

**MINUTES OF THE OHIO RAIL DEVELOPMENT COMMISSION  
REGULAR BI-MONTHLY MEETING  
SEPTEMBER 11, 2008**

**CALL TO ORDER**

The meeting of the Ohio Rail Development Commission was called to order by Chairwoman Jolene M. Molitoris at 10:05 a.m. on Thursday, September 11, 2008.

**MEMBERS PRESENT**

Chairwoman Molitoris asked Megan McClory to call the roll. Members present included: Chairwoman Jolene Molitoris, Commissioners Tom McOwen, Solomon Jackson, Herk Wolfe, Larry Sowers, Director James Beasley, William Murdock, Barbara Bennett, Senator Larry Mumper, Emily McBane for Representative Robert Hagan; and William Lozier. Members absent were Senator Capri Cafaro and Representative Larry Flower. There were nine voting members present.

**INTRODUCTION OF WILLIAM LOZIER, NEW ORDC COMMISSIONER**

Chairwoman Molitoris introduced William Lozier, Deputy Engineer for the Licking County Engineer's office, and welcomed him to the commission. She stated that he has worked for the Ohio Rail Transportation Authority and as Deputy Director of Highway Operations for ODOT.

**APPROVAL OF THE MINUTES OF THE JULY MEETING**

Chairwoman Molitoris asked for a motion to approve the minutes of the July 10, 2008 meeting. Commissioner Wolfe moved to approve the minutes and Commissioner Bennett seconded the motion. Roll call was taken. The minutes were approved as presented with nine votes in the affirmative.

**ACKNOWLEDGEMENT OF SEPTEMBER 11, 2001**

Chairwoman Molitoris stated this is a day of heartfelt remembrance for all of the people who lost their lives in the planes, buildings and the rescue teams on September 11, 2001. She asked for a moment of silence to remember that day.

**EXECUTIVE DIRECTOR'S REPORT**

Executive Director Matthew Dietrich presented his Executive Director's report, which is found on page 9 of the commission packet.

Director Dietrich reported that ORDC has provided multiple presentations to the 21<sup>st</sup> Century Transportation Priorities Task Force and its subcommittees, as well as participating in the state agency forums.

Director Dietrich stated ORDC has been in discussions with ODOT's District 2 on the CSX National Gateway project and the highway infrastructure needs associated with the North Baltimore Intermodal Yard.

Director Dietrich commented on the bi-partisan Jobs Stimulus package. The logistics portion is planned at a total of \$100 million dollars, \$50 million in the first year and \$25 million in the 2<sup>nd</sup> and 3<sup>rd</sup> years. Funding approvals will go through established procedures at the Development Financing Advisory Council and the State Controlling Board. ORDC staff is actively working with partners to develop the application and scoring criteria.

Director Dietrich stated that ORDC is working on a Memorandum of Understanding with ODOT to pledge ORDC loan repayment revenues toward enterprise bond fund awards to railroad projects. We expect to be able to loan between \$20 and \$25 million dollars. A personal thanks goes to Senator Mumper, who helped get this project off the ground.

Director Dietrich reported staff has identified potential routes for the Amtrak 3-C Service and is developing a contract with Amtrak for their feasibility study. Don Damron deserves extra credit for all the hard work done on this project. From a financial standpoint, it looks like other states' sponsored trains are using Amtrak equipment. Amtrak stated they are in the low 60's as far as the number of wrecked cars that can be rehabilitated. There is a race between states to secure those cars but there are concerns Amtrak might not even lease them to states. ORDC may need to be creative with cars.

Director Dietrich spoke about the Diesel Emissions Reduction Grant program. Of the ten applications that were funded, railroads received five: two to the Indiana and Ohio, one to the Cleveland Works Railway, one to Wheeling & Lake Erie Railway and one to R.J. Corman. The ORDC served as the public agency sponsor for the applications and will be involved in project execution. There is a meeting at the end of the month with the Federal Highway Administration to discuss contract requirements and eligible costs.

Director Dietrich reports staff and the Chairwoman received AASHTO ballots in support of the short line tax credit. The Commission supported this since inception, and ballots are due Friday, so staff will be processing this quickly.

