



**SEDA-COG JOINT RAIL AUTHORITY MEETING
WEDNESDAY, OCTOBER 10, 2012
MIFFLIN COUNTY IDC OFFICES, LEWISTOWN, PA
12:30 P.M.**

**PRESERVING
RAIL FREIGHT
SERVICE**

serving the counties of

Centre

Clinton

Columbia

Lycoming

Mifflin

Montour

Northumberland

Union

AUTHORITY MEMBERS PRESENT

John Gummo, Clinton County
Scott Harvey, Lycoming County
Don Kramer, Clinton County
Michael Krentzman, Mifflin County
Rob Postal, Mifflin County
Dennis Reitz, Northumberland County
Frank Sawicki, Northumberland County
John Showers, Union County
John Spychalski, Centre County
Jerry Walls, Lycoming County
Eric Winslow, Union County

RAILROAD OPERATOR FOR JRA

Todd Hunter
Gary Shields
Jeb Stotter
Diana Williams
Richard Wilson, Esquire

GUESTS PRESENT

Jim Bowers, CPA, Bowers & Company
Allen Bubbs, NRHS
Steve Campbell, Roaring Creek & Catawissa Valley Historical Study Group
Tom Canich, Bellefonte Historical Railroad Society
Mark Murawski, Lycoming County Planning
Don Purcell, Penn Valley Railroad, LLC
Andrew Richards, Bellefonte Historical Railroad Society
Dennis Shaffer, Reading and Northern Railroad

LEGAL COUNSEL PRESENT

Tom Schrack, Esq., McQuaide Blasko Law Offices

JRA STAFF PRESENT

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

JRA CONSULTING PROFESSIONALS PRESENT

Dan Mazur, Operating Agreement Consultant

**SEDA-COG JOINT
RAIL AUTHORITY**

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Affiliated with
SEDA Council of Governments

SEDA-COG STAFF

Steve Kusheloff, 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.

ADMINISTRATIVE ITEMS

Public Forum

Mr. Campbell stated that the Roaring Creek & Catawissa Valley Historical Study Group has two passenger excursion rides scheduled for Saturday, October 13th; the tickets for both rides have been sold out.

Mr. Richards stated that the Bellefonte Historical Railroad Society has rides scheduled for October 20th and 21st and all tickets have been sold out. Mr. Richards offered special thanks to the operator for their assistance in doing a preliminary track inspection on the BHRS's track in Lemont. Thanks also to the JRA for their support in making arrangements for Mr. Jannotti to inspect the track.

Approval of the September 12, 2012 Meeting Minutes

Dr. Spsychalski made a motion to approve the September 12, 2012 meeting minutes; Mr. Reitz seconded the motion; motion carried.

Approval of the September 7, 2012 Special Meeting Minutes

Dr. Spsychalski made a motion to approve the September 7, 2012 special meeting minutes; Mr. Sawicki seconded the motion.

Dr. Spsychalski asked that Attorney Schrack provide some information on the special meeting minutes. Attorney Schrack stated that approval of these minutes had been tabled at the September meeting because the minutes needed to be updated. Mr. Stover said the minutes referred to some environmental conditions on the property that the Authority does not own. Chairman Walls stated that this could have caused some ramifications for the other property owners.

Dr. Spsychalski referred to page 4 of the meeting minutes whereby a motion was made and seconded, but was not acted upon. The motion was not withdrawn by the maker with the approval of the one who seconded the motion, nor was it later brought forward to become an amendment to what became another motion shown on page 5 of the minutes. Dr. Spsychalski suggested that the minutes be

amended to delete the motion not acted upon. Chairman Walls stated that an administrative annotation could be made that the later motion superseded the earlier motion.

Dr. Spsychalski amended his motion to approve the September 7, 2012 special meeting minutes with the correction as noted above; Mr. Sawicki seconded the motion.

The following will be added to page 5 of the September 7, 2012 special meeting minutes before the roll call vote: "This motion superseded the prior motion made by Mr. Sawicki".

Motion carried.

Treasurer's Report

Mr. Harvey presented the Treasurer's Report for the month of September 2012 as well as the JRA's loan summary.

Mr. Kramer made a motion to approve the Treasurer's Report for the month of September 2012; Dr. Spsychalski seconded the motion; motion carried.

Events Calendar/Staff Report

Mr. Stover presented the events calendar for October/November and Projects Status and Staff Report.

