



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**  
**Southern Tier Extension Railroad Authority**  
 Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779  
 TEL (716) 945-5301 FAX (716) 945-5550 TDD (716) 945-5301

"This institution is an equal opportunity organization"

Terry Everetts, Chairman  
 Richard Zink, Chief Executive Officer

**Self-Evaluation for STERA for the year ending December 31, 2018**

**1. Operating railroad providing adequate rail service**

**Evaluation:** The Western New York and Pennsylvania Railroad, LLC. (WNYP) is providing adequate rail service on a cost-effective, as-needed basis on both the Southern Tier Extension (STE) and Buffalo rail lines. STERA is meeting this goal.

**2. Increased rail shipping carload volumes**

**Evaluation:** The Southern Tier Extension freight volume in 2018 continued to be down from the historical maximum of 54,000 carloads per year experienced several years prior due to the permanent loss of overhead unit coal train traffic. Total local freight volume is down by 1,071 carloads in 2018, due primarily to a slowdown of frack sand deliveries (-800 carloads). Local freight business for customers between Olean and Falconer was down a total of 74 cars. In addition, tank storage car count is significantly down (approx. 450 cars) due to the active gas fields across the country.

**Total carloads for the entire system:**

<u>2017</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	254	(all STE East-West mainline traffic)
Local Freight	1,563	Southern Tier Extension line
	<u>6,124</u>	Buffalo line
	<u>7687</u>	Total local freight
Total	7941	Total system
<u>2018</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	400	(all STE East-West mainline traffic)
Local Freight	665	Southern Tier Extension line
	<u>5,951</u>	Buffalo line
	<u>6,616</u>	Total local freight
Total	7,016	Total system

**Conclusions** – Coal and other overhead traffic has been eliminated by Norfolk Southern Corporation. Overhead freight increased from 254 to 400 as WNYP and NS continued to divert 286K loads from a direct NS Meadville routing to an NS Salamanca-Olean-Meadville routing due to a deficient bridge on NS in western PA.

For 2019, Buffalo Line local freight traffic is projected to exceed 2018 levels, attributable to increased frack sand unloading activity with the wax refinery traffic expected to stay level.

STERA believes its overall goal of increased rail carload shipping volumes by all indications will be continued in 2019. The longer term decrease in total system carload shipping volumes from historical maximums is a shortcoming that STERA hopes can be addressed in coming years.

### **3. Opportunities for additional business expansion and development based on rail service**

**Evaluation:** There are five types of opportunities for additional business expansion and development based on rail service, as follows:

- 1) Ongoing WNYP marketing efforts
- 2) Economic development community (state and local) marketing and development efforts
- 3) Reutilization of vacant or underutilized rail-served facilities and sites
- 4) Transload facility project - STERA has proposed construction and operation of a transload facility in the Olean railroad yards, which should assist businesses throughout the region (especially those not located along the railroad lines) with obtaining rail service at competitive pricing. This should facilitate the retention and expansion of these businesses.
- 5) Site development project - STERA also has worked with the counties to develop an inventory of developable sites along the railroad lines, and in 2019 will continue to work toward encouraging the counties to make these sites shovel-ready and market the sites for business development.

These efforts all are long-term strategies, dependent upon (a) financial resources available to STERA and its local partners and (b) successful identification of a developer or company desiring to locate or expand operations in part as a consequence of rail service availability.

### **4. Documentation of rehabilitation efforts and functional performance of the railroad line**

**Evaluation:** Rehabilitation projects on the STERA railroad system are either STERA-sponsored or WNYP sponsored.

#### **STERA-Sponsored Rehabilitation / Construction Projects**

STERA's line rehabilitation and improvement activities and other capital investment projects are limited by funding constraints at the state and federal government levels, and by matching funds availability. Matching funds for construction projects typically are provided to STERA by WNYP.

During calendar year 2018, STERA continued closeout activities on the following projects that had been completed in a prior year:

- **FEMA Project (Southern Tier Extension Line)**  
STERA is awaiting project closeout from FEMA.

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

STERA is awaiting project closeout from NYS DOT.

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

STERA is awaiting project closeout from NYS DOT.