Chairwoman Molitoris stated we are learning through the 21<sup>st</sup> Century Task Force that partnerships are a crucial ingredient to our future success in our business and in our country. One of these things the Commission has not done enough of is to really feature the partnership with ODOT. Last night the United States Senate approved a temporary fix for the Highway Trust Fund. This Commission is an independent body in partnership with ODOT. Director Beasley is modest and does not talk about the things he does everyday at ODOT that help the ORDC. She would like to recognize Director Beasley as a real force in helping us have a partnership between ODOT and ORDC.

Director Beasley stated ODOT wants to become a true department of transportation and that the relationship with ORDC is very important. ODOT recognizes they are not going to build their way out of congestion in urban areas. ODOT needs to think about rail and transit moving forward, and proactively identify revenue streams to promote the other modes of transportation. They are working on this everyday. This is part of the challenge for the task force as well as the part of the challenge for the next biennium budget. He thanked the chairwoman for her kind words.

## **FINANCE REPORT**

Megan McClory, ORDC's Secretary-Treasurer, presented the Finance Report to the Commissioners. The report can be found on page 26 of the commission packet. Ms. McClory reported the Governor announced budget cuts yesterday of 4.75% of the already reduced budget for the current fiscal year. This amount is approximately \$174,000, and our understanding from informal conversations with the budget office is that ODOT and ORDC will not have the same

flexibility that was available in the last round of cuts. ORDC will identify how to reduce our budget once instructions are released.

Ms. McClory reported the 2010-2011 budget request is being finalized. The budget will be introduced in early 2009. The document makes a case for the work we are doing and the public benefits of it.

The ORDC was able to upgrade Gloria Howard to a Fiscal Specialist position. The upgrading was for two purposes: recognition of additional work she is already doing because of staff reductions and to do fiscal reporting to make sure that ORDC is getting good results on grant projects.

Ms. McClory reported we are in the process of hiring a second college intern to help with passenger rail planning efforts.

She reported staff is in the process of planning the retreat and is contracting with Marie Keister of Engage Public Affairs. Marie is well known for facilitating meetings and keeping discussion on track. The date of the Retreat is October 2<sup>nd</sup>.

Ms. McClory stated ORDC is working with a group who is interested in starting excursions on a State owned rail line. The Glass Rock branch line runs south of Zanesville to southern Perry County. The line has been inactive for a decade. A group of volunteers will clear brush and get a good look at the track and its conditions. If it looks good, they intend to start an excursion service.

On a positive note, ODOT Department of Information Technology has done upgrades to our equipment and we appreciate all of their assistance.

## **PROJECTS**

### **Request from Columbus & Ohio River Railroad to Transfer Panhandle Operating Agreement to the Genesee & Wyoming Inc.**

Chairwoman Molitoris stated we have a significant event on our schedule today. Several years back when she worked for the ODOT Rail Division, they agency was supporting and working together to help create new shortline railroads in Ohio. At that time, Jerry Jacobson wanted to work with them on a small project. All these railroads didn't just exist or survive, they thrived. Ohio Central is a good example of this, and Jerry built a foundation that is very strong. Chairwoman Molitoris asked Jerry Jacobson if he would comment.

Jerry Jacobson stated it was an honor to stand up and speak in front of the Commission. There are a lot of people here today who helped preserve the rail system in Ohio. The Commission has been very helpful to the Ohio Central with a lot of projects. He said he will still be running steam engines and coming to Commission meetings, and stated that Ohio has a good company coming in.

Chairwoman Molitoris stated the ORDC has tremendous respect for what Mr. Jacobson has done at the Ohio Central.

Mortimer Fuller, Executive Chairman for the Genesee & Wyoming (G&W) presented an

overview of the Company. The railroad was founded by his great grandfather and his financial partners. In 1977, Mr. Fuller acquired a controlling interest in the G&W. At that time it was 14 miles long with 15 employees and revenue of \$4 million dollars a year. It has grown over the last 31 years, currently employing 2,400, with 52 railroads in five countries, and revenue of \$600 million a year. Market capitalization is \$1.5 billion, with 500 locomotives, 25,000 cars, and the 14 miles is now 10,000 miles. The G&W brings a lot of experience to the Ohio Central railroad. They specialize in several markets and short haul freight with a wide variety of customers. They serve 16 ports in North America and do industrial switching and contract coal loading. They have a lot of experience in working with public-private partnerships, including a Pennsylvania project to get coal trucks supplying an electric generating plant off of the highway and onto the railroad system. They have been successful so far. Mr. Fuller reported in the Oregon region the G&W worked closely with Washington County who in turn engaged TriMet, a transit operator. Fourteen miles of G&W track has been upgraded for passenger operation, including \$60 million in investment from the state of Oregon. The G&W will operate the trains for TriMet and the state will provide liability protection. The project was done on a cooperative basis, so as to not impede rail freight service.

