



Chautauqua, Cattaraugus, Allegany & Steuben Counties
Southern Tier Extension Railroad Authority
 Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779
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"This institution is an equal opportunity organization"

Terry Everetts, Chairman
 Richard Zink, Chief Executive Officer

Minutes of Board of Director Meeting

March 7, 2016

The Board of Directors of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:30 AM on March 7, 2016 in the Conference Room in the office of the Southern Tier West Regional Planning and Development Board, 4039 Route 219, Suite 200, Salamanca, New York. The following persons were in attendance:

Board Members In Attendance

Crystal Abers
 Michael Brisky
 Seth Corwin
 Rich Dixon
 Terry Everetts
 Steve Havey
 Jerry Scott

Representing

Cattaraugus County
 Cattaraugus County
 Steuben County
 Chautauqua County
 Cattaraugus County
 Allegany County
 Southern Tier West RPDB

Board Members Not In Attendance

Adam Gorczyca
 Jay Gould
 James Griffin
 Randolph Weaver
 Vacancy
 Vacancy
 Vacant

Representing

Chautauqua County
 Chautauqua County
 Steuben County
 Steuben County
 Allegany County
 Allegany County
 Seneca Nation of Indians

Others Attending

Thomas Barnes
 Carl Belke
 Kylie McLaughlin
 Richard Zink

Representing

STERA Secretary
 WNYP RR
 WNYP RR
 STERA CEO

1. Call to Order and Introduction of Those Present

Chairman Terry Everetts called the meeting to order at 9:45 AM. Introductions were made of those present.

2. Reading and Approval of the Minutes of the December 7, 2015 Meeting

The Board adopted a resolution approving the minutes of the December 7, 2015 Board Meeting (Scott, Dixon, passing unanimously).

3. Presentation of Audit

The Board adopted a resolution approving a change in the order of business to allow for the presentation of the audit (Abers, Corwin, passing unanimously).

It was noted that the Audit Committee meeting scheduled for earlier on March 7, 2016 had been canceled for the lack of a quorum. Accordingly, the Committee had not reviewed the audit and management letter.

Mr. Edward Bysiek of Bysiek CPA, PLLC presented the audit, including the management letter, for the year ending December 31, 2015, to the STERA Board. The audit indicated an unqualified (clean) opinion and did not find any deficiencies in STERA's internal control procedures for the year ending December 31, 2015, or any compliance findings for the year ending December 31, 2015. After discussion, the Board adopted a resolution recommending accepted the audit for the year ending December 31, 2015 and the accompanying management letter (Brisky, Scott, passing unanimously).

4. Communications

There were no communications.

5. Treasurer's Report

The Treasurer's Report for February 29, 2016 was not available as bank statements for February 29, 2016 had not yet been received by the date of the meeting. Accordingly, the Board reviewed the Treasurer's Report for January 31, 2016, which Mr. Zink distributed. Mr. Zink noted that the Audit Committee had not met to review the financial statements. Mr. Zink provided a summary of the Treasurer's Report. For the year to date ending January 31, 2016, STERA had a net income of \$47,222.34 on revenues of \$47,222.34. As of January 31, 2016, STERA had net assets of \$6,205,695.80 on assets of \$6,265,520.14, with a cash balance of \$127,887.95. Accounts payable as of January 31, 2016 were \$49,824.34, and accounts receivable and grants receivable as of January 31, 2016 were \$94,567.42 and \$1,852,083.10, respectively. The Board adopted a resolution approving the Treasurer's Report for January 31, 2016 (Scott, Corwin, passing unanimously).

The Board adopted a resolution approving the payment of certain specific checks (Dixon, Corwin, passing unanimously).

6. Reports of Committees

A. Audit Committee

Mr. Everetts reported that the Audit Committee meeting scheduled for earlier on March 7, 2016 had been canceled due to the lack of a quorum. Accordingly, the Committee had not reviewed the audit and management letter, the interim financial statements, and certain policies and reports. He indicated that the Board would have to directly discuss and act on certain business without formal discussion by the Committee.

B. Executive Committee

Mr. Everetts reported that the Executive Committee scheduled for earlier that same day had been canceled due to the lack of a quorum. He indicated that the Board would have to directly discuss and act on certain business without formal discussion by the Committee.