During 2018, STERA asked NYS DOT for an extension on the following project, in order to use unspent project funds to do additional work. As of December 31, 2018, STERA is awaiting approval of this request.

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

STERA had received NYS DOT PFRAP funds for the installation of 8,000 ties and the repair of four grade crossings on a section of the Buffalo line located between Olean and Portville (Cattaraugus County). WNYP provided the required matching funds. The goal of the project was to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project was part of an overall strategy to maintain the Buffalo line at a 286,000 lb. capacity specification for 4-axle rail cars. The project also will serve customers located on the Buffalo line in Pennsylvania. WNYP provided engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP engaged one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP. All of the work on this project had been completed as of the end of 2015; however, additional project funds remained, and STERA received approval from NYS DOT to extend the project deadline through the end of 2016 so as to complete additional project work elements to better serve rail shippers on the line. STERA used the extension and unspent funds to rehab four additional grade crossings on the Buffalo line north in the Olean area (Back Hinsdale Road, Oregon road, Haskell Road, and Promised Land Road), and install (approximately \$25,000 of) additional ties. As of the end of 2016, all work had been completed. However, at the end of 2018, STERA decided to pursue using unspent project funds to rehabilitate another grade crossing in Olean (Clark Street). As of December 31, 2018, STERA is awaiting extension by NYS DOT of the project deadline and approval by NYS DOT of the inclusion of this additional grade crossing rehabilitation in the project.

In 2016 and 2017, STERA received funding for the following two projects that commenced in either 2017 or 2018:

- **STERA Track and Bridge Rehabilitation Project (Southern Tier Extension Line and Buffalo Line)**

In November 2016, STERA received a contract for \$1,600,000 of NYS DOT PFRAP grant funds, to be matched by \$400,000 of WNYP funds. The project involves 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. The three cities had indicated that they will contribute traffic control. All work except the Olean bridge is to be done on the Southern Tier Extension; the Olean bridge is on the Buffalo line. The Olean bridge (Queen Street) will now involve a deck replacement. WNYP will install the rail, with contractors to weld it in place. Contractors will do the bridge work. STERA executed a contract with WNYP

for contractual services in support of the project in 2017. In 2017, NYS DOT reviewed and approved plans, but it was too late in the year to begin construction. In 2018, STERA began negotiating with NYS DOT and the City of Olean for a project scope change, which would involve filling (i.e., removing) the Queen Street bridge underpass (as opposed to replacing its deck) and installing a pedestrian underpass culvert, while simultaneously raising the height of the nearby Front Street bridge so as to increase highway clearance; as of December 31, 2018, this project modification has not yet been accomplished. The project began in 2018 and will be completed in 2019.

- **Olean Enginehouse and Yard Improvement Project**

In 2017, STERA received a contract for \$1,542,240 of NYS DOT PFRAP funding cycle grant funds, to be matched by \$385,560 of WNYP funds. The project involves improvements to the enginehouse in the Olean yard, installation of a yard video security system, the installation of 6,000 6x8 ties in the Olean yard, and the replacement of 8 switches in the Olean yard. The work would be done on the Southern Tier Extension Line. STERA executed a contract with WNYP for contractual services in support of the project in 2017. Yard tie installation was completed in December. Switch installation occurred in 2018. As of December 31, 2018, STERA may request deletion of the enginehouse work from the NYS DOT contract. The security system purchase and installation will occur in 2019. The project will come in under budget, and STERA plans to request a change order from NYS DOT for the underage amount, with work to be done in the Olean Yard. The project will be completed in 2019.

In 2017, STERA applied to NYS DOT for a PFRAP grant, to be matched by WNYP funds, for the following project:

- **Proposed STERA Tie and Rail Replacement PFRAP Project (Southern Tier Extension Line)**

This project would involve a \$1,251,677.38 NYS DOT PFRAP grant, to be matched by \$536,433.16 of WNYP funds. The proposed project would involve replacement of 13,000 ties, ballast, surfacing, 3 public highway & 11 private farm grade crossing surface rebuilds, and replacement of turnout switch timbers between Steamburg, SA-14.00 and Waterboro, SA-23.00, and between MP SA-27.0 and MP SA-28.0 (Poland Center). The work would be done on the Southern Tier Extension Line. All of the work would be bid by WNYP. STERA applied to NYS DOT for these funds in 2018 and was notified in 2018 that NYS DOT had approved this award. However, a contract from NYS DOT was not yet in hand as of December 31, 2018. The project could be commenced and completed in 2019.

