



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**  
**Southern Tier Extension Railroad Authority**  
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"This institution is an equal opportunity organization"

Terry Everetts, Chairman  
 Richard Zink, Chief Executive Officer

**STERA Operations and Accomplishments Report**  
**Prepared for the year ending December 31, 2016**

**Description of the Authority's Operations**

The Authority Board of Directors met 4 times in calendar 2016, in March, June, October, and December. At all Board meetings, the Authority receives a report on railroad operations from the rail operator Western New York and Pennsylvania Railroad LLC (WNYP). The March Board meeting included (a) a comprehensive review of all reports and organizational policies, (b) a review of Authority structural, governance and operating policies and activities, (c) a comprehensive compliance review, and (d) the review and acceptance of the audit and management letter that had been prepared for calendar 2015. The June Board meeting was the annual meeting, which included election of Board and Corporate Officers. The STERA Audit Committee met in June. The STERA Governance Committee met in March and June.

**Rail Freight Traffic Volume**

With respect to rail operations on the two lines with which STERA is actively involved, mainline (through) and local freight volume on the Southern Tier Extension line in 2016 each continued to be down from their historical maxima (combined maximum of 54,000 carloads per year experienced several years prior, which was up from 75 carloads per year prior to takeover in 2001). Coal and other overhead traffic have been eliminated by Norfolk Southern Corporation. Norfolk Southern's decision to eliminate overhead coal traffic may be attributed to several factors, including national economic conditions, the closure of coal-fired power plants, and the relative price disadvantage that coal occupies relative to natural gas. Freight volume decreased 16% from 2015 to 2016 across the system in synch with the national depression in railroad volumes. Of particular note is a reduction of 668 carloads of petroleum distillates destined to the railroad's largest customer, International Wax Group. This was caused by the customer's inability to source needed feed stock due to a large reduction of refining activity in early 2016. Additionally, fracking sand activity was reduced by over 700 carloads due to a pullback of oil and gas well activity in northern Pennsylvania.

**Total Freight Volume for the Entire STERA Railroad System**

<b><u>2015</u></b>	<b><u>Carloads</u></b>	<b><u>Notes</u></b>
Overhead Freight	116	(all STE East-West mainline traffic)
Local Freight	3,524	Southern Tier Extension line
	<u>4,682</u>	Buffalo line
	<u>8,206</u>	Total local freight
Total	8,322	Total system
<b><u>2016</u></b>	<b><u>Carloads</u></b>	<b><u>Notes</u></b>
Overhead Freight	156	(all STE East-West mainline traffic)
Local Freight	1,598	Southern Tier Extension line
	<u>5,202</u>	Buffalo line
	<u>6,800</u>	Total local freight
Total	6,956	Total system

## **Capital Construction Projects Completed as of December 31, 2016**

### **A. FEMA Project**

As a result of a May 2014 storm event, STERA sustained storm damage at 47 locations in four New York State counties on the Southern Tier Extension railroad line. FEMA had declared a disaster in these counties (FEMA-4180-DR-NY), which made STERA eligible for funding from FEMA and the NYS Department of Homeland Security and Emergency Services (DHSES) to assist in the repair of these damages, and to assist in the mitigation of additional damages that might be caused by future storm events at certain specific locations. WNYP provided the remaining required matching funds. The project began in 2014, and all work was completed in 2015. As of December 31, 2016, STERA is in the process of closing this project out with FEMA.

### **B. Bridge Rehab and Track Realignment Project**

STERA had received NYS DOT 2005 Bond Act funds for the realignment of track from a bridge that in recent years had been in service to an adjacent bridge that in recent years had not been in service. WNYP provided the required matching funds. This project is located in the Falconer area in Chautauqua County on the Southern Tier Extension line. 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 raise the entire Southern Tier Extension Railroad line to a 286,000 lb. capacity specification for 4-axle rail cars. 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 began in 2013. The project's primary objectives have been completed; the realigned route and bridge crossing were placed back in service in November 2013. Secondary goals of installation of additional welded rail and 1,200 ties and the improvement of a switch serving the RHI Monofrax siding in 2 Falconer also subsequently have been completed. Installation of 5,000 ties and ballast has been completed. STERA utilized all of the funds remaining that could be used within the geographic bounds of the original project scope. As of December 31, 2016, STERA is awaiting closeout by NYS DOT.

### **C. Tie Installation and Grade Crossing Repair Project**

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 has been completed, and there should be less than \$15,000 remaining of project funds. As of December 31, 2016, STERA is awaiting closeout by NYS DOT.