C. Governance Committee

Mr. Everetts reported that the Governance Committee had met earlier that same day, and had reviewed and discussed STERA's current policies, the draft reports for the year ending December 31, 2015, and STERA's structure, governance, and operating activities.

1. Review of Current Policies

After discussion, and with the recommendation of the Governance Committee, the Board adopted a resolution making a finding that STERA was in compliance with all of the current policies and applicable laws and that the policies should not be revised (Brisky, Corwin, passing unanimously). These policies are as follows:

- Audit Committee Charter
- Bylaws
- Code of Ethics
- Compensation, Reimbursement, and Attendance Policy
- Competencies and Personal Attributes Required of Board Members Policy
- Defense and Indemnification Policy
- Equal Opportunity and Affirmative Action Policy
- Fee Schedules
- Governance Committee Charter
- Internal Control Procedures
- Investment Policy
- Lobbying Policy
- Management Performance Evaluation Standards
- Measurement Standards Performance Evaluation
- Mission Statement
- New Member Orientation Process
- New Member Orientation Process Reference Document
- Procurement Guidelines (Contract and Procurement Policy)
- Property Disposition Guidelines
- Public Access to Records Policy
- Public Access to Records - Subject Matter List
- Records Management Program
- Travel and Use of Discretionary Funds Policy
- Uniform Tax Exemption Policy
- Whistleblower Policy

Mr. Everetts noted that the New Member Orientation Process should be followed for all new members, and one important aspect was to insure that new members comply with required NYS ABO training requirements.

The Board noted that the NYS ABO requires STERA to have in place a Personnel Policy. The Personnel Policy is perhaps moot, as STERA has no employees, and no intention to have employees. However, a draft policy currently is being developed.

2. Review of Reports

After discussion, and with the recommendation of the Governance Committee, the Board adopted a resolution approving these reports (Brisky, Abers, passing unanimously). These reports are as follows:

- Active and Completed Projects
- Annual Report
- Audit FYE Dec 31, 2015, including Audit Management Letter FYE Dec 31, 2015
- Audit Committee Charter Review Report
- Audit Committee Self-Evaluation Report
- Authority Performance Self-Evaluation Report
- Board Member Attendance Report
- Board Performance Self-Evaluation Report
- Board Performance Self-Evaluation Report 2013 vs 2014 vs 2015
- Budget for 2016
- Compliance Report
- Effectiveness of Internal Controls Report
- Executive Committee Self-Evaluation Report
- Financial Disclosure and Ethics Report
- Four-Year Financial Plan for 2016 to 2019
- Governance Committee Charter Review Report
- Governance Committee Self-Evaluation Report
- Investment Report
- Management Evaluation Report
- Operations and Accomplishments Report
- Procurement Report
- Property Disposition Report
- Property Listing Report
- Records Management Program Report
- Schedule of Debt Report

The Board noted that the following reports were discussed and approved at the October 5, 2015 Board meeting:

- Budget for 2016
- Four Year Financial Plan for 2016 to 2019

The Board noted that the following report was discussed and approved at the June 15, 2015 Board meeting:

- Management Report: Financial Disclosures and Ethics Report June 2014

3. Review of structure, governance, and operating activities

The Governance Committee has responsibilities for reviewing STERA structural, governance and operating policies and activities. Many of the policies and governance practices practiced by STERA derive directly from the cornerstone principles (transparency, independence, accountability, fiduciary responsibilities, and management oversight) prescribed by the State Legislature and NYS ABO, and from model practices recommended or mandated by the NYS ABO.

In this regard, on March 7, 2016, the Committee discussed the report on the Board Member Self Evaluation process, and discussed whether the Board may wish to make any changes so as to improve STERA's performance. The Board previously had decided to add an open-ended question to the Board self evaluation survey to ask members if they had any suggestions for improvement of authority operations. There were no suggestions made in response to this question. Mr. Barnes noted that authority members should, at any time during the year, bring any such suggestions forward to Mr. Everetts, Mr. Zink, or himself, or to the full Board or the Governance Committee at any meeting.