David Collins, Senior Vice President of the New York/Pennsylvania Region of the Genesee & Wyoming, spoke about the company's goal to be the safest and most respected rail service provider in the world. The G&W has an injury rate of 1.67 reportable injuries for every 200,000 man hours and is right now ahead of the goal for this year of 1.50. Last year, J. D. Power did a survey of customers to find out how respected the G&W was. Over 400 customers responded and their overall satisfaction rating was 7.42 out of 10. G&W rated highly in professionalism and personnel.

Mr. Collins reported this transaction makes sense for the G&W, since the Ohio Central is a stable business and Ohio is accepting of railroads and has growth opportunities. The G&W in its entirety will generate \$100 million in free cash flow after interest payments and maintenance. It has a lot of common customers with the Ohio Central and will offer financial stability and ability to invest. They have a good working relationship with NS, CSX and other shortlines.

Mark Hastings, Executive Vice President, explained that the transaction is the sale of stock of the G&W holding company and that G&W would assume all existing Ohio Central agreements. The Ohio Central and G&W are before the Commission to request permission to assign the current Panhandle Line operating agreement.

Chairwoman Molitoris recognized Bill Strawn from the Ohio Central, and thanked him for all of his hard work over the years.

Chairwoman Molitoris asked for a motion to approve Resolution 08-18. Commissioner McOwen moved to approve the resolution and Commissioner Wolfe seconded the motion.

Commissioner McOwen, Chairman of the Panhandle Advisory Committee, reported that page 50 in the Commission packet has the minutes of the committee meeting that was held August 25 for the sole purpose of discussing the proposed assignment of the operating agreement to the G&W. The G&W made a presentation to the committee, staff provided a report, and questions and comments from the Commissioners ensued. All questions were answered very well by the G&W. There was also an opportunity for public comment at the committee meeting.

Commissioner Bennett stated she wanted to commend everybody in putting forth such a great effort in communicating and making it clear for the Commission to understand. Chairwoman Molitoris thanked Matt Dietrich for taking such a leadership role in this project. Commissioners Jackson and Wolfe stated their enthusiasm for this development.

Commissioner Lozier asked if the G&W was aware of a court order for the Marne ditch along a section of the Panhandle that requires inspection of the culvert every time it rains so that properties along the railroad are not flooded. Bill Strawn of the Ohio Central stated it is patrolled by a resident track supervisor in the area and is inspected every time it rains. ORDC and the Ohio Central are working with the Licking County Commissioners to see what other sources of funding are available for a long-term fix, which is complicated due to a highway bridge which will also need improvements to take the increased water flows. Mr. Hastings stated that he was not aware of this issue, however the maintenance person who works for the Ohio Central will continue to work for G&W and the ditch maintenance will be taken care of.

Ken Engstrom, district director for Congressman Zack Space, indicated that the Congressman wanted him to express his support for the assignment of the operating agreement to the G&W. Their office is there to help. He thanked Jerry Jacobson and Bill Strawn of the Ohio Central for all of their help in the economic development in the community. Chairwoman Molitoris thanked the Congressman for all of his support.

Roll call was taken with nine votes in the affirmative.

## **PROJECTS**

Senator Mumper stated he wanted to express his appreciation for the work being done by ODOT, ODOD, and ORDC to create opportunities to bring people together. Congratulations to the entire Commission.

### **2009 Rehab Program**

Lou Jannazo, ORDC's Chief of Project Development, presented a briefing on the 2009 Rehab Program. He passed out a confidential version of the projects that were submitted. He stated requests were sent out in June for project applications. There were 16 projects submitted for a total request of \$6.4 Million, the summary sheet has recommendations for 10 projects to be funded at \$1.3 Million in grants. An important consideration is revenue per mile versus maintenance per mile so that the ORDC can put money where it is most needed. Carloads per mile help tell us if the line is profitable. In summary, there are 10 projects recommended for funding, with six for consideration today. Because of the amounts of recommended funding, three require a vote by the commission and three are presented as approved project briefings.