In 2017, STERA had discussions with the City of Salamanca and the Seneca Nation of Indians regarding the following project:

- **Proposed Bridge NY Project (Salamanca Main Street Bridge Replacement and Track Realignment, Southern Tier Extension Line)**

The project would involve replacement of the Salamanca Main Street rail bridge (replacing the 6 lane rail bridge with a two lane bridge, with higher clearance for Main Street underpass traffic) and the realignment of track just to the west of the bridge (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 (or at least the bridge replacement component) would be eligible for NYS DOT Bridge NY funding. The project grant application

would not be submitted until a future year. The Seneca Nation of Indians representatives indicated that there would have to be approval by the Seneca Nation of Indians for both the bridge and track realignment projects to move forward. There has been no progress on advancing the project since 2017.

In 2018, STERA continued exploration of the following project:

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

This project would involve phased construction of a multi-modal freight transfer facility in Olean adjacent to the Olean railyard. The facility would provide freight loading, unloading and storage for area companies that are not located adjacent to one of STERA's two rail lines. As of December 31, 2018, STERA has been unsuccessful in obtaining first phase construction funds, but continues to seek funding.

### **WNYP-Sponsored Rehabilitation / Construction Projects**

WNYP has participated financially in State-funded and Federally-funded projects over the years and has self-funded a limited number of rehabilitation projects when State and Federal funds have not been available. Penn DOT has funded a number of rehabilitation projects in Pennsylvania in combination with WNYP with no STERA involvement.

**Conclusions** – Although the railroad line continues to experience ongoing deterioration with the passage of time and exposure to weather, and especially as the prior owner Conrail had deferred any maintenance on the line (and in fact had removed line assets for use elsewhere in its system) for over 25 years, the cumulative effect of STERA's and WNYP's ongoing repair / maintenance / mitigation / improvement program has been to restore all of the Southern Tier Railroad Line to service, to make needed repairs to enable the two lines to carry commercial freight in a safe and commercially viable fashion, to work toward increasing (and maintaining) traffic speeds toward 25 miles per hour on all of the line (with some sections at 40 miles per hour, and also with exceptions being areas that occasionally are flagged for 10 mile service until repairs can be made), and working toward developing a standard car weight capacity of the line at 286,000 pounds, the federal standard.

STERA is meeting this goal.

## **5. Encouragement of safe railroad operations**

**Evaluation:** During 2018, STERA's progress on rail rehabilitation projects helped to contribute to safe railroad operations on the two rail lines that STERA owns. STERA's application for funds for another rail rehabilitation project also is intended to encourage safe railroad operations. STERA also encouraged Operation Lifesaver training in communities in which it owns rail lines. STERA also encourages regular classroom and hands-on training on railroad safety for emergency responder trainings, with WNYP and the Emergency Management Offices of the region's counties.

STERA is meeting this goal.

## 6. Clean audit report and NYS ABO compliance report

**Evaluation:** On March 25, 2019, STERA received a clean audit report for the year ending December 31, 2018. The auditor found no instances of significant or material internal control deficiencies.

STERA's self-evaluation is that it remains in compliance with the PAAA, the PARA, the Public Authorities Law, and other laws and regulations. STERA has not undergone a NYS ABO compliance and performance field audit since its inception in 2000.

STERA is meeting this goal.

### **Summary: Overall Self-Evaluation**

On the whole, STERA is achieving its purpose and meeting its goals. Rail traffic is increasing somewhat, and as macroeconomic conditions improve, STERA expects rail traffic volumes to continue to increase. As additional NYS DOT funds become available, STERA anticipates undertaking ongoing rehabilitation activities.

Adopted by the STERA  
Board of Directors on  
March 25, 2019



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Thomas M. Barnes  
STERA Corporate Secretary