

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: PUBLIC WORKS - PARKS, RECREATION & RAILROAD

DATE: NOVEMBER 12, 2010

COMMITTEE MEMBERS PRESENT:

SUPERVISORS BELDEN  
BENTLEY  
STEC  
MERLINO  
CHAMPAGNE  
LOEB  
WOOD  
MCCOY  
CONOVER

OTHERS PRESENT:

JEFFERY TENNYSON, SUPERINTENDENT OF PUBLIC WORKS  
PAUL BUTLER, DIRECTOR OF PARKS, RECREATION & RAILROAD  
ED ELLIS, PRESIDENT & CEO, IOWA PACIFIC HOLDINGS, LLC  
DONALD KRESS, CEO, THE CODORUS CREEK RAILWAY COMPANY  
FREDERICK MONROE, CHAIRMAN OF THE BOARD  
PAUL DUSEK, COUNTY ATTORNEY/ADMINISTRATOR  
NICOLE LIVINGSTON, DEPUTY CLERK OF THE BOARD  
SUPERVISORS MCDEVITT  
STRAINER  
TAYLOR  
THOMAS  
DON LEHMAN, *THE POST STAR*  
THOM RANDALL, *THE ADIRONDACK JOURNAL*  
JULIE PACYNA, PURCHASING AGENT  
WAYNE LAMOTHE, DEPUTY DIRECTOR OF PLANNING & COMMUNITY  
DEVELOPMENT  
AMANDA ALLEN, SR. LEGISLATIVE OFFICE SPECIALIST  
*PLEASE SEE SIGN-IN SHEET FOR ADDITIONAL MEETING ATTENDEES*

Mr. Belden called the meeting of the Public Works Committee to order at 9:10 a.m.

The meeting began with the swearing in of Evelyn Wood, recently elected Supervisor for the Town of Thurman, as read by Nicole Livingston, Deputy Clerk of the Board.

Following a round of applause congratulating and welcoming Ms. Wood to the Board of Supervisors, Paul Dusek, County Attorney/Administrator, announced that the purpose of the meeting was to interview the two respondents to the 2011 Railroad Operator RFP (request for proposal), those being Iowa Pacific Holdings, LLC and The Codorus Creek Railway Company. He noted that some concerns had been expressed by North Creek Railway Depot regarding their ownership of the platform at the North Creek Station and how its operation would be affected by the new Railroad Operator contract. Mr. Dusek said that these concerns would not be disregarded and when the time was appropriate, the North Creek Railway Depot would be included in discussions to address these concerns.

Mr. Dusek stated the choosing of the 2011 Railroad Operator was a significant issue from both a financial and liability standpoint and they needed to carefully evaluate the proposals received and review the background information for each company to determine which posed the best option for Warren County. He said this was certainly not a matter that could be resolved within the current meeting as performing interviews was simply the first step in the process which would ensue before determining who the contract would be awarded to. Mr. Dusek advised that due to the considerable amount of public interest on the matter, they would attempt to conduct as much of the interviews as possible in open session and would reserve only those matters deemed sensitive enough to warrant executive session for closed discussions. He explained the forum of the meeting would include allowing the RFP respondents to provide a brief presentation on their firm's operations, following which the Committee would be permitted to ask any questions they might have relative to the RFP submissions; he added that an executive session would be held at the end of the question period, if necessary, to discuss any matters deemed too sensitive for

discussion in a public setting.

Privilege of the floor was extended to Ed Ellis, President & CEO (Chief Executive Officer) of Iowa Pacific Holdings, LLC, to begin the interview process.

Mr. Ellis began by thanking the Committee for the opportunity to address them respective to their proposal. He then proceeded to introduce his associates in attendance who were Matthew Abbey, General Manager of the San Luis and Rio Grand Railroad; Steve Gregory, Vice President of Marketing for the Iowa Pacific, San Luis and Rio Grande Railroads; Mike McConville, Vice President of Operations for the Iowa Pacific, San Luis and Rio Grande Railroads; and Graham Ellis, his son and Passenger Car Attendant. Mr. Ellis apprised that his firm had a considerable amount of experience in the railroad business, operating six rail lines in the United States and two in the United Kingdom, incorporating close to \$100 million in real assets within the company, including \$25 million in locomotive and car equipment. He said Warren County and the Town of Corinth had a terrific railroad facility and had invested a considerable amount of money for track updating and platform construction, but noted they did not have an accompanying book of business to produce revenues in association with the railroad; therefore, he said, they were very pleased to see that the RFP included freight rights which had led them to begin a considerable amount of research concerning the opportunities for freight business, as reflected in their bid response. Mr. Ellis stated that he would be happy to discuss some of the proprietary freight opportunities not identified in the proposal during the executive session portion of the meeting.

As a part of their research efforts, Mr. Ellis advised they had met with Canadian Pacific Railway (CPR) to discuss the need for an agreement to reach the Saratoga Station as it was necessary to cross the section of tracks owned by CPR to reach this destination. He noted that Iowa Pacific already had a relationship with CPR through the Chicago Terminal Railroad line they operated in Chicago, IL. which included the lease of a section of rail line owned by CPR leading into an industrial park in Bensonville, IL. Mr. Ellis explained that as part of this lease, they were required to travel on a section of CPR rail that was also used simultaneously by over 60 metro commuter trains per day to reach a pump yard where they exchanged cars with CPR; he added that they had been operating successfully on the metro main line for the past four years. Upon meeting with CPR to discuss the connection with the Saratoga Station, Mr. Ellis said CPR had advised Iowa Pacific had "passed the test" and deemed themselves fully capable of responsibly operating on CPR rail lines, based on their experiences in Chicago, IL. He apprised that one of the points very important to CPR was that the chosen operator have direct, positive experience with their organization. Mr. Ellis stated that Iowa Pacific's positive experiences with CPR had been confirmed through these discussions and it was pointed out that CPR would look forward to working with Iowa Pacific if they were chosen as the 2011 Railroad Operator for Warren County and the Town of Corinth.

Mr. Ellis concluded that his company viewed themselves as being a firm that could operate and market the railroad successfully in a financially remunerative manner, without incurring any cost to Warren County or the Town of Corinth, while creating jobs, introducing economic development and increasing tourism revenues.

Mr. Dusek noted they would now begin the portion of the interview where Committee questioning was encouraged, but noted that if at any point Mr. Ellis felt they were broaching a subject of proprietary or confidential nature, he should indicate such and reserve his response for the following executive session.

