



SEDA-COG JOINT RAIL AUTHORITY MEETING
WEDNESDAY, SEPTEMBER 10, 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

AUTHORITY MEMBERS

Stephen Bridy, Northumberland County
Frank Dombroski, Montour County
Russ Graham, Centre County (via speaker phone)
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

Greg Kerstetter, General Manager, JVRR
Gary Shields, President
Jeb Stotter, Vice-President
Diana Williams, Treasurer/Controller

GUESTS

Al Bubbs, NRHS
Steve Campbell, Roaring Creek & Catawissa Valley Historical Study Group
Mark Murawski, Lycoming County Planning Commission
Allen Neely, Esq., McQuaide Blasko Law Offices (via speaker phone)
Andrew Richards, Bellefonte Historical Railroad Society
Dennis Shaffer, Reading & Northern Railroad

LEGAL COUNSEL

Tom Schrack, Esq., McQuaide Blasko Law Offices

JRA CONSULTING PROFESSIONALS PRESENT

Dan Mazur, Operating Agreement Consultant

JRA STAFF

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

**SEDA-COG JOINT
RAIL AUTHORITY**

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Affiliated with
SEDA Council of Governments

CALL TO ORDER

Call to Order

Chairman Walls called the meeting to order at 12:32 p.m.

Pledge of Allegiance

Chairman Walls led the Pledge of Allegiance.

ADMINISTRATIVE ITEMS

Public Forum

Mr. Bubb circulated a booklet from the Reading Company Technical and Historical Society that contained an article entitled "Trackside in Sunbury".

Mr. Shaffer stated that there has been some email correspondence in the last 30 days between Reading & Northern Railroad and the Rail Authority raising some important issues regarding the RFP process. He extended an offer that he and Mr. Wayne Michel, President of Reading & Northern Railroad would be happy to meet with the Board in proper form to discuss this. He stated it is not the intent of Reading & Northern Railroad to have this escalate into any kind of dispute, but think it is important to get these issues on the table.

Chairman Walls thanked Mr. Shaffer for his offer to meet.

Approval of the August 13, 2014 Meeting Minutes

Dr. Spychalski made a motion to approve the August 13, 2014 meeting minutes; Mr. Herman seconded the motion.

Mr. Harvey noted a minor correction on Page 13 of the packet (page 8 of the minutes) in that the motion for recusal of select board members from RFP process review stated that Mr. Krentzman abstained. Mr. Krentzman was not present at the meeting; therefore, the minutes need to delete that Mr. Krentzman abstained from the motion.

Dr. Spychalski and Mr. Herman both agreed to accept the minutes with the correction as noted above; motion carried.

Treasurer's Report

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

Mr. Winslow made a motion to accept the Treasurer's Report for the month of August 2014 and file for audit; Mr. Purcell seconded the motion; motion carried.

Events Calendar/Staff Report

Mr. Stover presented the events calendar for September/October and Staff Report.

Operator's Status Report and Business Forecast

Mr. Shields introduced Greg Kerstetter and stated that Mr. Kerstetter is the General Manager of the Juniata Valley Railroad (JVRR). The JVRR was the recipient of the Northern Region Operating Award from the Norfolk Southern Operating Department.

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

Ms. Williams noted that the July operating fee letter did not show any trackage rights revenue but August will show some revenue.

Chairman Walls asked that if any Board member, staff or visitors intended to record any part of the meeting, they should notify the Chairman or the Executive Director. All guests were reminded to sign in on the "Guest Sign In" form located out in the lobby.

OLD BUSINESS

TIGER II Status and Action Items

Mr. Stover reviewed the updated TIGER II budget that was distributed at the meeting.

Bridge Engineer's Report

Board members were provided with the Bridge Engineer's report and the project summary budget. Mr. Conrad was not in attendance at this meeting so Mr. Fury provided an update on the Loyalsock Creek Bridge, Talleyrand Bridge Rehabilitation, the LVRR Washout Repairs and the RTAP bridges.

