

WRRTC JUNE 2018 MEETING MINUTES – DRAFT FOR APPROVED

**Wisconsin River Rail Transit Commission
Commission Meeting - Friday, June 8th, 2018 at 10:00 am
Dane County Highway Garage 2302 Fish Hatchery Rd, Madison, WI**

1. 10:05 AM **Call to Order** – *Alan Sweeney, Chair*
2. Roll Call. **Establishment of Quorum** – *Matthew Honer*

Crawford	Carl Orr	<i>Excused</i>	Jefferson	Mary Roberts	X
	Rocky Rocksvold, <i>2nd Vice Chair</i>	X		John Kannard	X
	Derek Flansburgh	<i>Absent</i>		Augie Tietz, <i>3rd Vice Chair</i>	X
	Tom Cornford, <i>Alternate</i>	X		Terry Thomas	X
Dane	Gene Gray, <i>Treasurer</i>	X	Rock	Wayne Gustina	X
	Jim Flemming	<i>Absent</i>		Alan Sweeney, <i>Chair</i>	X
	Chris James, <i>1st Vice Secretary</i>	X		Chuck Spencer	X
Grant	Gary Ranum	X	Sauk	Dave Riek, <i>2nd Vice Treasurer</i>	X
	Mike Lieurance	X		Marty Krueger	X
	Robert Scallon, <i>1st Vice Chair</i>	X		Tim McCumber, <i>Alternate</i>	X
	Harvey Kubly, <i>1st Vice Treasurer</i>	X		David Bretl	<i>Excused</i>
Green	Oscar Olson	X	Walworth	Richard Kuhnke, <i>2nd Vice Secretary</i>	X
	Paul Beach	X		Allan Polyock	X
	Charles Anderson, <i>Secretary</i>	X		Dick Mace	X
Iowa	<i>vacant</i>		Waukesha	Richard Morris	X
	Mark Storti	X		Karl Nilson, <i>3rd Vice Treasurer</i>	<i>Excused</i>

Commission met quorum.

Others present for all or some of the meeting:

<ul style="list-style-type: none"> • Matt Honer - <i>WRRTC Administrator</i> • Ken Lucht, Dave Bierman – <i>WSOR</i> • Jim Matzinger, <i>Dane County Highway</i> 	<ul style="list-style-type: none"> • Kim Tollers, Rich Kedzior, Ed Singer – <i>WisDOT</i>
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3. Action Item. **Certification of Meeting’s Public Notice** – *Noticed by Honer.*
 - *Motion to approve meeting’s public notice – Morris/Storti. Passed Unanimously.*
4. Action Item. **Approval of Agenda as Amended** – *Prepared by Honer.*
 - *Motion to approve the agenda with amendments – Cornford/Thomas. Passed Unanimously.*
5. Action Item. **Approval of draft May 2018 Meeting Minutes** – *Prepared by Honer.*
 - *Motion to approve meeting minutes with minor changes – Mace/Polyock. Passed Unanimously.*
6. Updates. **Public Comment** – *Time for public comment may be limited by the Chair.*
No public comment.

7. Updates. Announcements by Commissioners

Honer invited all Commissioners and staff of the Wisconsin River Rail Transit Commission to attend the SWWRPC annual meeting in Belmont, WI at the Belmont Convention Center. Honer passed out invitations. Sweeney announced that the July meeting of the WRRTC will take place in Dodgeville, WI, at the Health and Human Services Building in the Community Room at the regular 10:00am start time unless there are requests to change the time. Honer will provide additional details in the coming weeks.

REPORTS & COMMISSION BUSINESS

8. WRRTC Financial Report –*Jim Matzinger Treasurer.*

- Treasurer’s Report for May and Payment of Bills.

Matzinger reported that all cash (~\$177K) was moved from the projects into the operating fund account. The operating fund owes the project funds ~\$207K as seen under *Interfund*. This was how the bridge project was paid for. Matzinger reported on the Sauk Bridge Statement. Matzinger reported that the Commission has been billed \$1,021,582 to-date of the \$1,021,580 budget. Matzinger stated that the Commission has received reimbursement from WisDOT and WSOR of \$754,960 to-date and will still be reimbursed \$56,683 from both. Mace asked if the Sauk Bridge

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Statement includes 5% retainage of Veit's work. Matzinger stated that the final retainages were billed in the last invoice. Matzinger reported that the Sauk Bridge Project is on budget.