Mr. Merlino noted there were a number of small towns located along the rail line that had been working together to support the railway in an effort to increase tourism and he questioned whether Iowa Pacific would be willing to work with them to continue these efforts if they were chosen as the successful bidder. Mr. Ellis responded that Iowa Pacific would absolutely work with the towns as they felt they were a critical dimension of the First Wilderness

Heritage Corridor; he added that their preliminary schedules included stops at all of the platform locations along the rail line between Corinth and North Creek on a regular basis. A large portion of the projected ridership figures were based upon business received from the Albany/Saratoga region which was made possible by the ability to reach the Saratoga Station and pick up passengers at that location, Mr. Ellis stated. He noted that the projected schedules and the need to depart from the Saratoga Station several times each day, as well as their desire to connect with Amtrak trains, had been discussed with CPR and received positive feedback. Mr. Ellis said he felt that through these connections they would be able to transport visitors from the Albany/Schenectady area to the northern portions of Warren County through the train. He advised it would be important for the towns to schedule periodic festivals and happenings to draw visitors to their locations and his company would be very interested in working with town representatives to develop and advance these efforts in order to make the railroad successful and increase tourism. Mr. Ellis noted he was very pleased that platforms had been built at each of the towns along the rail line, allowing all of them the opportunity to develop tourism generating events and festivals in connection with the train.

Mr. Loeb pointed out that the primary focus of the RFP had been for a tourist train, but noted that freight rights had been included following prior discussions with prospective responders. He said he would prefer to see the primary purpose of the train to be for freight transportation, as that tended to raise more revenues and he questioned whether the RFP would have been more attractive if it had indicated a preference towards freight business. Mr. Ellis responded that although his firm operated some wonderful scenic railroads, one of which had been rated one of the top ten scenic railroads in the Country by USA Today, 95% of their business consisted of freight operations. He said he felt there were some terrific opportunities to generate freight business along the rail line, as well as to introduce business through his current clientele; he added that his existing clients were unique to his firm and could not be accessed through the other bidding companies and he stated he would be glad to discuss these opportunities further during the executive session. Mr. Ellis advised that although Iowa Pacific would be able to accommodate many more riders than the current operator, it was not likely they would generate a considerable amount of revenue as it was very difficult to make a profit with an excursion train. He noted that his firm operated the Mount Hood scenic train in Oregon and, despite its popularity, 2010 was the first year in the past 20 that a profit was made. Mr. Ellis stated that although Warren County's scenic train might initially experience an influx of business when a connection with the Saratoga Station was available, this was likely to be a novelty increase that would decline until word of mouth experiences and promotional efforts were able to regenerate the tourist base. He advised that generating freight business was much simpler and profitable as they simply had to offer the service and name a price. Mr. Ellis said that although Iowa Pacific would do a fantastic job in providing for the excursion train, they were primarily interested in the prospective freight business which would also generate jobs in the same manner that increased tourism would.

Mr. Champagne cited a portion of the Iowa Pacific bid response proposed contract language to establish a capital planning and funding mechanism to be undertaken on an annual basis on a mutually agreeable basis and he requested further explanation as to what was expected of the County in this matter. Mr. Ellis replied that while they were aware the County did not have funds available to expend in connection with the railroad, neither could Iowa Pacific borrow money against the railroad since they did not own it. He said that although neither party wanted to spend personal monies for the furtherance of the railroad, he was certain there would be some things both wished to do to improve the railroad in the future and at that point mutually agreeable solutions would be necessary to seek alternate funding sources.

Mr. Goodspeed began by thanking Mr. Ellis for his compliments on the railroad platforms, noting that they had received a considerable amount of criticism for them in the past. Mr. Ellis noted that he regularly boarded a commuter train in Chicago, Il. which did not have as nice a platform as those recently built at the Hadley and Thurman Stations, and he once again commended the County for those efforts. Mr. Goodspeed cited there were several members of the North Creek business community in attendance and he asked Mr. Ellis to provide a brief

overview of their intentions for a tourism train traveling to North Creek for the upcoming summer season, as well as how it would compare to the current train schedule. Mr. Ellis said they planned for a train to leave the North Creek Station each morning, stopping at all of the platforms along the way, traveling to the Saratoga Station to connect with incoming Amtrak trains. At this point he said it would become the excursion train, picking up riders and traveling back to the North Creek station, again stopping at each platform location. Mr. Ellis explained this would provide travel for anyone wanting to reach the Saratoga Station, or alternate points along the rail line, in the early morning, and would conceivably allow for a person to board the train at the North Creek Station, travel to the Saratoga Station and connect with a train traveling southward, allowing them to reach New York City. Upon returning in the mid-morning, he advised that the train would pick up tourists interested in visiting other locations along the rail line and would travel back to the North Creek Station, following which the train would make a scenic tour from the North Creek Station to the Sacandaga River Bridge and back. Mr. Ellis said the train would make a final return trip to the Saratoga Station to return visitors, essentially making 2.5 trips daily. He noted that they expected to generate enough revenue through the excursion train trips to meet their expenses and possibly make a small profit; however, he added, they did not expect to generate any revenue for the feeder train passengers using the train to meet with other train routes. Mr. Ellis advised that Iowa Pacific operated similar feeder train routes in England and although they were very popular, it was not a profitable operation. He said they had estimated 27,000 riders for the excursion trains, which was slightly higher than the actual ridership figures provided by the current Operator, Upper Hudson River Railroad (UHRR), and 60 riders per day for the feeder train routes, which could prove to be an aggressive figure, but had been used because it would allow travel to Saratoga Springs during the track season.

Mr. Goodspeed then questioned how long the trip from the North Creek Station to the Saratoga Station would take, as well as whether Iowa Pacific was comfortable with railroad infrastructure as it presently existed. Mr. Ellis replied that pertinent members of his engineering staff had toured the rail line using high-rail equipment and were all satisfied that the track was in sufficient condition. He advised they would employ a Track Contract who would be in charge of making sure all bolts were tightened and that any track defects were addressed. Mr. Ellis said that although previous discussions had indicated the tracks could be upgraded to Class 3 to allow for 60 mph traffic, the projected schedule assumed a 30 mph track speed for Class 2 passenger traffic in light of tightening Federal Railroad Administration (FRA) reviews which were even stricter for Class 3 traffic. He noted that a Class 3 track allowing for 60 mph traffic would be immediately reduced to 30 mph traffic in the event that a defective joint tie was identified, which would drastically affect the train schedule. Mr. Ellis advised that if they intended to operate on a Class 3 track, it would have to be upgraded to much higher than base standards so that if one defect was identified the speed would not be reduced. Additionally, he noted that higher speed traffic would only be appropriate for the track between the Saratoga Station and the Town of Corinth as the curves of the track to the north called for restricted speed. Mr. Ellis said that if they were able to travel faster on the appropriate section of track, it would reduce travel time by 10 to 15 minutes, which was not necessary because people interested in taking the excursion train did not want to travel at a faster rate of speed, but rather to partake of the area scenery. In consideration of these factors, he said Iowa Pacific would prefer to maintain a 30 mph speed limit which would allow for a 2 hour trip from the North Creek Station to the Saratoga Station, including provisions for dwelling times at the platforms in between. Mr. Ellis added that in light of their experience with similar schedules on the other excursion trains they operated, they believed the projected schedule was attainable, but could be altered as necessary. He pointed out that the length of the trip, even for the proposed Ski Train, was similar to the amount of time it would take to travel by car to the same destination.

