute other related documents; Mr. Reitz seconded the motion; motion carried.***

### West Shore Salvage Bid

Mr. Stover reported that the Lewisburg Area Recreation Authority (LARA) is developing a rail-trail from Lewisburg to Mifflinburg. Part of the construction entails removal of the SR15 concrete grade crossing, signal cantilevers, and signal masts. The signal masts at the Fairground Road grade crossing are also being dismantled. LARA advertised for bids for this material that is being removed by their contractor and stockpiled nearby. They sought salvage bids for the material.

Staff submitted a seal bid of \$2,001 for this material. The JRA won the bid in competition with one other bidder. The LARA Board has not taken action to accept the JRA's bid because they were disappointed with the bids received and may reject the bids.

***Dr. Spychalski made a motion to ratify the JRA's salvage bid to the LARA in the amount of \$2,001; Mr. Hawbaker seconded the motion; motion carried.***

### NBER Main Track Upgrades

Mr. Stover reported that a joint committee meeting was held between the Property Management Committee and the Capital Budget Committee and there was lengthy discussion centered around the grinding of all the track but in particular the CWR.

Capital Budget Committee Chair Shaffer reported on the discussion held at the meeting.

Mr. Shaffer stated the primary topic of discussion was the rail grinding on the Nittany & Bald Eagle Main. Mr. Jannotti and Mr. Simcox were present at the meeting and indicated to the Board that the rail grinding needed to be done and should not be deferred. The question came down to the cost and how it was to be paid for. Mr. Jannotti had estimates in the range of \$365,000 to do the rail grinding. Mr. Shaffer continued by saying initially this goes back four years when the Board had agreed to split rail grinding activity 50/50 at that time, with the understanding that this was not to create a precedent for future rail grinding. The Authority's guidelines on track maintenance indicate that initial rail grinding was to be part of the capital costs of installing new rail and to the extent that was paid for by the Authority. Subsequent rail grinding was to be the responsibility of the Operator under his maintenance obligation. There was considerable discussion because on some of this rail the initial grinding was not done when it was installed. The rail grinding was completed in early 2007, so it was a question of does the Authority have any obligation to share in this expense. The opinion of some Board members and staff that the rail grinding in this instance should be shared 50/50 because that is what was originally done on the rail project four years ago; other members felt that it was 100% the responsibility of the Operator.

The current ratio of NS trackage rights revenue sharing is split 85% to the Operator, 15% to the Authority. Mr. Jannotti said the problem with the rail stems from two things – the movement of the heavy coal trains in one direction only and the rail grinding was not done correctly in 2007, taking into consideration that there is a new generation of higher capacity cars that have a different wheel configuration that may cause problems with the rail. The feeling was that since the Authority gets 15% and the Operator gets 85% of the revenue from the coal trains and since the coal trains were considered to be the culprit in this rail grinding issue, it was voted unanimously by the Committee to split the cost of the rail grinding on the same percentage as the revenue is split.

***Mr. Herman made a motion to approve the cost share arrangement of 85% Operator, 15% Joint Rail Authority for the rail grinding on the entire Nittany Bald Eagle line; Mr. Kramer seconded the motion.***

Mr. Fury stated that if you look at the railroad's maintenance expenditures over the last three to four years they have climbed significantly with this year being a record of approximately \$3.85 Million. The philosophy has been a partnership of which one of the ways of showing a good partnership was to put more work into the railroad than required. A lot of it was done to promote the partnership and because of that fair play, past history and practice of the Authority and the Operator as far as sharing expenses on large ticket items, contributed to the idea of splitting it 50/50, especially because both parties were caught in the whirlpool of a bad recommendation from Zeta Tech as to how to grind the rail. Mr. Fury further stated he thinks the Board should consider the fact that we may risk losing the extra work that gets done every year that is not required, the value of which far exceeds \$130,000 of savings for the Authority in one year. The Authority gets more than that back in extra work that is done on the track. There is more to this than a straight 85/15 split and one of the things that should come out of this is there needs to be some hard and fast discussion to what is going to be done with the asset management guidelines.

Mr. Shields stated a classical example is the JVRR. He encouraged anyone to walk the JVRR from Standard Steel up to the yard and look for a bad railroad tie. More money was spent on the JVRR that year than the revenue that was received. That same philosophy has been followed throughout these last three or four years when maintenance has been performed on each of the railroads.

Chairman Walls stated that Mr. Fury's commentary is appropriate for the record and he doesn't think Mr. Fury is asking to undo the Committee recommendation from this morning's meeting but just to point it out as a matter of concern.

Mr. Fury stated it is a matter of concern and thinks that Board members need to think about this and what the Authority stands to lose in morale and partnership with the railroad, but also the benefits that have been garnered over the last few years and a more robust maintenance program. What happens today will affect everything downstream.

Chairman Walls stated that the Authority needs to engage in a much more complete discussion about all the financial factors.

Mr. Hawbaker asked who ground the rail in 2007. Mr. Shaffer replied that there were certain sections of the Nittany & Bald Eagle that got new welded rail and in early 2007 it was felt that the rail needed to be ground, and in that same timeframe we were developing the Asset Guidelines as to what is capital and what is maintenance. The Board voted at the time to split this 50/50 because some of the rail was never ground. There was a proposal to split the cost 50/50 which resulted in discussion. The resolution was amended to say it would be done 50/50 but it sets no precedent for any future rail grinding. The consensus of the 85/15 split was that was the percentage of revenue split and it was felt it was a reasonable compromise for the rail grinding item.