Mr. Stover stated that staff is closely monitoring the status of the CP Sunbury line. The JRA and Operator have a formal agreement for direct access to CP at Sunbury and also a haulage arrangement through Enola. The JRA needs to be prepared to formally respond to the Surface Transportation Board (STB) in order to protect access, both direct and haulage, with CP and, if necessary, to engage the services of Attorney Keith O'Brien for any filings.

Dr. Spsychalski made a motion for the full Board to approve authorization to the Executive Director and legal team, if needed, to file with the Surface Transportation Board in order to protect the existing access rights with Canadian Pacific for the SEDA-COG Joint Rail Authority and the Operator; Mr. Sawicki seconded the motion; motion carried.

Operator's Status Report and Business Forecast

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

Mr. Hunter shared that construction has started on a large sand transload facility on property owned by South Avis Realty. The facility should be completed by December 1.

Responses to Questions Regarding Operator's Audit

Mr. Bowers presented a report on the Operator's Audit for the year ending December 31, 2011. He also responded to questions raised by some Board members. Mr. Bowers stated that the new

reporting entity this year is the Susquehanna Union Railroad Company. The financial statements of the Operator are of the consolidated subsidiary, with Susquehanna Union being the new reporting entity whereas in the past it was of the North Shore Railroad Company combined. The audit report is of the Susquehanna Union Railroad Company and subsidiaries and was completed on April 17, 2012. Mr. Bowers stated the financial statements were presented in accordance with generally accepted accounting principles for the railroad business.

Mr. Bowers reported that the financial statement of Susquehanna Union Railroad Company and its subsidiaries is very strong. The company has \$6.6 million of consolidated current assets with \$1.5 million of consolidated current liabilities with approximately \$5 million working capital. The company has approximately \$6.8 million in equity. The company is in very solid condition with 75% of its assets in the form of equity.

For the 2011 year, from an operating perspective, revenues increased \$1.5 million from 2010-2011, and expenses increased over \$2 million. Profits were down to \$2.2 million versus \$3 million in the prior year. All of the expenses were consistent from year to year with the big increase being in the transportation area primarily in the form of fuel. From a cash flow perspective, cash flow from operating activities was \$1.6 million versus \$4 million in the prior year; this primarily relates to income tax. The income tax was deferred from 2010-2011. The Operator purchased over \$1 million in equipment and cash at the end of the year was \$3.3 million.

One item of interest is the fact that there is \$473,000 of 45G credits carried forward that expired January 1, 2012. There is hope that Congress will renew them for 2012-2013.

Chairman Walls wondered why the 2011 retained earnings versus 2010 shows a \$3 million increase and asked for clarification. Mr. Bowers asked if this is for the \$4.9 million going to \$7.6 million and replied that this consists of the addition for the earnings for the year.

Dr. Spychalski replied retained earnings at the end of the year of \$6.7 million versus \$7.6 million has to do with payments of dividends paid by the Susquehanna Union Railroad Company to which Mr. Bowers replied that is correct. Dr. Spychalski stated that excess of dividends paid over reported net income for 2011 resulted in a reduction in retained earnings end of year balance.

Chairman Walls asked why there was an increase in retained earnings to which Mr. Bowers replied it was a decision of the Board of Directors to distribute dividends to the owners of Susquehanna Union Railroad Company.

Mr. Reitz stated there is a notable increase in the operating revenues under the category "other" for 2011 versus 2010 and asked for clarification. Ms. Williams stated the majority of the increase (90%) is due to flood reimbursement, flagging charges invoiced and installation of signal crossings. Ms. Williams provided a handout to Board members prepared by Attorney Wilson which addressed questions posed by Board members regarding the audit.

Chairman Walls called for an executive session at 1:26 p.m.

Chairman Walls reconvened the regular meeting at 2:46 p.m.

Legal Issues

Attorney Schrack reported the executive session covered a portion of what was a previous item on the agenda with the response to questions regarding the operator's audit. A portion of the legal issue section was also handled in the executive session. No formal action was taken, but discussion involved the pending litigation involving Union County Industrial Railroad in Union County. The Authority also had early stage discussion regarding possible acquisition of property.

OLD BUSINESS

TIGER II Status and Action Items

Mr. Stover reviewed the status of TIGER II tasks that were listed on the agenda grid as well as the updated TIGER II budget included in the meeting packet.