When Mr. Goodspeed questioned whether the train could operate in co-existence with the snowmobile traffic using the train tracks for their trail, Mr. Ellis responded in the negative, explaining that it was far too dangerous to operate

a train on tracks being used by snowmobiles. He added that Iowa Pacific did have some rail with trail lines that included a snowmobile trail running along side the track which was fenced to stop riders from coming too close to the train. Mr. Ellis reiterated that fencing along snowmobile trails to separate the two interests was absolutely necessary to ensure safety. He said that based on their research, it was indicated that Gore Mountain officials, business owners in the Town of North Creek and hotel owners in Saratoga Springs would all like the Ski Train to be introduced, but if this were to happen they could not have snowmobiles on the tracks.

Wayne LaMothe, Deputy Director of Planning & Community Development, noted that regardless of whether the Ski Train was implemented, freight operations would require year-round train traffic, thereby eliminating any use of the tracks by snowmobile riders and Mr. Ellis replied this was correct.

Referring to the "rail with trail" lines noted by Mr. Ellis, Paul Butler, Director of Parks, Recreation & Railroad, questioned whether bridge access was shared by the train and snowmobile riders and Mr. Ellis replied in the negative, noting that alternate routes were provided to avoid this issue. For instance, he cited a system in England where a tunnel was built under a highway to allow the trail to continue, rather than share a bridge with the train.

Jeffery Tennyson, Superintendent of Public Works, questioned whether Iowa Pacific owned the track they operated on for their other ventures. Mr. Ellis replied that Iowa Pacific implemented several different mechanisms including complete track ownership, track leasing and percentage ownership arrangements, to name a few, for their current operations. He expounded that defined relationships were developed with whatever entity they were working with which allowed for inspections, joint development options for funding opportunities and other such means. Mr. Ellis noted that in the case of the track leased from CPR, they had a signed agreement allowing CPR to inspect the track routinely and ensuring that Iowa Pacific maintained the tracks at an appropriate standard as designated in their agreement. He advised that if chosen as the 2011 Operator, Iowa Pacific would work with the County to negotiate and develop an agreement acceptable to both parties.

Mr. Merlino said it was his assumption that Iowa Pacific would be hiring conductors, engineers and other staff to operate the train and hoped some consideration would be given to the experienced individuals currently involved with the tourist train, assuming they were qualified to Iowa Pacific standards. Mr. Ellis replied that they would be using their own staff on a temporary basis to start the train operation but would then hire other individuals to take over those jobs. He advised they would certainly consider hiring anyone involved with the current train operation, but noted they would have to qualify with CPR standards in order to reach the Saratoga Station. Mr. Ellis added that although the local employees did not currently have this experience, he felt it was a matter of introducing training and testing to reach this level.

Mr. McDevitt asked Mr. Ellis to quantify the top three types of freight that would be transported, as well as to note where these goods would likely be transported to. Mr. Ellis advised the commodities listed in the RFP response included tailings from Barton Mines and logs, but noted these would probably not be the top three types of materials transported. He said the information Mr. McDevitt sought was confidential and could be revealed during the executive session.

Mr. LaMothe questioned whether Iowa Pacific intended to use its own employees to run the train or contract with an outside union source and Mr. Ellis replied they intended to use their own employees to run successful train trips at an appropriate market price, but would have to maintain costs at every aspect to maintain them. He added that if they had to buy or lease equipment and fund outside training he did not feel the venture would be successful. Additionally, Mr. Ellis noted that although the County and Town of Corinth had done an excellent job of updating

the tracks, Iowa Pacific would be responsible for maintenance costs which factored into operational figures.

Mr. Butler apprised that the proposal noted equipment that could be used but did not indicate what would be used and he asked Mr. Ellis to clarify this statement. Mr. Ellis advised they had not included specific equipment listings in the proposal because he felt these items would be subject to contractual discussions in which it would be determined what kind of equipment the County and Town of Corinth expected to be used. He said they had consulted CPR respective to possible use of open window coaches but had been advised this would not be possible as that type of equipment did not meet CPR standards. Mr. Ellis then asked Mr. Abbey to expound upon the types of equipment they felt was most appropriate for use, as he had operated this type of train in Alaska.

Mr. Abbey said the equipment described in the proposal was typical of what was run on their other railroad lines and included full-length dome cars which were quite rare, as only 20 of them were made and Iowa Pacific owned nine of them. He said dome cars allowed for a very compelling and powerful marketing message to advertise prospective customers that every seat was a dome seat, allowing for unrestricted viewing opportunities. Mr. Abbey advised the dome cars were equipped with bi-level air conditioning, gift shops, full service galleys and bars, pantries and wait stations. He said that unlike other trains which incorporated separate cars to provide all of the services, the facilities were included in a single car, which was very appealing and led to a high level of guest satisfaction. Mr. Abbey advised that the air conditioned coach cars were also very popular and sold at even levels with the dome cars, but offered a more competitive price point while still offering comfortable amenities. Mr. Ellis interjected that although the coach cars differed from the dome cars in their viewing capabilities, the coach cars boasted wide windows which also allowed visitors considerable views.

Referring to the locomotive equipment, Mr. Ellis advised they had an array of various equipment available to power the train, but were leaning towards using BL-2 model locomotives originally used in Bangor, ME. He said these models were sufficiently powerful to operate the train but were unique and would attract a number of train enthusiasts. Mr. Ellis noted that although Iowa Pacific did operate steam trains on their Colorado line, they did not intend to use the same equipment in Warren County due to concerns as to whether such machinery could be used in the Adirondack Park region without special permissions; he added that if the County and Town of Corinth were interested in introducing a steam engine the matter could be discussed again in the future.

Mr. Taylor questioned whether any data was available to reflect the economic impact that introducing freight transportation would have on the area. Mr. Ellis responded that the economic impact was specific to the type of freight being addressed, but said that if they developed a warehouse or trans-load facility they would be creating jobs of a light industrial nature, such as for forklift drivers, truck drivers and other people who transfer products from one mode of transportation to another. He added that every job created through a trans-load center would support 4.5 other jobs in the community, as supported by the study performed by the Association of American Railroads. Mr. Ellis clarified that a trans-load facility employing 10 people would create an additional 45 jobs within the community.