Mr. Hawbaker asked if the Authority has looked at any potential action with Zeta Tech due to failure of a service.

Mr. Shields stated that some of the rail was installed in 2003, 2004, and 2005 and he remembers in 2007 being on an inspection trip at Martha's Furnace seeing the problem appearing on the curves. From 2007

until now, the problem has grown from those curves to all the curves and the tangent track as well. The rail installed was never ground as it is supposed to be. Rail is ground for two reasons – to take the scale off, a by-product of the manufacturing process of the rail, and to contour/profile the rail so it is suitable for the rail wheels, maximizing rail life.

Chairman Walls stated he thinks this need not change the proposed motion but it is something to be looked into with the Solicitor to see if there is cause of action there with Zeta Tech. It was not an adequate recommendation in retrospect.

Mr. Krentzman wanted to know what the Authority's relationship is with Zeta Tech and asked if there could be a friendly conversation to work out the issue amicably.

***Motion carried with Mr. Hawbaker, Mr. Krentzman and Mr. Reitz opposed.***

Mr. Shaffer stated another issue discussed at the meeting was the undercutting and ballast issue and this item has been tabled until July.

The third item discussed at the meeting was the Committee's approved change to the Capital Budget Plan for 2007-2012 dated May 11, 2011. Mr. Shaffer stated the change is reflected in the 2011 (new) column under Item 6 "purchase concrete panels (7 crossings)". An amount of \$29,600 should be added to this column. This will increase the yearly total to \$507,600.

The Committee has approved the changes and is recommending that the full Board approve the changes that have been presented.

Mr. Stover stated the TIGER II projects are incorporated into the Capital Budget and the key thing is the total proposed capital expenditure for these projects will be \$507,600 instead of the original \$800,000. The other major change is Item 2 which is Juniata Valley signal work related to the Street Running Track at South Main and Water Street.

Mr. Fury explained that the total project cost was estimated at \$409,000 to put in a new ADA curbing and new traffic signals. PennDOT increased its 130 money contribution to \$300,000 and Mr. Fury stated he was told that the Authority could pull money from this year's pot to reduce the remaining \$108,000 number down. Mr. Fury received an email from Mr. Shultz, District 2-0 Grade Crossing Administrator stating this can't be done so the remaining \$109,000 is the JRA's responsibility.

***Mr. Shaffer made a motion for the full Board to approve the revised Capital Budget Project dated May 11, 2011; Dr. Spsychalski seconded the motion; motion carried, with Mr. Hawbaker abstaining.***

## **COMMITTEE REPORTS**

### **Passenger Excursions Committee**

Committee Chair Spsychalski stated that the first excursion is scheduled for May 28 sponsored by the Roaring Creek and Catawissa Valley Historical Study Group and operating in conjunction with the Shamokin Anthracite Festival. Tickets are being sold and other related marketing events are being



undertaken. Work is being performed on the rolling stock equipment and should be in complete serviceable condition by the date of the excursion.

Mr. Shields stated he is waiting on Mr. Campbell's response as to some questions he had regarding specifics on the excursion so the railroad can put the operating plan together for May 28.

Chairman Walls asked if there is an opportunity to have some type of handout to inform the people on the excursion about the projects the Authority has in motion that would affect their area for positive economic development. Mr. Stover replied there is a one page handout that was used at the event in Ranshaw that may be appropriate.

### **PROPERTY MANAGEMENT COMMITTEE**

Committee Chair Kramer reported on the activities of the Property Management Committee.

Mr. Stover asked Mr. Fury if he wanted the Board to approve the two easements pending receipt of what is needed from the applicants since there may not be a June meeting

#### **Windstream KDL, Inc. Easement (JVRR)**

Mr. Fury stated that Windstream KDL, a fiber optics company, is seeking an easement for a line to cross the JVRR Main in Lewistown at South Wayne Street. It will be 31' from top rail and is in the public right-of-way so there is no easement charge. Application fee of \$525 has been assessed.

***Mr. Park made a motion for the full Board to approve the Windstream KDL, Inc. easement pending receipt of the \$525 application fee and all documentation ; Mr. Reitz seconded the motion; motion carried.***

#### **Shamokin Coal Township Joint Sewer Authority (SVRR)**

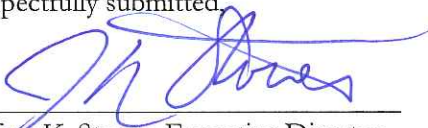
Mr. Fury stated that the Shamokin Coal Township Joint Sewer Authority is upgrading two sewer lines and one water line under Rock Street in Shamokin as part of a City upgrade. They will be putting in a new concrete crossing in the amount of \$54,000. There is no easement fee as it is in the public right-of-way. The \$525 application fee is being waived due to the value of the railroad crossing.

***Mr. Hawbaker made a motion for the full Board to approve the Shamokin Coal Township Joint Sewer Authority easement pending receipt of final documentation; Mr. Krentzman seconded the motion; motion carried.***

Mr. Reitz commented that in looking to the future in putting out all the TIGER II projects for bid which will take a consideration amount of staffs' time he felt it prudent to not have staff do the Rail Freight Seminar in the next two years or whatever the timetable is for the TIGER II projects.


Chairman Walls adjourned the meeting at 2:20 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 July 13, 2011.



Secretary/Assistant Secretary