NBER Bellefonte Branch New Rail – Gauging

Mr. Stover stated that CTW has completed the installation of over 7,000 feet of new 115RE head-hardened rail on the NBER's Bellefonte Branch. This rail replaces the badly worn, battered and "mushroomed" 130PS rail. Most of the rail replaced was on the high (outside) side of the curve, but some replacements were done on the low (inside) side where the rail was especially deficient. This has resulted in 2,923 feet of track where the gauge is over 57", but still within FRA specification. It is now important to correct this.

Mr. Jannotti recommends the track sections (2,923 feet total) where the gauging is not to JRA standard be regauged to 57". This standard is appropriate gauge for the track curvature at those locations. Mr. Jannotti secured three prices for this work: CTW (the rail contractor on site), K.W. Reese and G. W. Peoples. The results of this pricing are as follows:

1. G.W. Peoples - \$4.80 per foot
2. K.W. Reese - \$6.00 per foot
3. CTW - \$9.25 per foot

The lowest cost is from G.W. Peoples totaling \$14,030.40.

The NBER has agreed to participate at the same percentage rate as they did for the overall project; they will contribute \$2,300.

Dr. Spychalski asked if the agreement with CTW has any specification about the gauge maintenance. Mr. Fury stated there was a line item, but not for this quantity of regauging.

Dr. Spychalski made a motion for the Board to approve G.W. Peoples' gauging proposal of \$4.80 per foot for 2,923 feet of rail at a total cost of \$14,030.40; Mr. Herman seconded the motion; motion carried.

JVRR North Yards Brush Cutting/Surveying

Mr. Fury stated that a pre-bid meeting was held on September 2nd at Burnham to review the specifications to brush cut the 20 acre North Yards. Vassallo Engineering will reset the boundary pins for the site and determine exact acreage to be cleared. Bids are due November 7th and will be presented at the November JRA Board meeting. This is an informational item only; no action needed.

LVRN NuWeld Bid Award for RTAP

Mr. Stover stated that this item was originally presented on the agenda grid as an action item, but no action will be taken at this meeting. Mr. Stover stated this was a grant submitted by Lycoming County on behalf of NuWeld which will be rehabilitating their existing siding in Newberry. The JRA is part of a Memorandum of Understanding (MOU) with those two entities. The County had originally asked the JRA to manage the project to the extent that the Authority would be handling the money. Since the County is the grantee, the money needs to go through the County accounts. NuWeld did bid the job out so a change has been negotiated with the County solicitor to modify the MOU to allow the County to recognize that NuWeld bid the job out and it can be awarded on that basis. The JRA's role is somewhat diminished; Mr. Jannotti will be doing the billing and interaction with PennDOT. This is an informational item only, but action may need to be taken on an amended MOU.

Attorney Schrack stated that the existing MOU for NuWeld, JRA, and Lycoming County provides that the JRA is going to be awarding the bid. The MOU needs to be changed to reflect that it is going to be NuWeld awarding the bid and that the County will accept NuWeld's competitive bidding process as a basis for funding the project. The amendment is in the process of being prepared.

Mr. Bridy made a motion for the Board to authorize the Chairman to sign the amended MOU subject to negotiation and review by Attorney Schrack; Mr. Jones seconded the motion; motion carried.

Mr. Murawski stated that Lycoming County will act on the amended MOU and awarding the contract to K.W. Reese, the low bidder, at their September 18th meeting.

Disposition of 2009 Ford Taurus

Mr. Stover stated that bids for the sale of the 2009 Ford Taurus were due on September 8th.

Four bids were received with Tina Showers being the high bidder.

1. Tina Showers: \$4,262.00
2. Joseph Gresavage: \$3,500.00
3. Cody Richard: \$2,500.00
4. Chris Hannon: \$1,611.77.

Mr. Herman made a motion for the Board to approve the sale of the 2009 Ford Taurus to Tina Showers for the bid amount of \$4,262.00; Mr. Bridy seconded the motion; motion carried.

Consideration of New Vehicle Purchase

Mr. Stover stated that the bid solicitation for purchase of a used 2013 or 2014 Ford Taurus with less than 15,000 miles resulted in two bids:

- Lake Ford: \$23,500.00 (2013 Ford Taurus with 2,100 miles)
- Sunbury Motors: \$25,777.00 (2014 Ford Taurus)

Mr. Park made a motion for the Board to award the purchase of a 2013 Ford Taurus to Lake Ford in the amount of \$23,500.00; Mr. Showers seconded the motion; motion carried, with Mr. Postal abstaining. (Reason for Abstention: owner of Lake Ford is on Mr. Postal's Board of Directors).