### **Resolution 08-15 – West Central Ohio Port Authority (WESTCO) Springfield to Washington Court House Rehabilitation**

Mr. Jannazo stated this is a strategic line, connecting several rail lines from Indiana to Ohio, and WESTCO is in the last stages of getting the line to a good Class 2 condition. The line requires \$650,000 dollars of additional work, so staff recommends a grant of \$200,000 and a loan of up to \$400,000. Westco is putting in \$50,000 and the railroad will manage the project and transport the ballast for free. The strategic nature of the route serves the shippers and industrial

development site for Ohio located right on this line. Mr. Jannazo stated Larry Himes is here today representing Westco. Mr. Himes is retiring, he is a key person for everything in the shortline business. He helped save the line, get businesses started, supported shortline property tax forgiveness, and has led efforts to replace three major bridges. Mr. Jannazo thanked Mr. Himes for all his hard work.

Larry Himes, Westco stated the rehabilitation program is a public-private partnership and is a great example of the private sector, railroads, shippers, and local jurisdictions working together to promote rail freight service.

Chairwoman Molitoris asked for a motion to approve Resolution 08-15. Commissioner Jackson moved to approve the motion and Commissioner McOwen seconded the motion. Roll call was taken with nine votes in the affirmative.

**Resolution 08-16 – Maumee and Western (M&W) Railroad Defiance Yard Phase II and Select Track Rehabilitation**

Mr. Jannazo stated this is a 53 mile railroad that has a lot of potential along the Fort to Port Highway (US 24). This is a very good economic development opportunity with a lot of bad track. Focusing on small portion of the track, the Defiance yard had a washout earlier this year. Staff recommends a grant of \$225,000 to be matched by M&W contribution of \$75,000. This will help Defiance yard handle existing traffic. Before the ORDC provides additional grant funding, the M&W will need to make good faith efforts to obtain long term financing.

Commissioner Bennett asked about the contingency that the City of Defiance remediate its drainage problems and asked about the relationship between the railroad and the city.

Pete Bell, General Manager of the M&W, stated it is in process, and the railroad and city have been negotiating to determine the exact scope of the city's involvement. It is an ongoing discussion and he is comfortable the drainage work will be completed.

Chairwoman Molitoris asked for a motion to approve Resolution 08-16. Commissioner McOwen moved to approve the motion and Commissioner Bennett seconded the motion. Roll call was taken with nine votes in the affirmative.

**Resolution 08-17 – R.J. Corman Western Ohio Lines Bridge Improvements & Track Work**

The briefing on page 89 of the packet details the project. It consists of bridge repairs and cross tie replacements on the SPEG and St. Marys lines to keep the railroad's speed up and costs down. Clark Raesnor, General Manager, and Rick Johnson, Chief Engineer, of R.J. Corman were present for questions.

Chairwoman Molitoris asked whether the bridge issues were discussed with bridge engineers at ODOT. Mr. Jannazo stated that they were not. Mr. Johnson stated this is a maintenance issue and that there is concrete deterioration on the SPEG Bridge. Chairwoman Molitoris suggested ORDC have discussions with ODOT bridge leadership about railroad bridges in order for the state to have a comprehensive view.

Chairwoman Molitoris asked for a motion to approve Resolution 08-17. Commissioner Sowers moved to approve the motion and Commissioner Murdock seconded the motion. Roll call was

taken with nine votes in the affirmative.

### **APPROVED PROJECT BRIEFINGS**

#### **Ashland Railway Bridge Deck Replacement**

Mr. Jannazo stated the Ashland Railway needs to repair a bridge deck on the line between Mansfield and Ashland for continued services to six rail users. ORDC will provide a grant of \$50,000, to match \$50,000 from the railroad.

Don Cleland, General Manager of Ashland Railway stated this is a maintenance and safety issue and a very important project for future continuation of this line.

#### **Camp Chase Rehabilitation, Phase III**

Lou Jannazo reported this is the third and final phase of a 10.7 mile rehabilitation project. Camp Chase will have good service on the line once this is completed. ORDC will provide a grant of \$100,000, to match \$100,000 from the railroad.

Rob Tkasch from Camp Chase stated the partnership with the ORDC is allowing a little railroad to grow and position itself for the future, and the railroad appreciates the support.