The results of the Board Member Self Evaluation were favorable, with unfavorable ratings received for none of the questions in the survey, and with the overwhelming majority of responses indicating agreement with the survey questions. In fact, this year's survey indicated a higher percentage of favorable responses to all questions than ever had been indicated in prior years. The four questions which generated the least number of "Agree" responses (i.e., "potential problem areas") were:

- Question 3: Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles. (10 agree, 1 somewhat agree)
- Question 5: The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission. (10 agree, 1 somewhat agree)
- Question 8: Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions. (9 agree, 2 somewhat agree)
- Question 10: The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law. (9 agree, 2 somewhat agree)

It was noted that the Committee previously had recommended that the Board should set aside some time at each Board meeting for presentations or training sessions on each of the issues raised in the Board Self Evaluation survey, and on other relevant issues relating to the Authority, the Board, and to governance and operations. However, the Committee chose to make no specific recommendation about addressing any of these potential issues, and the Board took no action in this regard.

The Governance Committee also discussed:

- the Competencies and Personal Attributes Required of Board Members Policy and the New Member Orientation Process Policy, and noted that it had reviewed and approved these policies at this meeting and recommended no changes. It was also noted that the New Member Orientation Process Reference Document has been updated and is now current.

- the new Active and Completed Projects report and the updated Capital Projects page on the web site.
- the number and structure of STERA Committees, and noted that it had reviewed this issue at this meeting and recommended no changes in the number and structure of committees. STERA does not have a Finance Committee, but is not required to have one as it has not issued any debt.
- Board and staff compliance with NYS ABO training requirements, and noted that all Board members and staff are in compliance with the required training.
- the compensation and benefits for the managing director and other senior Authority officials, and noted that the Authority has no direct employees, and accordingly there are no such individuals (Board or corporate officers or other management personnel) receiving compensation and benefits from the Authority, and recommended no action in this matter by the Board.

After discussion and at the recommendation of the Governance Committee, the Board made a finding that the Authority's policies and procedures are being effectively implemented and are effective in guiding and controlling the Authority's governance and operations, and accordingly made no changes to the Authorities governance and operating policies and procedures, but indicated an interest in discussing addressing the results of the annual Board Self Evaluation process through additional internal training (Dixon, Brisky, passing unanimously).

Old or Unfinished Business

7. WNYP RR Operating Status Report

Carl Belke, President and Chief Operating Officer of the WNYP RR, provided a Management Report to the STERA Board. The Management Report covered the areas of Safety and Security, Grant Activities, Real Property, Operations and Customer Service, Marketing and Freight Business, Mechanical Issues, and Engineering and Maintenance of Way.

Highlights of his report are:

- Discussion of major rehabilitation projects. Although these projects were discussed during Mr. Belke's report, they are reported on separately under item #8 in these minutes.
- **Municipal projects:**
 - **Olean Trail Project** – This "rails with trails" project would be being delayed due to the issue related to the required length of contract commitment. WNYP cannot grant a lease for the trail on the bridge over the Olean Creek for longer than 17 years, and a longer period is necessary. A longer lease would have to be provided by Norfolk Southern, and it apparently is against Norfolk Southern corporate policy to facilitate side-by-side trails adjacent to active rail lines. Recently, the City had talked about a separate non-rail-based bridge crossing of the Creek, which would not solve the trespass issue on the rail bridge. However, more recently, the City has indicted an interest in using the rail bridge.
 - **Busti Trail Project** – This project was not funded by NYS, but is still alive as a project. The Town of Busti has downsized the project and continues to seek funding.

- **Lucy-Desi / National Comedy Center Park Project** – Construction work on the at-grade pedestrian crossing has been completed. WNYP is discussing the lease of additional adjacent property.
- **Jamestown Engine House** – A local group would lease this facility and make improvements thereto; lease negotiations continue.
- **East Branch Trail** – This is a trail project in Corry PA, involving the transfer of an unused rail bridge overpassing the active rail line to a trail group. The group is seeking funding for the project. Negotiations continue.
- The national rail system is running smoothly, but nationally reduced traffic levels are causing WNYP’s connecting railroads to reduce train service and connection frequency at interchanges.
- Olean to Hornell service is operated less than once per week. Olean to Falconer service is operated one to two times per week. Olean to Machias service is operated as required for pickup of company ballast.
- Restoration of bi-weekly service between Falconer and Meadville is becoming closer to reality, based upon anticipated new traffic. There is potential for restoration of regular service on the Buffalo Line, north of Olean, based upon anticipated new traffic.
- WYP has completed two rehabilitation projects in Pennsylvania (installation of 12,000 ties on the Oil City Branch and the rehab of a bridge on the famers Valley Branch). WNYP’s two proposed Pennsylvania rehabilitation projects are on hold pending PENNDOT funding, which has been delayed.
- In 2016, WNYP plans to undertake 20 grade crossing track and highway surface replacements and 6 grade crossing highway warning signal system upgrades. Comparison data:

	2015 <u>Actual</u>	2016 <u>Planned</u>
Crosstie replacements	38,000	12,000
Bridge tie replacements	400	200
Ballast installation	5,000 tons	2,000 tons
Rack lining and surfacing	44 miles	35 miles

- WNYP has had discussions with Seneca Nation of Indians with respect to the potential replacement of the Main Street (Salamanca) rail bridge (replacing the 6 lane rail bridge with a two lane bridge, with higher clearance for Main Street underpass traffic) and the re-routing of the main line in this area to remove the curvature of the line (which is a safety issue and which keeps train speeds down). Such a project would be eligible for NYS DOT funding. This is still an active project, and ongoing discussions with the Seneca Nation of Indians on other issues could lead to the project moving forward. Recently, WNYP has met with the City engineer and other City representatives to discuss the project, and has made some temporary repairs (welding) to the walkway framing underneath the bridge.
- The Seneca Nation of Indians is planning on undertaking a rehab of Old State Road east of Steamburg using NYS DOT funds to rehab the road and bridge.
- The next NYS DOT PFRAP NOFA is not expected until later in the spring, so a STERA Board authorization of application for rehab funding at the June Board meeting would be acceptable.

- Litigation status report: This involves the collision of a FedEx truck with a WNYP train in a prior year. The litigation is still in the deposition and interrogatory phase. From STERA's perspective, there has been no change in STERA's position: STERA has been sued (one of several defendants), but the 1998 MOU requires Norfolk Southern to indemnify STERA. STERA's attorney Harris Beach has been in contact with Norfolk Southern's and WNYP's attorneys. Currently, the plaintiff's attorney is deposing witnesses.

The Board adopted a resolution approving Mr. Belke's report (Abers, Corwin, passing unanimously).

Status reports on individual STERA projects, which were discussed during Mr. Belke's report, are provided below under item #8.

8. Status Reports on Current and Proposed Rehabilitation Projects

FEMA Project (Southern Tier Extension Line)

This STERA project, funded by FEMA, WNYP, and NYS DHSES, involved repairs to 47 locations on the Southern Tier Extension that were damaged in a storm occurring May 13 – 22, 2014. FEMA had declared a disaster in Allegany, Cattaraugus, Chautauqua, and Steuben Counties, relating to this storm. All work on the project has been completed and financial closeout of the project is underway.

NYS DOT 2005 Bond Act Bridge Rehab Project (Southern Tier Extension Line)

This STERA project, funded by NYS DOT and WNYP, consisted of the rehabilitation of four railroad bridges in Allegany County (three in Alfred/Alfred Station and one in Belvidere) and one railroad bridge in Cattaraugus County (Salamanca). All work on the project has been completed.

NYS DOT 2005 Bond Act Bridge Rehab and Track Realignment (Falconer) Project (Southern Tier Extension Line)

This STERA project is funded by NYS DOT and WNYP. This project consisted of the realignment of track from a bridge located in the Falconer area in Chautauqua County that in recent years had been in service to an adjacent bridge that in recent years had not been in service. The project's primary objectives have been completed; the realigned route and bridge crossing were placed back in service in November 2013. The project replaced a bridge in need of major repair that had only a 273,000 pound per carload weight capacity with a bridge (the bridge placed back into service) that has a 315,000 pound per carload weight capacity (above the industry standard of 286,000 pounds); it was the last remaining 273,000 pound-per-carload bridge in the line.

The project had come in under budget and NYS DOT had approved the installation of additional welded rail, the installation of 1,200 ties, and the improvement of a switch serving the RHI Monofrax siding in Falconer. STERA had received (from NYS DOT) and executed a no-cost time extension for the project through December 31, 2015. All project work was completed, but approximately \$180,000 of funds still remained in the budget.

On 12/31/15, the last day of the NYS DOT contract, STERA received an extension to accommodate additional work under the project, utilizing the underrun. STERA will use the extension and unspent funds to install an additional 5,000 ties in the Southern Tier Extension east of the Falconer bridge. All matching funds and overruns for the additional work would be WNYP's responsibility. STERA and WNYP will execute an amendment of the existing agreement on the project on March 7, 2016.