Mr. Stover stated that at the September 12th JRA meeting, authorization was given to award the Point Township and Jubelirer bids up to a total of \$900,000. Twelve bids for the Point Township project were received on September 14th. Low bid was \$610,910.00. Nine bids for the Jubelirer/Vail projects were received on September 14th. The low bid was \$571,151.00. The total of the two bids is \$1,182,000.00. Mr. Jannotti recommends that all bids be rejected by motion of the Board and allow him to rebid it in December for a January award. Mr. Jannotti is going to review the scope of work to possibly refine it to possibly reduce the total project cost.

At the November 14th Board meeting, members will see bid results that will be received on October 25th for the washouts on the White Deer Bridge. Mr. Conrad put together those bid specifications as a separate bid package from the bridge bid going out later in November for the White Deer Bridge and Bellefonte Bridge. Board members won't see the bids for the Vail Project or Point Township until the January 2013 meeting.

Mr. Reitz made a motion that the full Board reject the bids received for the Point Township and Jubelirer/Vail projects and authorize a rebid in December 2012 for a January 2013 award; Mr. Harvey seconded the motion; motion carried.

South Avis Access Road

Mr. Stover reported that South Avis Realty has made a written offer to Mr. Munro for the road right-of-way. As of now, no response has been received. A meeting is tentatively scheduled for the week of October 15th.

Bridge Engineer's Report

A copy of the Bridge Engineer's Report of various project updates was provided as a handout to Board members.

Loyalsock Creek Bridge

An update on the Loyalsock Creek Bridge project was provided in the Bridge Engineer's Report. Mr. Stover stated that the first release of the PIB loan funds to the JRA (through Lycoming County) is expected later this month.

COMMITTEE REPORTS

Passenger Excursion Committee

Committee Chair Spychalski reported that the next set of upcoming excursions:

- Saturday, October 13, sponsored by the Roaring Creek & Catawissa Valley Historical Study Group – two fall foliage runs out of the Catawissa Legion to Northumberland.
- Saturday, October 20 and Sunday, October 21, sponsored by the Bellefonte Historical Railroad Society – three fall foliage runs out of Bellefonte on Saturday, one each to Pleasant Gap, Lemont, and Sayers Dam, respectively, and one fall foliage run on Sunday to Tyrone.
- Friday, October 26, Saturday, October 27, and Sunday, October 28, sponsored by the Williamsport-Lycoming County Visitors Bureau – Halloween theme runs, two on Friday, and three each on Saturday and Sunday, out of the Maynard Street, Williamsport location.

Dr. Spychalski stated that, at the last Board meeting, Mr. Allen Bubb presented two letters requesting consideration of proposals for two different excursion activities. The first proposal was for an excursion on the North Shore Railroad between Northumberland and Bloomsburg on November 9, 2013, with the theme of honoring active military personnel and military service veterans. The second proposal was for a "photo freight" on the Shamokin Valley Railroad between Sunbury and Mt. Carmel.

Both of Mr. Bubb's proposals were passed on to the staff of the North Shore Railroad for their review. Dr. Spychalski commented that an excursion dedicated to recognition of military personnel, if marketed and otherwise managed effectively, would have potential for offering positive PR and community relations benefits for the North Shore Railroad, the JRA and Penn Valley Railroad LLC. As for Mr. Bubb's "photo freight" proposal, Dr. Spychalski explained that it is a non-passenger carrying event. As such, it is outside the province of the passenger service agreement that exists between the JRA, the North Shore Railroad, and Penn Valley Railroad LLC. This means that Mr. Bubb will have to confer with staff of the North Shore Railroad for that proposal.

Hepburn Street Parking Area

Mr. Stover reported that the Lycoming County Commissioners are willing to lease that de facto parking area contingent upon a maintenance agreement with the City of Williamsport. Mr. Murawski stated that Lycoming County wants to work on a schedule with the JRA to get the parking lot improvements finished so it is resolved before the Loyalsock Creek Bridge opens.

Mr. Krentzman made a motion for the full board to authorize execution of the JRA standard lease with the County Commissioners of Lycoming County for the Newberry lot; Mr. Kramer seconded the motion; motion carried.

Rent Schedule

Mr. Fury referenced a revised "Rent Schedule-Discussion Points" document that was distributed to board members. Mr. Fury asked that board members review this for adoption at the November meeting.

Dr. Sychalski asked that a copy of the amended September 7th Special Meeting Minutes be distributed to Board members.

Chairman Walls adjourned the meeting at 3:15 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 November 14, 2012.



Secretary/Assistant Secretary