Mr. Tennyson asked if Iowa Pacific was comfortable with the current condition of the tracks and whether they felt they would be maintainable for Class 2 traffic and Mr. Ellis asked Mr. McConville to expound on this issue. Pursuant to their track review, Mr. McConville said the tracks met Class 2 requirements on all of the main line sections; however, he noted, there were some issues with one or two of the siding sections that could cause marginal issues relating to tie clusters, but said he felt these were maintenance issues. Mr. McConville noted that a maintenance figure of \$230,000-\$250,000 had been estimated annually and he felt Class 2 track conditions could be maintained for the first two or three operational seasons, after that time he said they would have a better idea of where the tracks might fail and what drainage issues might occur. Mr. Tennyson then asked if Iowa Pacific had

reviewed the bridge inspection documents provided by UHRR and Mr. McConville replied affirmatively. FRA bridge inspection standards were becoming more stringent, Mr. Tennyson noted, and he questioned how Iowa Pacific intended to address these reviews, as well as whether they expected any County involvement. Mr. McConville said their Chief Engineer had reviewed the bridge inspection documents and was very well versed in the new FRA regulations and had noted that the FRA would require an updated bridge plan because trains carrying passengers would be crossing the bridges, requiring a partnership between Iowa Pacific and the County as they were the owners of the tracks and bridges. Mr. Ellis said they did not expect the County to put any money into the track upgrades, but noted that in the event of a catastrophic bridge failure they would hope that the County would have set aside a portion of the monies Iowa Pacific had paid for ticket sales and freight transportation to assist in funding some of the necessary repairs. He cited an experience with another rail line where there had been a bridge failure requiring \$3 million in repairs; he advised that luckily, their insurance coverage had paid for the repairs but payment of the \$50,000 deductible had been required. Mr. Ellis said it was their hope that the County would reserve sufficient funds to at least cover the \$50,000 deductible cost.

Mr. Goodspeed apprised that he had heard of some strong initiatives to forward rural railroading at the Federal level and he asked if Mr. Ellis had any feelings on this, as well as whether Iowa Pacific had any experience in working with Governmental entities on funding issues. Mr. Ellis noted that Mr. Gregory also served on the Board of Directors of the American Short-line and Regional Railroad Association and could provide more information on this issue. Mr. Gregory noted that questions had been posed earlier in the meeting pertaining to interfacing with small communities and he said this was what short-line railroad people did, one of their fundamental processes being contacting and working closely with economic development agencies in every locality because that helped to build the freight business. He said that a particularly successful example of this was their involvement in Levelland, TX where the economic development staff was able to access Federal grant funds to build about one mile of very high quality track and was in the process of finding shipping customers they hoped would begin transporting goods by the end of the year. Mr. Gregory advised this was a prime example of how a partnership between Iowa Pacific and economic development entities could work together to identify funding opportunities and develop agreements for freight transportation.

Respective to Mr. Ellis' previous comments regarding the possibility of the County reserving funds to assist in funding catastrophic loss costs, Mr. Champagne questioned whether the County would be expected to fund a certain percentage of these repairs. Mr. Ellis replied that their agreement would not require the County to make any out of pocket expenditures and would not expect them to pay out more than they had received in railroad related revenues. He said he had used the \$50,000 deductible figure as an example because they assumed they would be returning far more than that amount at the \$2 per ticket revenue rate which could generate as much as \$250,000 per year in revenues to the County. Mr. Ellis advised that although the 2011 Railroad Operator contract had yet to be awarded, his firm had already begun discussions with both the Saratoga and Warren County Economic Development Corporations to discuss possible funding opportunities for railroad related improvements. He concluded that Iowa Pacific wanted the railroad operation to be seen as a successful venture for the County and the Town of Corinth, and not as a financial burden.

Mr. Champagne noted that the Iowa Pacific proposal included estimated revenue figures and he questioned how these amounts had been determined. Mr. Ellis responded that they had broken down the railroad business into six categories including the ski trains, excursion trains, feeder trains, dinner trains, Polar Express event, and the Day Out With Thomas event, each of which had a specific market. The Polar Express event, for example, he said, was based on a popular movie of the same name and the people who owned the franchise had turned this into a Christmas event. Mr. Ellis advised his firm ran Polar Express events on two of their rail lines and had sold \$14,000

in tickets for these events in one day, which was phenomenal, and the figures included in their proposal were based on their prior ticket sales experience for events on their other rail lines. Likewise, he said the figures included for the remaining train markets were also based on their prior experience.

Returning to the topic of the track Class, Mr. Loeb noted Mr. Ellis' previous statements that the track conditions would have to exceed Class 3 standards to avoid issues leading to decreased speeds and he questioned whether the same higher standards were required for Class 2 tracks to avoid the same issues as it appeared the current state of the tracks met only the Class 2 minimum standards. Mr. Ellis responded there were two types of railroad tracks, those that had failed and those about to fail; he added that something on the tracks broke every time a train crossed over them and the question was whether that damage would cause a decrease in track class standards. He advised the class designations were assigned based on standards for safe speed travel as identified by the FRA, not based on engineering standards. Mr. Ellis noted that the section of track extending from the Town of Corinth to the Saratoga Station was in better condition than the tracks to the north and Mr. McConville interjected this was the case because that section of the railroad was much easier to rehabilitate. Mr. Ellis continued that while the northern section of the tracks met Class 2 standards, it would require work to maintain that standard, which would be their responsibility under the maintenance portion of the contract. He noted that Iowa Pacific required that their track maintenance staff walk every portion of the tracks on a quarterly basis to look for defects not seen by the high-rail vehicles to ensure that the proper class levels were maintained. At Mr. Loeb's prompting, Mr. Ellis reiterated that the tracks currently met Class 2 standards and advised that Iowa Pacific would accept the tracks in their current condition with it being their obligation to maintain that class designation, funding maintenance costs at their expense; he added that if the quality of any portion of the tracks had been questionable for Class 2 service, it would have been noted in the proposal submitted. Given this information, Mr. Ellis cautioned that if they were to walk the tracks that day, he guaranteed that a Class 2 defect could be detected, and likely would if an FRA inspection were to occur. He further cautioned that once a connection was made with the Saratoga Station, the level of FRA interest in the rail line would certainly increase and the frequency of FRA inspections would, as well.