Mr. Herman asked if the Authority ever set a mileage rate for liquidating a vehicle. Mr. Stover stated that it was usually 100,000 miles. The 2009 Taurus had 130,000 miles on it and has been a good vehicle. Mr. Herman recommended that the Board set a higher mileage level to 140,000-150,000 miles.

Mr. Winslow stated this should be a management decision.

NEW BUSINESS

Consideration of 2014-2015 Staff Services Agreement

Mr. Stover stated that the JRA is in the final year of the three-year Staff Services Agreement. A provision in that agreement is that the Board of Directors reviews the annual budget. The program year runs from October 1 to September 30. In 2013-2014, the cost for staff services was \$343,808. This year it is proposed to be \$362,000.

A budget sheet comparing the current year to the proposed year (starting October 1) was provided in the meeting packet. The budget proposed to increase Ms. Aikey's allocation to the JRA to 55% from 50%. Also, the cost allocation for space increased due to the major HVAC system (\$400K+) that was installed this year. The increase for computer support was due to prior years being below actual cost.

Mr. Harvey made a motion for the Board to accept the 2014-2015 Staff Services Budget in the amount of \$362,315; Mr. Postal seconded the motion; motion carried.

Rail Transportation Assistance Program (RTAP)

Mr. Stover reviewed the handout entitled "Potential RTAP Projects – Proposed Line Items – September 2014" which was provided to Board members. He stated that the General Assembly is putting together a capital budget which will allow various entities to add line items. The handout is a rough list of potential line items put together by staff, the operator, Mr. Jannotti and Mr. Conrad. These lines items are grouped together by type.

Mr. Murawski stated that Lycoming County is going to submit a capital budget request to extend the rail line into the Timber Run Industrial Park. The County will be making a \$5MM request.

Dr. Spychalski made a motion for the Board to authorize staff to develop a RTAP submittal as generally described in the handout for consideration by the General Assembly; Mr. Park seconded the motion; motion carried.

Mr. Harvey asked when the JRA would need to commit funds. Mr. Stover replied that when the opportunity opens to apply for a RTAP grant, the application would be for the highest priority project at that time. Further, no proposed application would be recommended if the local share was not sustainable through JRA resources.

COMMITTEE REPORTS

Passenger Excursions Committee

Dr. Spychalski referred to the upcoming passenger excursions scheduled for October. He also referred to the accounting report of the passenger excursions through August 2014.

Dr. Spychalski stated that he received an email from Mr. Pontius of Penn Valley Railroad informing him that work is being done on the caboos featuring new wheel sets, new wheel bearings, brake shoes, and various other work. When the work is completed it will be inspected by representatives of the Strasburg Rail Road. They will also perform inspections and initial tests on three other passenger excursion cars.

Dr. Spychalski stated that the Passenger Excursions Committee will meet sometime before the end of the year.

LEGAL

RFP Scoring Process

Mr. Graham joined the meeting via speaker phone at 2:00 p.m.

Attorney Schrack stated that there are a few Board members, as well as Mr. Fury, who have abstained from participation in the Phase I scoring process.

Mr. Fury and the Board members who recused themselves from the RFP scoring process were excused from the Board meeting room.

Documentation regarding the Phase I scoring results was distributed to the remaining scoring Board members.

Attorney Schrack stated that each of the ten individual scoring Board members have independently conducted scoring of all of the responses that were submitted in Phase I, and they did so in accordance with a scoring criteria that is set forth in the RFP document. There are 20 points assigned to three categories in the RFP, and there is a separate fourth category that may result in a discretionary deduction of points. Board members conducted the scoring in accordance with this methodology and submitted their total scores out of 60 for each response to Mr. Stover.