### **D. Cattaraugus County Rail Rehabilitation Project**

STERA had received NYS DOT PFRAP Act funds for tie replacement, track alignment, and grade crossing and turnout rehabilitation between Olean and Killbuck in Cattaraugus County, NY on the Southern Tier Extension Railroad Line. WNYP provided the required matching funds. The project involved the replacement of 10,000 ties, the installation of approximately 12,000 tons of ballast, the raising/surfacing/aligning of track and

turnouts, the rehabilitation of three at-grade crossings, and the rehabilitation of eleven turnouts along 12 linear miles of railroad line between Olean and Killbuck. 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 raise the entire Southern Tier Extension Railroad line to a 286,000 lb. capacity specification for 4- axle rail cars. 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 subcontract to WNYP. All project work has been completed. As of December 31, 2016, STERA is awaiting closeout by NYS DOT.

## **Capital Construction Projects Active as of December 31, 2016**

### **A. Track and Bridge Rehabilitation Project**

In August 2015, STERA had submitted an application to NYS DOT for PFRAP grant funds, with matching funds to be provided by WNYP. 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. The goal of the project is to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project is part of an overall strategy to raise the entire Southern Tier Extension Railroad and Buffalo lines to a 286,000 lb. capacity specification for 4-axle rail cars. The bridge repairs specifically are intended to improve safety related to bridge integrity (reducing impacts on pedestrians/highway vehicles). STERA's intention is to contract directly with WNYP for the provision of engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP may engage one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP; interested potential subcontractors may contact STERA and/or WNYP directly. In late 2016, STERA received a contract from NYS DOT funding a portion of the project. The proposed timeline for the project is that the project will begin in 2017, and be completed in 2017.

## **Capital Construction Projects Currently Proposed as of December 31, 2016**

### **A. Olean Enginehouse and Yard Improvement Project**

In late 2016, STERA submitted a grant application to NYS DOT for the 2016 PFRAP funding cycle. The project would involve 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. The goal of the project is to improve safety and track speeds within the Olean Yard, which would further improve competitiveness of rail service. Further, the project is part of an overall strategy to raise the entire Southern Tier Extension Railroad and Buffalo lines to a 286,000 lb. capacity specification for 4-axle rail cars. The enginehouse improvements specifically are intended to improve safety and productivity related to operations within the enginehouse. The security system is intended to improve public safety and reduce vandalism. STERA's intention is to contract directly with WNYP for the provision of engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP may engage one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP; interested potential subcontractors may contact STERA and/or WNYP directly. If funded, the proposed timeline for the project is that the project will begin in 2017, and be completed in 2017.

### **B. Proposed Transload Facility Project**

In March, 2006, the Southern Tier West Regional Planning and Development Board, using funding provided by NYSDOT, USDOC EDA, and WNYP, began a feasibility and site selection study relating to the phased construction and operation of rail-highway freight transfer facility to be located somewhere along the NYS 3

portion of the Southern Tier Extension Railroad Line. The first phase was to involve construction of a transload facility, with potential future phases if justified by freight volume and market demand, to involve satellite marine terminal/inland port designation, intermodal container operations, and a nearby business or industrial park development. The study demonstrated commercial viability for the first phase transload facility and also recommended location of the transload facility at the WNYP rail yard in Allegany, New York (Cattaraugus County). This study report is available at [www.southerntierwest.org/html/publications.htm](http://www.southerntierwest.org/html/publications.htm). In January 2009, the Southern Tier West RP&DB, as part of the feasibility and site selection study project, undertook a preliminary engineering study for the construction of the proposed transload facility at the Allegany NY rail yard site. This engineering report, along with technical appendices, is available at [www.southerntierwest.org/html/publications.htm](http://www.southerntierwest.org/html/publications.htm). Based upon these studies and the express indication by NYS DOT that it would encourage and help fund the construction of the first phase transload facility, STERA would like to undertake the project, either by (a) constructing and owning the facility, with operation to be leased to a third party private sector company to be selected at a later date, or by (b) work with a private developer that would construct and either own/operate or own/lease the facility to another private sector operator. STERA's strategy is to build the transload facility in phases, as construction funds became available. STERA is currently in the process of seeking funding to undertake the construction of the first phase transload facility. When STERA obtains construction funds, it will procure engineering consulting services, undertake environmental analysis, secure site control, undertake engineering/design, and begin construction. STERA will not issue RFP's for any project-related services until funding is in hand for this project.

#### **Discussion of Any Material Changes in Authority Operations and Programs**

Other than capital rehabilitation projects either commenced or completed in 2016 (discussed above), there were no material changes in STERA operations and programs during 2016.