#### **Ohi-Rail Bridge Repairs, Phase II**

Lou Jannazo reports ORDC is making a \$25,000 grant to Ohi-Rail to finish a bridge project that the ORDC approved in March. The costs to install new bridge ties came in much higher than anticipated and the initial project could not be completed.

Powell Felix from Ohi-Rail stated the bridge decks really need to be completed. They have new traffic on the line, about 30 cars per year initially from Aluminum One, and would like to finish the project.

### **JOBS AND CARLOADS REPORT**

Beverly Lee, Planner, stated that ORDC grants require recipients to report rail car shipments and jobs created and retained for a period of three years. Her Jobs & Carloads Report is on the last page of the Commission packet. Eight companies are now being monitored, one is being asked to repay 50% of the grant amount because no carloads have been created and another is being closely monitored. The six others are doing well.

Commissioner Bennett thanked Ms. Lee for the information, and observed that the report shows the Commission is making good decisions, with most companies exceeding carload commitments.

### **REPORTS OF THE STANDING COMMITTEES**

#### **Finance Committee**

Commissioner Tom McOwen, Committee Chair, stated they have not met in the last 60 days but will get back on track.

#### **Human Resources Committee**

Commissioner Solomon Jackson, Committee Chair, stated they held a meeting on August 25<sup>th</sup> to discuss the second half of their original agenda. The big question is whether ORDC is

strategically staffed to meet the influx of demands with the current rail renaissance. The committee discussed special needs/issues whether we have or can get the expertise we need. Commissioner Jackson expressed a concern about not having a full time rail inspector and stated that he hopes to make progress on this.

### **Economic Development/Long-Term Strategy Committee**

Commissioner Barbara Bennett, Committee Chair, stated there is a meeting following the Commission meeting today. They want to be consistent with the goals being pursued by ODOT and ODOD.

### **NEW BUSINESS**

#### **Norfolk Southern Double Stack Clearance Project**

Commissioner Jackson recued himself. Director Dietrich reported that ORDC has been working with two metropolitan planning organizations (MPOs) to continue the double stack clearance that is a part of the Heartland Corridor and Rickenbacker Intermodal Terminal. The concept is to move onto Cincinnati and clear the double-stack routes between Columbus and Cincinnati to provide better logistics and better intermodal service. ORDC didn't want to bring the project to the commission until funding was finalized, however, the Mid Ohio Regional Planning Commission (MORPC) requires public agency sponsors to pass legislation supporting the projects, otherwise the project's score will be reduced. The overall project consists of impediments in the rail yard at Rickenbacker and 5 clearance projects between Columbus and Cincinnati. ORDC is the public sponsor of the Norfolk Southern applications to both MORPC and the Ohio-Kentucky-Indiana Council of Governments (OKI). OKI has already awarded \$1.0 million in federal CMAQ funds for FY 2012

Chairwoman Molitoris asked for a motion to approve Resolution 08-19. Commissioner McOwen moved to approve the motion and Commissioner Sowers seconded the motion. Roll call was taken with eight votes in the affirmative, and one recued.

Commissioner McOwen stated he is on the OKI Freight Committee and that this is an important project, so he appreciates everyone's support.

Chairwoman Molitoris asked Director Dietrich whether he has discussed the project with the District Deputy Directors at ODOT. Director Dietrich stated that staff has been working through the MPO's, and were in fact brought to the table by the regional entities. He indicated that all parties will need to work together regarding the environmental clearances needed. Chairwoman Molitoris asked Director Dietrich to inform the District Deputy Directors sooner rather than later about this project in their territories.

Commission Bennett asked whether ORDC retains an administration fee. Director Dietrich stated no, we just pass through the funds.

Commission Lozier asked about the status of the projects. Director Dietrich stated these are Congestion Mitigation/Air Quality funds awarded thru the MPO's. The funding that is being applied for is for construction.

### **PUBLIC COMMENT**

Art Arnold from the Ohio Railroad Association commented about Larry Himes, stating that Larry always goes a step beyond and during the last budget process, Larry actively brought people to testify and letters of support for increasing the funds that were eventually awarded to the Commission. Larry was someone who really rolled up his sleeves to work. It's important to get shippers and other partners involved at budget time. It's going to be important for the people in this room to think about what they can do to help communicate to the members of the General Assembly when the budget gets here.

**ADJOURNMENT**

Chairwoman Molitoris called the meeting adjourned at 12:13 p.m.