Matzinger reported on the four disbursements over the past month. Matzinger stated that taxes to McHenry County and Lake County, Illinois were paid by the Commission but will be reimbursed to the Commission by WSOR. Other disbursements included Dane County Highway for account and the Veit and Co. final payment.

- *Motion to approve the Treasurer Report – Balance Sheet, Income Statement, Sauk Bridge Invoice, and Payment of Bills - Anderson/Gustina. Passed Unanimously*

9. Wisconsin & Southern Railroad's Report on Operations – Ken Lucht, WSOR

Lucht said that since the last meeting, WSOR has installed maintenance ties, 4000 on the Fox Lake Subdivision in Walworth County and 6000 ties between Madison and Mazomanie on the Prairie Subdivision. Lucht stated that the entire system was sprayed and cleared of brush and weeds and geometry tested. Lucht stated that the Dewey St. at grade crossing in Reedsburg will be rebuilt next week. Lucht reported that Capital projects include the contract for Kraemer International for seven bridge repairs on the Prairie and Reedsburg Subdivisions. Lucht stated that WSOR will remove a billboard on the Fox Lake subdivision. Lucht stated that WSOR is evaluating a few community partnership activities in Zenda and Madison. Lucht stated that WSOR is still hiring for conductors and engineers. Ranum asked how many engineers they are looking to hire, Lucht responded up-to 15. Polyock asked if crossings in the Town and Village of Walworth will be rebuilt in coordination with the Continuous Welded Rail (CWR) Project Walworth. Lucht responded that crossings are redone with the installation of CWR. Scallon asked how people apply for the jobs, Lucht responded that applicants can apply at Watco.com.

10. WisDOT Report –Kim Tollers, Rich Kedzior, WisDOT.

Tollers read section 6.6 (d) of the Grant Agreement, which states that the Commission gets what it put in regarding the rail removal in BAAP. Rich Kedzior clarified that WisDOT is not looking to abandon the Sauk Spur.

Polyock asked what is done with rail that is removed when CWR is installed. Lucht responded that it is scrapped and credited to the project. Kedzior stated that sometimes it is reused.

11. WRRTC Correspondence/Communications and Administrator's Report – Honer, Admin.

Honer made a site visit to BAAP, the Dane County side of the Sauk Spur, and the Sauk Bridge since the last meeting. Work has begun on the removal of track in BAAP. Honer confirmed with ComEdison that power to a billboard on the Fox Lake Subdivision has been removed and forwarded that information the WSOR who agreed to assist with the removal of the sign. Honer responded to several counties in relation to their anticipated budgets for the coming year. He participated in two calls with WSOR and WisDOT. Honer also provided the required documents to Tom Schaefer in anticipation of Liability Insurance Renewal.

12. Discussion and Action to approve WRRTC Insurance Policy Renewal – Honer, Admin.

Honer stated that Tom Schaefer provided a list of information to him to gather for the insurance update. The underwriter advised the renewal premium will remain the same as it has been for several years, \$15,553. Honer stated he is looking for an approval of the Insurance Policy so that the premium can be sent to the insurance company prior to our next meeting date. Mace stated that the approved budget is \$16,500.

- *Motion to approve the renewal of liability insurance with a premium of \$15,553.00 – Tietz/Kuhnke. Passed Unanimously.*

13. Discussion and Possible Action on 2018 and 2019 Draft Budgets – Jim Matzinger, Gene Gray.

Matzinger handed out the existing amended budgets for 2018, a proposed second amendment to the 2018 budget, and proposed budgets for 2019. Matzinger reviewed the existing 2018 budget. He explained that the 2018 budget had initially budgeted ~\$207K for the 2018 Rail Project recapped the current status of the 2018 Budget. Matzinger reported that ~\$207K was initially provided for the Rail Project. The 2018 budget was amended, to pay for the Sauk Bridge project, lowering the 2018 Project budget to \$87K. After the 2018 Budget Amendment, the rail project was \$87K. Additionally, this budget had a \$39K income, making up for prior years losses.