Mr. Dusek asked how Iowa Pacific planned to cover expenses associated with major repair issues, such as a deteriorating bridge no longer usable or something of the like and Mr. Ellis responded that they would carry appropriate insurance for all facets of the railroad to fund such costs. Mr. Dusek then questioned how the expense would be addressed for large expenses not covered by insurance, to which Mr. Ellis replied that in matters of deterioration cases not covered by insurance, they would be aware of the coming expense through their bridge and track inspection process and would approach the County to determine a source of funding for the required repairs. He explained that neither Iowa Pacific or the County would have the desire to fund a multi-million dollar repair project, the County because they did not have the funds available and Iowa Pacific because they did not own the bridge; therefore, he said, they would work together to seek out an alternate funding source which could be Federal or State grant funds or if those were not available, they had the option of accessing the FRA RRIF (Railroad Rehabilitation & Improvement Financing) program which allowed them to obtain low interest funding with a 35-year repayment term. Mr. Ellis stated that because Iowa Pacific would not be able to sign a 35-year contract with the County, it would be the County's obligation to secure the funding and Iowa Pacific would make payment on the loan as long as they served as the Railroad Operator, with the following Operators picking up the costs until the loan was repaid.

In response to a question posed regarding signal maintenance, Mr. Ellis advised that Iowa Pacific would be responsible for signal maintenance and would hire a contractor to address these issues. He added that they preferred to work with John Riegl, of UHRR, to provide these services as he was a Track Contractor and had 12 years of experience in operating the railroad. Mr. Ellis advised that a toll free number would be listed on each of the signal

cases so that in the event of a malfunction the Iowa Pacific dispatch personnel could be contacted and would in turn contact the Track Contractor to advise of the signal issue.

Mr. Goodspeed asked if the insurance carried by Iowa Pacific covered losses caused by "Acts of God", such as lightning strikes or flood caused by a beaver dam break. Mr. Ellis responded by citing an experience with another Iowa Pacific railroad where a \$5 million bridge had been lost due to a flood that occurred after a dam break caused by weather related issues, which was determined to fall under the "Act of God" realm; he added that the insurance policy had covered the full costs of the bridge replacement, less the policy deductible. Mr. Ellis went on to explain that Iowa Pacific carried a \$100 million liability insurance policy, which covered any kind of rolling stock damage, personal injury or clean-up for a derailment, and property insurance, which covered the actual property such as the tracks, bridges and machinery. He noted that although CPR requirements indicated insurance minimums of \$20 million, or such other amount as may be designated, when they had met with CPR officials, they had been advised to retain the \$100 million coverage because it was likely that higher limits would be required to connect with the Saratoga Station where Amtrak trains were also connecting. Mr. Ellis advised that other rail lines where Iowa Pacific operated required only a \$20 million insurance minimum; however, he noted, these entities were much more comfortable with Iowa Pacific running on these lines because they carried higher insurance coverage. He apprised that the limits for the property insurance were lower than the liability insurance and were determined based on the value of the structures located on the rail line.

Mr. Loeb questioned whether any review had been provided to determine the rail lines exposure for flooding, washouts, culvert failures and the like and Mr. Ellis replied that in the future Iowa Pacific would like to work with the County to perform a hydrology study which would identify where flooding and washout issues were likely to arise, rather than waiting for them to occur. He said Iowa Pacific could contract with the right personnel to review the tracks and determine these issues, as well as the amount of money that would be needed to correct these issues, at which point they could work together to find a funding source for these costs. Mr. Ellis advised that although these studies were not immediately necessary, he felt it was something that might be entertained within the next three to five years. He asked the Committee to keep in mind that they would not be asking the County to fund these studies or repairs, but rather to assist in determining an alternate funding source.

Mr. Tennyson noted that there were current bridge reports commissioned by UHRR which listed the 12 bridges along the tracks and a number of culverts along the Warren County section of tracks. He advised that current FRA requirements left it up to the track owner to determine what the need for inspections was, requiring that they develop and implement their own plan. Mr. Tennyson stated that the new FRA regulations were much more in line with those in place for highway bridge structures, including more stringent requirements. He said he felt inspections performed under the new FRA regulations would provide a much better picture of the infrastructure and any issues cited. Mr. Ellis advised Iowa Pacific was very familiar with beaver dam issues, as well as dealing with brush that floated down stream and collected against bridge pilings, causing water problems. He agreed that under previous FRA regulations these were issues that simply would have been noted; however, the new regulations would give a deadline for the issue to be addressed and corrected, he said.

Mr. Dusek asked what Iowa Pacific's position would be in a situation where funding was necessary for a major project and the County declined to participate in the funding efforts and Mr. Ellis responded that if this was a case in which the railroad was out of service and there was no grant funding available, Iowa Pacific would have to determine whether they were willing to borrow the necessary funding independently. He added that if this were the case and they committed to borrowing the money, Iowa Pacific would require a contract with the County lasting the length of the borrowing period. Mr. Ellis noted that before this decision could be made, Iowa Pacific would have to carefully consider the situation and the income streams and he felt that the Operator contract should include

language allowing both parties to make such decisions in a reasonable and equitable manner. He concluded that Iowa Pacific would likely be willing to borrow money independently to make necessary repairs if they felt there was a sufficient future income stream to justify the expense.

Mr. Champagne inquired as to Mr. Ellis' feelings on possibly including escape clauses for both Iowa Pacific and the County in the Operator contract in the event that one of the parties was not happy with the arrangement during the contract term. Mr. Ellis replied that Iowa Pacific was going to make a considerable investment to develop freight business in connection with the railroad and intended to make a profitable venture for both themselves and the County and planned to continue their contract after the initial five-year term. That being said, he noted that if the County was displeased with their performance and wanted to terminate the contract, he felt Iowa Pacific could come to terms with the County, but would require some recognition for the investments they had made in building trans-load facilities and other such structures, whether that be requiring the following operator to make restitution to Iowa Pacific or some other repayment option. Mr. Ellis stated that his firm had never had such a situation occur and he felt the County would be very happy with the results Iowa Pacific could provide.

In response to a question posed by Mr. Stec, Mr. Ellis advised that Iowa Pacific had begun the partnership for their West Texas rail line in 2002 and noted that they had worked with the area officials to develop an ethanol plant. He said Iowa Pacific had also invested funds to update the tracks and build a loop track where the ethanol plant unloaded grain, following which area officials had then accessed Federal grant funds to build a rail industrial park. Mr. Ellis concluded that these actions had led to an excellent ongoing business relationship for the past eight years.

Chairman Monroe asked how rising fuel prices affected freight transportation and Mr. Ellis responded that the freight business at two of their West Texas rail lines was increasing dramatically in light of increasing oil prices; however, he noted, increased fuel prices seemed to have a negative effect on the tourism trains as far as ridership figures. Mr. Ellis added his feeling that gas prices would have to rise considerably, into the \$6-\$7 per gallon range before people would increase use of rural trains for commuting purposes. He advised that freight transportation would continue to increase, not only because of the price of fuel, but also due to the introduction of Federal regulations, similar to those in place for railroads for the past 50 years, that will make it more difficult for trucking companies to compete. Mr. Ellis stated that this would pose great benefits to the rail freight business, as well as to the County because they were well situated for Iowa Pacific to develop a facility to serve other businesses in the northeast for their shipping needs.