Before the scoring was conducted by the scoring Board members, Mr. Stover and Attorney Schrack noticed a possible open question concerning how the actual top three scorers were going to be determined. The RFP states that the proposers with the three highest scores out of 60 points would move forward to Phase II. In an attempt to address this, a clarification to the RFP was prepared for the Board's consideration that would not add a separate step in or to otherwise modify the individual Board scoring criteria, but would instead clarify how these top three scorers would be determined based on the 60 point scale. That written clarification was included in each Board member's packet. This provides that each scoring Board member would score based on 60, as provided in the RFP, and submit the scoring to Mr. Stover, who would then rank the five responses submitted by each Board member in accordance with the highest to lowest raw scores, which would then translate into a ranking score of first place-five points, second place-four points, third place-three points, etc. Mr. Stover would then compile all of those ranking scores to determine the top three-ranked responses.

Mr. Stover sent an email to the respondents notifying them of this proposed clarification that would be presented to the Board at their meeting. One respondent questioned that in an email response and said that the JRA should not be taking this action on its RFP. Therefore, in a continuing effort to promote transparency and openness, it was decided to provide all Board members with two scores – the ranking score under the proposed clarification and the raw total numeric score.

The ranking system showed scores of 43, 43, 23, 22 and 22. Under the raw numeric scoring, there are scores of 532, 516, 437, 437, and 396. Under the raw numeric scoring there was a tie for third place. The RFP states that the top three scorers will move forward, but in the event of a tie, there may be more. Under the raw numeric scoring, there were actually four that would move forward into Phase II as there was a tie for third place. Under the ranking scoring, Carload Express and North Shore were tied with 43 points; Stonepeak had 23 points; Genesee & Wyoming and Reading & Northern had 22 points. Under the raw numeric scoring, Carload Express had 532 points, North Shore had 516 points, Stonepeak and Genesee & Wyoming were tied at 437 points, and Reading & Northern had 396 points. The question posed to the Board was how the Board wanted to proceed based on the two alternate scoring formulas given.

Chairman Walls asked for additional guidance from Attorney Schrack. Attorney Schrack then stated that under the raw numeric scoring it would be advisable to move four of the respondents forward to Phase II of the process, because there is a tie for third. He stated that under the

ranking system, there are three top places. He stated that the determination of how to proceed was for the scoring Board to make.

Mr. Gummo then requested an executive session, but Chairman Walls stated that in order to go into executive session, there needs to be a legal basis. This process has been deliberately conducted as an open publicly accountable process so before a decision is made to go into executive session, the Executive Director, Solicitor and Consultant need to complete any other for the record advice that needs to be provided.

Mr. Herman stated not to favor anyone. He doesn't know how three companies can be picked out and let only three companies bid. He stated that he is not favoring anyone.

Attorney Schrack stated that a motion needs to be made to take action on the scores and the motion should set forth how many proposers the Board wants to move forward based on which scoring approach. He stated that there does not appear to be any basis for executive session on this topic.

Mr. Stover stated this process is being done in two stages and any shortline operator could submit a proposal at the beginning of Phase 1. Chairman Walls stated this process was widely advertised. Mr. Stover said every scoring Board member did their own scoring and it was not done as a group effort.

Mr. Bridy stated his recollection, based on his attendance at Operating Agreement Committee meetings, was that the top three scorers, regardless if there is a tie, would move forward to Phase II.

Attorney Schrack stated under the ranking score approach, there are two with 43 points tied for first, and one that is third with 23 points. Under the raw numeric score there is a tie for third, which would include four proposers.

Attorney Schrack then read the following language from the RFP: "The proposers receiving the top three scores, which may in the event of a tie, be more than three proposers".

Based on that, Dr. Sychalski made a motion for the Board to seek second stage proposals under the raw numeric system from the top four scoring proposals; Mr. Postal seconded the motion.

Chairman Walls clarified that this motion meant that given the tie in the numeric scores, as per the approved RFP, a total of four companies would be invited to continue with the process. Mr. Stover added the numeric scores as per the RFP were: Carload Express at 532, North Shore at 516, and the tie at 437 for Genesee & Wyoming and Stonepeak.

Mr. Herman then stated that this is not solving a problem and he doesn't agree with it.

Chairman Walls stated there is a lot of work and time involved to go inspect the railroads of the finalists.

A roll call vote was then taken:

Mr. Showers: Yes	Mr. Purcell: No
Mr. Bridy: Yes	Mr. Gummo: No
Mr. Herman: No	Mr. Postal: Yes
Dr. Spsychalski: Yes	Mr. Graham: Yes
Mr. Dombroski: Yes	Mr. Walls: Yes

Of the ten scoring Board members, seven voted in favor of the motion and three voted against the motion.