Matzinger presented a second amendment to the 2018 budget. The second amendment accounts for the following factors: reimbursement from WisDOT for the Sauk Bridge Project, change orders to the Sauk Bridge Project, loan payments to be made in 2018 for the Sauk Bridge project, and project management expenses for rail removal in the Badger Army Ammunition Plan and the Sauk Bridge. Accounting for the change orders, the Sauk Bridge Project cost the Commission an additional \$44,600, which is taken from the 2018 Rail Project Budget, leaving a balance in that budget of ~\$42K. Matzinger explained that the second amended budget will have a net change of \$0, as money is being taken from the 2018 Rail Project budget and the income for the year is reduced to \$11,500.

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Tollers asked about the amended budget line item *Sauk Bridge – Track Removal*. Honer stated that line item should say Badger Army Ammunition Plant (BAAP) track removal and not Sauk Bridge track removal. That line item is for the WRRTC's project management expenses for removing track within BAAP. Krueger clarified that there are two project management budget lines, one for the Sauk Bridge and one for BAAP and that the one labelled *Sauk Bridge – Track Removal* should actually be called *BAAP Track Removal*.

Anderson asked about the salvage value of the rail in Badger. Honer stated that the agreement with Sauk County is that the County will remove the rail and be reimbursed for that work by the salvage value of the rail. Tollers clarified that the Commission has no financial interest in the BAAP track property. Sweeney asked why the Commission is responsible for overseeing the removal of the rail, if they do not have any financial interest, Toller responded that the Commission assumed responsibility for the track property with its operating and grant agreements. Ranum asked if the Commission holds title to the track property regardless of who paid for the track. Tollers verified that the Commission does hold title to property through the Operating and Grant Agreements with WisDOT and that salvage value is distributed back to WisDOT and the Commission according to their purchase interest in the property. Kedzior stated that this is something that he will verify. Sweeney asked Kedzior to bring clarification on that agreement to the July meeting. Krueger clarified that when Sauk County assumed responsibility to remove the rail in BAAP, that there would be inspectors from WisDOT and WRRTC, but that ownership of the rail was with WisDOT. The Commission takes responsibility for the track through our operating agreement. Kedzior stated his recollection was that prior conversations determined ownership was not necessarily a pertinent discussion because any net proceeds for the project will go into the track and bridge project. Ranum wanted to clarify if this was similar or different from other agreements. Mace asked if WSOR intended to reuse any of the property. Lucht stated that WSOR has no interest in any of the remaining rail. Kedzior stated that the rail within BAAP has no modern use due to its age and gauge. Polyock asked if the project management fees for the BAAP rail removal is outside of SWWRPC's \$27,500 management contract. Honer confirmed that project management fees are billed separately, so the \$2,500 is billed separately from the \$27,500 management contract.

Matzinger turned over the discussion to Gene Gray for the proposed 2019 budget. Gray began the discussion looking at county contributions. Gray stated that Matzinger determined that the last time the Commission raised county fees was in 2013. Grey reported income coming to the Commission being County Contributions, WSOR lease, and other items (leases, permits). Grey reported there is not a lot of flexibility in operating expenses of the Commission, those being management, legal, audit, accounting, and insurance. Gray stated that it doesn't appear the Commission is at a point to have contingency funding as previously discussed. In part because the Commission now has loan payments to make for the Sauk Bridge Project.

Gray stated that Matzinger put together three different scenarios of different county contribution amounts, \$28K, \$30K, and \$31K.

Dave Riek asked if there is a county not paying county contribution. Sweeney stated that Green County pays their contribution to the PRTC, which also benefits the WRRTC because their money also goes toward capital improvements on the system.