Mr. Dusek stated that previous statements indicated that Iowa Pacific was primarily interested in the freight transportation and he questioned whether there would be some assurances in the Operator contract guaranteeing that the excursion train would be operated, regardless of whether it was financially advantageous. Mr. Ellis responded that they would make such a commitment to the County if they were chosen to serve as the 2011 Railroad Operator and in the case that it was not profitable, they would use funds from the freight operations to continue the excursion train. He added that if it turned out that neither the excursion or the freight trains were able to generate a profit, Iowa Pacific may choose not to renew their contract after the initial five-year term.

Mr. Dusek pointed out that the proposal indicated Iowa Pacific would set up a separate subsidiary for their operation of the rail line and Mr. Ellis advised this was correct, expounding that it would be a subsidiary of the San Luis and Rio Grande Railroad. He added that they would file with the Service Transportation Board for a Modified Certificate, which was necessary because Iowa Pacific did not own the track. Mr. Ellis said his firm had an attorney based in Washington, D.C. who handled all of their filings over the past eight years, of which there had been over 200 of one form or another. He advised that once the appropriate filings were submitted and agreed to by the track owners, the Modified Certificate would be issued on the following day; reaching the Saratoga Station, he noted,

could take up to 30 days to get all of the appropriate paperwork and approvals filed. Mr. Ellis said the same 30-day window would apply for the forming of the new company because it would be under common control with all of their other railroads. Basically, he noted, 30 days after they signed the Operator contract and filed with the Service Transportation Board they would be able to begin operating between the Saratoga and North Creek Stations.

In response to Mr. Dusek's inquiry as to the railroad lines currently operated by Iowa Pacific, Mr. Ellis advised that two lines were run in England, in Devon and Durham Counties, and six lines in the United States, specifically in the States of Illinois, Texas, New Mexico, Arizona, Colorado and Oregon. He noted their primary focus on the freight industry was for agricultural and mineral substances. Mr. Dusek then questioned how many of these rail lines operated freight trains as opposed to excursion trains. Mr. Ellis replied that excursion trains were run on four of the six lines operated in the United States and on both railways in England. He added they ran about 40,000 freight cars per year, with their biggest freight customer being Freeport-McMoRan Copper & Gold, Inc. in Arizona for whom they transported copper concentrate, finished copper products and sulfuric acid, but noted they handled a variety of agricultural products such as wheat, barley, milo, potatoes and minerals such as volcanic scoria and sodium sulfate, which represented a diverse subsection of customers and commodities.

Mr. Dusek noted that the Polar Express and Day Out With Thomas events were sure money making ventures, but questioned how Iowa Pacific planned on handling losses which might occur in connection with the other excursion trains. Mr. Ellis responded that they would not seek any financial assistance from the County and that any deficits would be absorbed by Iowa Pacific. He advised his firm was run by patient investors and it was their job to figure out how to make this venture profitable, whether it be by increasing ticket prices, altering meal plans to decrease cost or employing alternate measures to attract patrons. Mr. Ellis said they did not expect the feeder train to make a profit as it was very difficult to increase ridership based on advances in highway technology; however, he added, the feeder train was still very important because it provided transportation for people who might not have another means available to them. Mr. Dusek then asked whether Iowa Pacific would seek to reserve the right to terminate operation of some of the various train lines if they turned out to be unprofitable and Mr. Ellis said this would be a contractual matter to be discussed between his firm and the County. He added that although they would like to reserve as many options as possible, the matter was open for discussion.

Responding to Mr. Butler's concerns relative to the amount of time it would take to move equipment to the area, Mr. Ellis advised that their goal was to transport their equipment in April, after the snow had melted and the snowmobile clubs had removed all of their materials, followed by full inspection of the tracks to determine no damage had been done during the winter season, and have all staff trained and qualified to begin operations in May. He noted that their schedule would depend upon when the contract was awarded. Mr. Butler asked if there was any chance they would be bringing their equipment to the area before the start of the winter season and Mr. Ellis replied that could only happen if the contract was awarded and signed during the following week and a request was made to begin the transition as quickly as possible. He advised that if this happened, they would not permit use of the tracks for snowmobile trail use as there was no way both could safely use the tracks simultaneously.

Mr. Belden announced that the Committee would take a short recess before entering into executive session.

The Committee recessed from 10:45 a.m. to 10:56 a.m.

Upon reconvening, motion was made by Mr. Bentley, seconded by Mr. Champagne and carried unanimously to enter into executive session to discuss the financial history of a particular person or corporation, as well as matters leading to the employment of a particular corporation, pursuant to Section 105(f) of the Public Officers Law.

Executive session was held from 10:57 a.m. to 11:37 a.m.

When the Committee reconvened, Mr. Belden announced that no action had been taken during executive session.

Privilege of the floor was extended to Donald Kress, CEO of The Codorus Creek Railway Company (CCRC), to continue the interviewing process.

Mr. Kress apprised that his firm was incorporated in the Commonwealth of Pennsylvania in October of 2007, with their objective being to provide freight and passenger operations along a short-line railroad. He noted that CCRC had assembled a management team that boasted unsurpassed financial capability, technical knowledge, operating experience, business skills and political expertise; he added they also had significant strategic advantages in the ability to attract new freight business. Mr. Kress stated the CCRC had all the necessary components needed to successfully restore operations on the rail line quickly and establish itself as a vital part of the trade and transportation infrastructure in the New York region. He said that as a result of the analysis and experience the management team presented, CCRC believed the financial estimates and projections included in the proposal were based on reasonable assumptions, including the range of error normally anticipated in such projects, and that the future financial performances anticipated were likely to be achieved. Mr. Kress advised that subject to certain conditions, CCRC would be the sole executive operator of all freight, work, passenger and excursion trains operating on the Warren County rail line, if selected as the 2011 Operator.

Mr. Kress explained that the Codorus Creek Railroad was a small railroad located in south-central Pennsylvania and over the past five years his firm had been involved in an ongoing proposal with York County, PA. representatives to purchase and rebuild the rail line for freight transportation purposes, as well as the short-line Stewartstown Railroad running from Stewartstown, PA. to New Freedom, PA. He said during the current year CCRC had submitted a proposal to the Pennsylvania State Budget, which was subsequently signed by the Governor, thereby approving a capital line item veto for \$6,798,000 to rebuild both lines. Mr. Kress apologized for the CCRC proposal not being as thorough as the one submitted by Iowa Pacific; however, he noted, he felt that all of the requirements listed in the RFP had been met in their submission.