The Executive Director will send a certified letter to all of the respondents.

Mr. Stover stated that a date for submittal of Phase II proposals needed to be made. The end of February was discussed.

Mr. Bridy made a motion for the Board to establish February 27, 2015 as the submittal deadline for the Phase II proposals; Mr. Showers seconded the motion; motion carried.

At this time, the other Board members were invited back into the room.

Chairman Walls stated that by a vote of 7-3, the scoring Board members voted to invite four of the railroad companies to continue into Phase II: Catload Express, Genesee & Wyoming, North Shore and Stonepeak. The motion to submit the Phase II proposals by February 27, 2015 was unanimous.

Legal issues were moved until after the Operating Agreement Consultant Report.

Operating Agreement Consultant Report

Mr. Dan Mazur presented the Operator's 2nd Quarter Performance Report via Power Point.

Second Quarter 2014 Transportation Expense Ratio

- Target: About 43%
- Results for second quarter 2014
 - Well above Target
 - Lower than second quarter 2013
 - Lower than second quarter 2014 budget
- Results for 2014 YTD
 - Well above Target
 - Higher than 2013 YTD
 - Higher than 2014 Budget

Second Quarter 2014 Maintenance of Way Ratio

- Target: About 21%
- Results for second quarter 2014
 - Well above Target, second quarter 2013, and second quarter 2014 Budget
- Results for 2014 YTD
 - Well above Target, 2013 YTD, and 2014 YTD Budget
- Despite lower revenues, Operator continued to spend money on track maintenance

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

Attorney Allen Neely joined via speaker phone at 2:31 p.m.

Attorney Schrack stated that there is one item for public discussion and three items to be discussed in executive session: Munro Eminent Domain, Vossloh, and Eschbach.

Legal Issues

Shamokin Township PUC Letter:

Mr. Fury stated that Shamokin Township, near Paxinos, wants to abandon Rose Road which comes down from Shamrock Road, crosses the railroad and enters onto Shamrock in two locations. Located on Shamrock Road is a scrap dealer (Stone Road). The Township wants to abandon the road which means the crossing will need to be closed. The Township requested the JRA send a letter supporting the closure of the road for the PUC application. Attorney Schrack has drafted a letter supporting the closure of that road for the PUC application.

The letter reads as follows to Mr. James Bathgate, Attorney of Wiest, Muolo, Noon, Swinehart & Bathgate: "The SEDA-COG Joint Rail Authority Board concurs with the application of Shamokin Township for the removal of the railroad crossing on Rose Road (T-768) in the Township. Pursuant to Board action taken at its regular meeting on September 10, the Authority has agreed to assume responsibility for all costs associated with the removal of the crossing. I would be happy to discuss this matter with you."

Mr. Purcell made a motion for the Board to approve the letter of support for Shamokin Township for the removal of crossing on Rose Road; Dr. Spsychalski seconded the motion; motion carried.

Mr. Postal asked if there is any future use of that crossing. Mr. Fury stated that removal of the crossing allows future use by putting in a side track.

Attorney Schrack suggested an executive session to discuss two pending litigation matters and to continue into confidential information discussion from the Operating Agreement Consultant.

Chairman Walls recessed the Board meeting at 2:42 p.m.

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

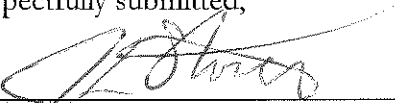
Attorney Schrack noted that there was a question under the Bylaws as to whether the earlier vote on the RFP scoring was sufficient to carry the motion. The Board considered the possibility of holding a special meeting to further review the vote and address the RFP scoring.

Dr. Spsychalski made a motion for the Board to hold a special meeting at a date to be confirmed by the Executive Director in touch with all Board members for consideration of how to move forward; Mr. Herman seconded the motion; motion carried.

Mr. Harvey said he would want to reconsider his recusal if the decision criteria for the RFP is changed and would like to be notified if the RFP decision criteria is changed.

Chairman Walls adjourned the meeting at 3:12 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 October 8, 2014.



Secretary/Assistant Secretary