Sweeney asked that the Commission discuss county contributions. Polyock stated that he would feel comfortable bringing \$30,000 back to the county for contribution. Storti stated that the potential increase looks like a 1% increase per year over the past five years since the last increase. Matzinger stated that the Commission had been collecting 252,000 in county fees, which was used for rail projects. Matzinger reported that increases in county contributions are intended to maintain the rail project budget. Beach asked if there was a 2019 Rail Project in mind. Lucht explained that WSOR works to line up the Commission's Project Budget with State Grants to undertake capital improvements on the system. Lucht stated that at the July meeting he will offer a 2017-2018 rail project. Lucht also stated that Roger Schaalma presented the long-term capital expenditure a few months prior.

Cornford said that he would feel comfortable presenting an increase to the County. Cornford asked how the rail lease amount is determined. Matzinger stated that the increase amount was done in coordination with the increase in county contributions. Ranum commented that the perspective of county supervisors is they want to see the beneficial impact of rail. If they see big projects, money, or jobs happening, a \$2000 increase will seem insignificant. Gray stated there has been significant development on the Prairie Subdivision. Mace stated that Waukesha County always asks about the benefits to the county and that it is a difficult issue for the county, although he does not see raising the contribution being an issue. Mace state he feels comfortable requesting \$31K.

- *Motion to present the #3 2019 Budget option (\$31K County Contribution) to the Counties – Mace/Thomas.*

Krueger stated any increase should have the intention to request the same amount in the preceding year. Tietz stated that he will bring it back to the county but he does not know how it will be received. Sweeney stated that it will need to be discussed again.

Ranum stated that he believes \$30K would be more acceptable to Grant County than \$31K and requested a roll call vote. Mace stated that it is possible to amend the motion to be \$30K. Ranum asked for an amendment to the motion to present the #2 2019 Budget option.

- *Amend the prior motion to present #2 Budget option, with the intent that the same amount is requested in 2020. – Ranum/Mace. Passed. Storti and Sweeney Opposed.*

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Cornford asked that in the future there be a discussion of how the operating lease came to be a flat fee vs. a per car fee. Lucht commented that this could be a future discussion but the Commission had made the determination to waive the per car fee when WSOR took over the system in an effort to bring the system back up to operating standards. Since then the Commission charged a lease fee to the Operator that covered administrative costs. Lucht stated the position had been that the Commission is not a for-profit entity, so there was no need to charge the operator more than they were going to use. Mace asked what the lease fee had been over the past five years. Matzinger stated it has been the same.

- o *Motion for Commissioners to bring the #2 2019 Budget back to their respective Counties, increasing county contributions \$2000, increasing 2019 Rail Project Budget, increasing operator lease, and locking the contribution amount for 2019-2020. Passed 18 in favor, 4 opposed, and 3 abstentions.*

Crawford	Carl Orr	<i>Excused</i>	Jefferson	Mary Roberts	Y
	Rocky Rocksvold, <i>2nd Vice Chair</i>	Y		John Kannard	Y
	Derek Flansburgh	<i>Absent</i>		Augie Tietz, <i>3rd Vice Chair</i>	Y
	Tom Cornford, <i>Alternate</i>	N	Rock	Terry Thomas	Y
Dane	Gene Gray, <i>Treasurer</i>	N		Wayne Gustina	Y
	Jim Flemming	<i>Absent</i>		Alan Sweeney, <i>Chair</i>	Y
	Chris James, <i>1st Vice Secretary</i>	N	Sauk	Chuck Spencer	N
Grant	Gary Ranum	Y		Dave Riek, <i>2nd Vice Treasurer</i>	Y
	Mike Lieurance	Y		Tim McCumber, <i>Alternate</i>	
	Robert Scallon, <i>1st Vice Chair</i>	Y		Marty Krueger	Y
Green	Harvey Kubly, <i>1st Vice Treasurer</i>	<i>Abstain</i>	Walworth	David Bretl	<i>Excused</i>
	Oscar Olson	<i>Abstain</i>		Richard Kuhnke, <i>2nd Vice Secretary</i>	Y
	Paul Beach	<i>Abstain</i>		Allan Polyock	Y
Iowa	Charles Anderson, <i>Secretary</i>	Y	Waukesha	Dick Mace	Y
	<i>absent</i>			Richard Morris	Y
	Mark Storti	Y		Karl Nilson, <i>3rd Vice Treasurer</i>	<i>Excused</i>