Continuing, Mr. Kress advised he had accumulated 29 years of working railroad experience through his position as a conductor for the New Jersey Transit, which translated to almost 2 million miles of railroad transportation service. He added that the trains he operated were high speed models that traveled at 100 m.p.h., giving them the ability to transport passengers very quickly from one location to another. Mr. Kress opined that the railroad owned by Warren County and the Town of Corinth had great potential for both passenger and freight transportation and he believed there was a mass market of tourists and local passengers that would both utilize the railroad for transportation purposes if the capabilities were available to them. He said his firm would work with all of the businesses along the railway corridor to provide a service that would benefit the businesses and passengers, as well. Mr. Kress said they intended to begin operations by replacing the existing railroad ties to bring the line up to a Class 3 standard which would allow for three passenger trains to run between the North Creek and Saratoga Stations daily for the summer and fall foliage seasons, with two daily trains operating during the other seasons. He advised they would also operate the Polar Express event during the months of November and December, as well as Ski Train service during the winter months. Mr. Kress stated that his firm had been in contact with CPR and Norfolk Southern Corp. regarding freight rights for Barton Mines and had determined they would be able to provide transportation costs which were considerably lower than what they were currently paying for truck transportation. Mr. Kress said CCRC estimated ridership figures of 84,000 people for the first year of operation. He explained that this estimate was based on 1998 tourism figures which indicated there were seven million potential tourists visiting Warren County each year; additionally, he noted that Saratoga Springs also drew a considerable amount of tourism

which he estimated to be approximately two million visitors per year. Mr. Kress said their ridership estimates were based on assuming 1% of the total tourism figures for both areas, which he felt was easily obtainable.

Mr. Dusek noted that in Mr. Kress' opening statement he noted that CCRC was seeking to obtain and rehabilitate railroad lines and he questioned whether CCRC was a contractor that rehabilitated railroads, or an operator, to which Mr. Kress replied that CCRC was an operator that would be rebuilding the railroad they sought to purchase. He explained that in Pennsylvania, monies were appropriated through the Pennsylvania Department of Transportation for rehabilitation projects, following which the lowest responsible bidder was awarded a contract for the work and supplied with ties and other equipment to proceed with the work. Mr. Dusek then questioned whether the lines being built were owned by CCRC and Mr. Kress replied in the negative, advising that both were owned by other parties. In the case of the Stewartstown Railroad, he said that the rail had not been operated for the past six years and although CCRC had been actively pursuing the facility's owners, it appeared they were not interested in dealing with CCRC as the owner perceived that they did not have freight customers available, which was not the case as they had several entities seeking freight business, if the line could be acquired. Mr. Dusek then asked if CCRC was currently operating on a rail line and Mr. Kress replied in the negative, noting that York County was willing to sell the railroad to CCRC as soon as the State funding became available. Mr. Kress further noted that the majority of the CCRC staff was experienced in working with short-line railroads and that some had worked for Class 1 railroads, as well. In light of the fact that they did not appear to be operating in either fashion, Mr. Dusek asked once again for confirmation that the primary function of CCRC was to operate and rehabilitate railroads and Mr. Kress replied affirmatively. Mr. Dusek then questioned whether CCRC had any permanent employees working for their company and Mr. Kress advised there were seven, all of which were members of the CCRC Board of Directors and none of whom were currently receiving any type of financial compensation.

In response to a question posed by Mr. Dusek regarding railroad maintenance, Mr. Kress advised CCRC would assume all maintenance associated with the railroad and had budgeted \$322,500 to cover these costs for the first year, which equated to \$8,487 per mile, to maintain Class 2 traffic. Mr. Kress said CCRC would like to improve the track condition to meet Class 3 standards which would allow faster travel between the North Creek and Saratoga Stations. Mr. Dusek asked if CCRC would fund the costs necessary to upgrade the tracks to meet the higher class and Mr. Kress replied affirmatively, adding that they would agree to perform the upgrade within one to two years in the final contract. Mr. Dusek noted that the CCRC proposal seemed to focus primarily on passenger services, with freight being secondary, and he questioned whether this assumption was accurate, to which Mr. Kress replied that the freight and passenger service were of equal importance and the potential for both was phenomenal.

Mr. Dusek stated that in the future the infrastructure of the railroad may need significant improvements or suffer a catastrophic failure, beyond the realm of ordinary maintenance, and he questioned how CCRC proposed to address the costs associated with these possibilities. Mr. Kress replied that CCRC would carry appropriate insurance coverage, including the \$20 million liability limit required by CPR. He noted that although the typical standard for rail car weight capacity on a rail line was 286,000 lbs, the Warren County/Town of Corinth line was capable of handling car weights of up to 273,000 lbs. Mr. Kress said that short-line railroads typically experienced issues with higher car weights and they felt these issues could be alleviated by upgrading the tracks to a Class 3 standard, as well as the bridges and other structures. When Mr. Dusek questioned how CCRC proposed to fund these upgrades, Mr. Kress advised they planned to initially raise \$2 million and could sell up to \$10 million in the stock of their company if necessary. Mr. Dusek further questioned whether CCRC intended to fund high cost repairs and upgrades at their own cost or if they would seek out other funding solutions and Mr. Kress advised they would certainly seek out other funding options first, but would assume the costs themselves if no other solutions existed. In response to Mr. Dusek's inquiry as to whether CCRC currently owned any railroad equipment, Mr. Kress replied in the negative, but noted that they would purchase equipment if the contract was awarded to them. Mr. Kress expounded that for the

passenger train operations they were considering the purchase of F-7 or F-9 locomotives, the standard equipment used in the 1950's, incorporating 1,500 to 2,000 horsepower, which were readily available, highly maintainable and dependable. He said he would propose the use of former metro bi-level cars to transport passengers and noted that although these were not the standard equipment used by typical tourist train operations, they were functional and comfortable. Mr. Kress further noted that the passenger car equipment currently being used by UHRR consisted of 1920's commuter cars. Additionally, he said they were considering the use of New Jersey Transit Comet 3 passenger cars which included heating, air conditioning, lighting and restrooms. Mr. Kress stated that the railroad equipment was readily available and could be purchased as soon as they were ready to operate.

Mr. Kress advised that CCRC planned to operate the railroad on a year-round basis, accommodating Ski Train passengers, and would begin their operations with three trains, eventually increasing service to include five or six trains within the five-year contract term. He added that freight traffic would be run primarily in the evenings and overnight.

Mr. Champagne asked if CCRC had made contact with CPR representatives to discuss the necessary equipment and insurance requirements required to connect with the Saratoga Station and Mr. Kress replied that brief discussions had been held and they were aware that all equipment would need to be approved by CPR, that a \$20 million liability limit would have to be carried and that negotiations would be necessary.