There had been discussion about the portion of the RHI Monofrax siding that is privately owned by RHI Monofrax (i.e., not part of the STERA system and accordingly not eligible for improvement using NYS DOT project funds). It is possible that RHI Monofrax, WNYP, and the Chautauqua County IDA might be able to work together to effect a cost efficacious project implementation. However, Mr. Dixon reported that this is not a RHI Monofrax priority at this time.

NYS DOT PFRAP Tie Replacement and Grade Crossing Repair Project (Buffalo Line)

The project involves the replacement of 8,000 cross ties and the rehabilitation of four highway-railroad grade crossings on the section of the Buffalo Railroad Line between Olean and the Pennsylvania State Line. The grade crossing construction has been completed, including a track realignment in Olean. Cross tie shortages and delayed delivery had caused the postponement of the tie installation and surfacing work until 2015, but tie installation work and first surfacing work was completed in June 2015. Additional ballast is being applied and regulated, and final removal of the replaced ties will be completed shortly. All project work was completed, but funds still remained in the budget.

On 12/31/15, the last day of the NYS DOT contract, STERA received an extension to accommodate additional work under the project, utilizing the underrun. STERA will use the extension and unspent funds to install an additional 1,000 ties and rehab two additional grade crossings on the Buffalo line north of Olean. All matching funds and overruns for the additional work would be WNYP's responsibility. STERA and WNYP will execute an amendment of the existing agreement on the project on March 7, 2016.

NYS DOT PFRAP Cattaraugus Rail Rehabilitation Project (Southern Tier Extension Line)

The project involves the installation of 10,000 rail ties between Olean and Killbuck (Cattaraugus County), the repair of 11 rail switches, the installation of 12,000 tons of ballast, surfacing and alignment of track and turnouts, the rehabilitation of three at-grade crossings, and the rehabilitation of 11 turnouts. This project started in 2015 and should be completed in 2016, with the Olean yard work switch work begin deferred until 2016.

Proposed STERA Track and Bridge Rehabilitation Project

Mr. Barnes reported that STERA had submitted an application to NYS DOT for \$1,600,000 of PFRAP grant funds, to be matched by \$400,000 of WNYP funds. The project would involve replacing 8,000 linear feet of welded rail in Carrolton in Cattaraugus County, and repairing three bridges in Jamestown, one bridge in Salamanca, and one bridge in Olean. All work except the Olean bridge is to be done on the Southern Tier Extension; the Olean bridge is on the Buffalo line.

As of the March 7, 2016 Board meeting, NYS DOT has not made funding decisions on this round of applications.

Proposed Multi-Modal Freight Transfer Facility and Manufacturing Center Project (Olean)

Mr. Barnes indicated that there has been no change in this potential initiative. STERA has been unsuccessful to date in obtaining first phase construction funds, but continues to seek funding.

STERA has received communication from a potential developer's agent indicating some interest in developing the project, but the developer has not made any progress toward moving the project forward.

Site Development Project

Mr. Barnes indicated that there has been no change in this potential initiative. Southern Tier West has not advanced this project at the current time.

9. Seneca Nation of Indians Representation on STERA Board

There has been no movement on the appointment of a representative to the STERA Board by the Seneca Nation of Indians.

10. Compliance with NYS Public Authorities Accountability Act (PAAA) and Public Authorities Reform Act (PARA) and Other Statutory and Regulatory Requirements

Compliance Status – NYS ABO Training Requirements

Mr. Barnes noted that all STERA Board members and staff are in compliance with NYS ABO training requirements.

Discussion of Any Desired Policy Modifications

Mr. Everett's encouraged Board members to bring any desired policy modifications forward at any time of the year.

11. Other Old or Unfinished Business

There was no other old or unfinished business discussed at the meeting.

New Business

12. New Business

A. Appointment of Nominating Committee

Mr. Everetts appointed Mr. Dixon, Ms. Abers, Mr. Havey, and Mr. Corwin to a Nominating Committee to present a slate of nominees for the Board and Corporate officer positions at the June 6, 2016 meeting. Mr. Everetts appointed Mr. Corwin to chair the Nominating Committee.

B. Annual Ethics Form Filing

Mr. Everetts reminded members to complete the annual Ethics Form and transmit it to Mr. Barnes as soon as is possible.

C. Other New Business

There was no new business discussed at the meeting.

13. Public Comment

There was no public comment.