14. Discussion and Action on FRPP Support Letter – Lucht, WSOR.

Lucht stated that a draft letter was provided to the Commission to encourage the state to increase financing to the FRPP Grant Budget. Lucht provided a handout that has a backlog of FRPP projects in the State, for several operators. Lucht stated that there has been a steady decline in funding for grants. Lucht stated that it is very similar language to what has been sent in years prior. Lucht requested the Commission support an increase in funding for the FRPP program by sending a letter to the Department of Transportation.

- o *Motion to approve the letter being sent requesting additional funding for the FRPP program – Thomas/Grey. Passed Unanimously.*

15. Presentation and Discussion on Traffic on WRRTC Lines – Kedzior, WisDOT.

Kedzior provided a handout on the Traffic on the WRRTC lines. Kedzior stated that overall the story of the data being presented is positive. Kedzior stated that the Commission should be very proud of where it has come since the 1980s. Kedzior stated it is profound difference since the Commission took over the system. Kedzior presented overall Carloads on the North and South Divisions showing a trend of increasing carloads. The system had less than 10K carloads in 1985 to more than 65K today. Kedzior highlighted the Southern Division (PRTC, SCWRTC, and WRRTC) carloads having a general increase in carloads and carload density. There was an increase in operating track miles, from 260 miles in 1988 to 355 miles currently. Kedzior presented data showing a trending increase in WRRTC Traffic. Kedzior explained that the system has grown 757% since 1988 and 151% since 1995, the system is stable and growing with more than 80 carloads per mile per year, and that WSOR has done a great job of diversifying the traffic on the line. Kedzior stated that if WRRTC had imposed the full contractual fee of \$10 per carload in 2017, \$311,550 would have been raised by the Commission.

Kubly asked about data missing from the graphs. Kedzior stated that some data has been lost. Scallon stated that this is an important document to show the counties how many trucks are not on the highways. Gray asked about an industry standard for Carload Density. Rich stated the number of 100 car loads/mile/ year to break even for a short line that fully funds their own capital expenses, but he does not know if this number would apply to this Commission for a variety of reasons including bridge maintenance. Tietz asked about when the increase in aggregate shipping began. Kedzior stated he could look the information but that frac sand has added a lot of carloads over the past 4-5 years. Lucht stated that sand is a short mileage mover and is a low revenue commodity to move due to it being a less risky commodity. Both Aggregate and Grain are low revenue commodities and represent a great amount of increase in carloads.

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Lucht stated there is another side of the story when equating carloads with revenue. Lucht stated that the WRRTC has a tremendous amount of capital needs due to the bridges and the large amount deferred maintenance. Lucht stated that there is an increase in variable costs associated with increasing carloads such as switching fees, car hire fees, possible lease fees, maintenance, and labor.

Tollers stated that all short lines have those expenses. Lucht stated that the difference is that the line has deferred maintenance. Tollers stated that those issues are typical of all short-line railroads, which is part of the difference between the Class 1 operators and short-line operators. Lucht stated that some subdivision that are in better repair with fewer bridges do operate profitably but others that do not come close such as the Reedsburg subdivision are an example of a line that will run in the red for a long period of time due to capital expenditures. Tollers stated that the 100-car average is a system wide number.

Anderson thanked WSOR on the great job they did on the Sauk Bridge Project. Bierman presented on the final work done on the Sauk Bridge project. Bierman stated that the project results are what was expected by the DNR, WisDOT, WSOR, and WRRTC. He stated that the last thing that happens will be the removal of the siltation protection on the west bank. Veit and Co has provided all of their lien releases and land use agreements. Dave Riek asked who owns the land used for the temporary dock, Dave stated that a small strip of land is owned by Quality Coatings to access that land but the rest is the Wisconsin DNR Riverway.

16. Adjournment

- *Motion to Adjourn at 11:30am – Cornford/Gustina. Passed Unanimously.*