Mr. Tennyson questioned the amount of revenue the County could expect to receive in connection with the railroad if CCRC was chosen to serve as Operator and Mr. Kress replied that the total ticket sale revenues were estimated to be \$2.9 million with total revenues reaching slightly more than \$3 million. He added that cash flow for operations was anticipated to be \$96,000, with significant start-up costs, which would likely lead CCRC to break even for the first year due to costs incurred for track crews, facility constructions, hiring costs and other such expenses. Mr. Kress said they estimated second year profits of \$400,000, \$445,000 for the third year and over \$5 million for the fourth year when the full freight operation was in effect. Mr. Tennyson then asked when the County could expect to begin receiving revenue from CCRC and Mr. Kress advised they would receive revenues in the first year of operation. Mr. Dusek asked if a programmed amount of revenue to be paid to the County had been determined and Mr. Kress replied that the amount would be subject to negotiation and would depend upon the desires of the County.

Mr. Belden asked if the revenue figures were based on per ticket sales and what the repercussions would be if the ridership figures were not realized. Mr. Kress advised that the revenues had been determined using per ticket sale figures based upon UHRR experience and estimating increased figures for additional services anticipated in connection with the Saratoga Station connection. He added that he had made contact with CDTA (Capital District Transit Authority) who indicated they would be willing to introduce a bus service from the Saratoga Station to transport riders to events in Saratoga Springs if CCRC was willing to become one of their sponsors. Mr. Dusek asked what the potential for passenger traffic from the Saratoga Station to the North Creek Station was and Mr. Kress replied that they estimated 12,500 riders for the north bound excursion routes. He added that he had contacted a number of rafting companies located along the rail line that indicated they would be willing to provide transportation to and from the railroad platforms to their venues; additionally, he said he had spoken with the owners of the 1,000 Acres Ranch Resort who were considering re-opening their facility for the winter months in order to accommodate visitors riding the Ski Train, possibly even chartering tour busses to transport visitors to the Gore Mountain Ski Center in North Creek.

Mr. Butler questioned whether the equipment CCRC planned to purchase met the requirements indicated by CPR to run on their tracks and Mr. Kress replied that it would qualify as it was Amtrak level machinery which could be operated on any railroad in the United States. Mr. Butler then asked whether CCRC had anticipated the possibility

that CPR might actually require a higher level of liability insurance than the \$20 million minimum originally indicated and Mr. Kress replied that as far as he was aware the minimum level was all that was required, but noted that if CPR increased that level CCRC would be willing to negotiate the matter further. With respect to Mr. Butler's questioning regarding the age of the passenger cars CCRC intended to use, Mr. Kress explained that some of the cars were built in the late 1960's, while others were built in the mid-1980's; he added that he had not included pictures of the passenger cars because he had been unable to find any. He stated that the interiors of the cars were very nice with comfortable seats and all of the necessary amenities. Mr. Butler asked if food and drink services would be available for the passenger trains and Mr. Kress replied that they would convert cab cars to provide a baggage section and a café car that would serve simple foods such as soda, coffee, sandwiches and candy.

With reference to a question posed regarding the maintenance of signal equipment, Mr. Kress explained the current line was what would be considered non-signal territory and would be operated similar to how the Canadian Operating Code worked. He further explained that a dispatcher would be hired to grant authority for the train to run the line at the regular speed, and when a dispatcher was not on duty the train would be run at the restricted speed of 15 m.p.h.; he advised these measures could be used for freight traffic, as well. Mr. Kress concluded that they would basically run the railroad based on a timetable authority.

Mr. Butler asked how soon CCRC would move their equipment to the area if chosen to fill the Operator contract and Mr. Kress replied the soonest they would be able to begin moving to the area would likely be in April after the winter season had ended and the snowmobile clubs had removed their equipment from the tracks. He noted that they would begin working with CPR and other area entities in mid-March, starting the tie replacement process as soon as possible to bring the section of rail between the Saratoga Station and the Town of Corinth up to Class 3 standards. Mr. Butler asked how long it would take to make the desired upgrades and institute regular train service and Mr. Kress said it would probably take about a month to replace 2,000 ties, which was likely a conservative figure, allowing train traffic to start at that point.

Mr. Dusek requested clarification on the maintenance procedures CCRC would employ in their operation of the railroad and Mr. Kress advised they would perform regular inspections with a high-rail car to identify any necessary repairs. He noted that he did not have any experience with inspecting the welded rail currently in place between the Saratoga Station and the Town of Corinth, but that measures would be employed to ensure that proper inspections were made. Mr. Kress added that they would choose a designated time in the early spring season to do any tie replacement work, at which point traffic would be reduced to one train per day to allow for this work. He added that the railroad had been tamped, but only lightly, and in order to improve the situation they would like to place more stone and re-tamp the railroad, as well as to install flange lubricators and re-institute the super elevation into some of the railroad curves, all of which CCRC intended to fund at their own cost. Mr. Kress reiterated that they had budgeted \$322,000 for maintenance in the first year and \$375,000 for each remaining year. He further noted that when freight business was secured, it would be necessary to increase maintenance to compensate for additional wear and he advised that if they were able to attract the level of freight business anticipated, CCRC would consider replacing the rail in the future.

Mr. Dusek asked how they would address an expense of considerable amount which the County was not willing to assist in finding funding for or that CCRC was not willing to fund independently and Mr. Kress replied that he would try every conceivable means to determine a source of funding because his firm was interested in gaining the Operator contract and maintaining it for many years. Mr. Dusek then questioned what term lengths CCRC sought in connection with the railroad operation and Mr. Kress said that the initial contract term would be for five years but they hoped to retain the contract for the next 25 to 50 years.

As the Committee had no further questions for open session, Mr. Dusek noted that an executive session would be appropriate to discuss matters of a confidential manner.

Motion was made by Mr. Stec, seconded by Mr. Bentley and carried unanimously to enter into executive session to discuss the financial history of a particular person or corporation, as well as matters leading to the employment of a particular corporation, pursuant to Section 105(f) of the Public Officers Law.

Executive session was held from 12:13 p.m. to 12:37 p.m.

Upon reconvening, Mr. Belden noted that no action had been taken during the executive session.

Following a brief discussion, it was the consensus of the Committee that Mr. Dusek work with representatives of the Towns of Corinth and Hadley to review both of the proposals submitted and ensure that all of the supporting documentation provided was appropriate, at which point the Committee would meet once again to make a decision on which party the 2011 Railroad Operator contract would be awarded to.

There being no further business to come before the Committee, on motion made by Mr. Stec and seconded by Mr. Bentley, Mr. Belden adjourned the meeting at 12:39 p.m.

Respectfully submitted,  
Amanda Allen, Sr. Legislative Office Specialist