



**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"  
John Margeson, Chairman**

## **CHAUTAUQUA, CATTARAUGUS, ALLEGANY AND STEUBEN SOUTHERN TIER EXTENSION RAILROAD AUTHORITY**

### **SUMMARY OF ACTIVITIES**

**FOR THE YEAR ENDING DECEMBER 31, 2007**

**Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority**

**Center for Regional Excellence**

**4039 Route 219, Suite 200**

**Salamanca, New York 14779**

**Telephone: 716-945-5301**

**Fax: 716-945-5550**

**Web: [www.ccasstera.org](http://www.ccasstera.org)**

**List of Board Members and Officers**

(as of December 31, 2007)

**Board Members**

John Margeson, Chairman  
Joseph Eade, Vice Chairman  
James Griffin, Assistant Vice Chairman  
Seth Corwin  
William Daly  
Donald Davidsen  
Terry Everetts  
Karl Kruger  
Thomas Livak  
Francis Lus  
Timothy O’Grady  
Robert Walrod  
Lucille White  
  
Vacant

**Representing**

Allegany County  
Cattaraugus County  
Steuben County  
Steuben County  
Chautauqua County  
Steuben County  
Cattaraugus County  
Allegany County  
Cattaraugus County  
Chautauqua County  
Allegany County  
Chautauqua County  
Southern Tier West Regional Planning and  
Development Board  
Seneca Nation of Indians

**List of Corporate Officers**

(as of December 31, 2007)

Donald Rychnowski	Executive Director (Chief Executive Officer)
Robert Walrod	Secretary
Richard Zink	Treasurer (Chief Financial Officer)

**SUMMARY OF ACTIVITIES  
FOR THE YEAR ENDING DECEMBER 31, 2007**

**Operations and Accomplishments**

In 2007, STERA continued its corporate operations. The full STERA Board met on eight occasions (January 29, 2007; February 12, 2007, February 27, 2007; April 30, 2007; June 18, 2007; September 17, 2007; November 19, 2007; and December 3, 2007). In the absence of a full Board meeting, two Executive Committee meetings were held (January 25, 2007 and February 23, 2007).

During the year, STERA continued the process of coming into compliance with the Public Authorities Accountability Act. Board members and contract administrative staff received training. In January 2007, STERA received two advisory opinions on conflict of interest from legal counsel.

In April 2007, the Board approved the Election of James Griffin as Assistant Vice Chairman, officer of the Board. In April 2007, the Board approved the appointment of Donald Rychnowski as Executive Director (Chief Executive Officer) and Richard Zink as Treasurer (Chief Financial Officer), officers of the corporation. In June 2007, the Board elected Robert Walrod as Secretary, an officer of the corporation.

At the February 12, 2007 meeting, STERA approved a new set of corporate bylaws.

At the April 2007 meeting, STERA approved several STERA policies, as follows:

- The Compensation, Reimbursement and Attendance Policy.
- (Re-adopted and re-approved) the Code of Ethics, entitled “Standards of Conduct Policy”.
- The Whistleblower Policy.
- The Travel Policy.
- The Disposition of Property Guidelines.
- (Re-adopted and re-approved) the Procurement Policy, entitled “Contract and Procurement Policy”.
- The Defense and Indemnification Policy.
- The Investment Policy.

In April 2007, STERA approved the use of the proposed Conflict of Interest and Financial Disclosure Compliance Form and the proposed Certificate of Independent Director Form. In April 2007, STERA also approved the designation of the Chief Executive Officer as Contracting Officer.

In June 2007, the STERA Board Chairman appointed the first members of the Audit and Governance Committees, and the Chairs of both committees.

In December 2007, STERA approved the Audit Committee Charter and the Governance Committee Charter.

At the start of 2007, WNYP had an approximate level of 2,000 carloads of annualized freight traffic, while Norfolk Southern had an approximate level of 52,000 carloads of annualized unit coal freight traffic. Norfolk Southern operated one train per day in each direction on the line, six days per week.

In January 2007, WNYP made two proposals to STERA:

1. WNYP requested that STERA extend the east west line abatement through 2017, with the PILOT due in 2009, 2010 and 2011 being shifted to 2015, 2016, and 2017, at 33%, 66%, and 100% of taxes as reduced by the statewide real estate tax reduction.
2. WNYP requested that STERA enter into a sale and leaseback transaction with Norfolk Southern on the north south line between Machias Junction and the Pennsylvania state line, with an abatement through 2017, with a PILOT in 2015, 2016, and 2017 at 33%, 66%, and 100% of taxes, under the condition that Norfolk Southern enter into a long term sub-lease of that line with WNYP.

STERA held a total of three full Board meetings and two Executive Committee meetings at which these proposals were discussed. With respect to the north-south line proposal, the STERA Board heard comments of and fielded questions from representatives of the County, the affected municipalities and school districts, employees of Norfolk Southern Corporation and WNYP, and the general public. The STERA Board approved both proposals in February 2007. The federal Surface Transportation Board approved the arrangement and STERA filed and WNYP began operating trains on the north-south line in early August 2007.

The negotiated transaction with Norfolk Southern provided that takeover would occur in the spring, and that a portion of a negotiated \$165,000 first year transition payment in lieu of taxes paid by Norfolk Southern to STERA would begin in July 2007 with the balance being due in January 2008. However, takeover didn't occur until August 2007, and as of December 31, 2007, Norfolk Southern Corporation still had not paid the \$165,000 transition payment. However, as of December 31, 2007, Norfolk Southern Corporation had indicated that payment was imminent.

In December 2007, STERA decided to begin holding regularly scheduled quarterly meetings, to be held in February, May, August, and November in 2008.

In 2007, STERA was informed that it and WNYP would be asked to provide railroad system and operational planning information to the Southern Tier West Regional Planning and Development Board for the latter's use in its regional transportation planning project, an initiative authorized by and funded by NYS DOT. Specific issues could include economic development, safety, quality of life, security, efficiency of the regional transportation system, and environmental considerations. This will become a focus activity in 2008 for STERA.

In 2007, STERA also was informed that it and WNYP would be asked to provide railroad system and operational planning information to the City of Jamestown for the latter's use in its Urban Design Plan. Specific issues could include potentially non-conforming adjacent uses (with active railroad right of way), security, trespass, safety, and future railroad and business development, terminal redevelopment, disassembly / scrap yard issues, the Washington Street Bridge rehabilitation project, and potential future coal conveyor issues. This will become a focus activity in 2008 for STERA.

### **Projects Undertaken in the Past Year**

STERA continued the line rehabilitation project began in 2006, using G. W. Peoples Inc. as construction contractor and Clough Harbour & Associates LLP as engineering consultant. Funding for the project included a \$230,000 NYS DOT program grant, a \$2,000,000 New York State Transportation Bond Act grant, a \$900,000 Federal U.S. Department of Transportation Safetea-Lu grant, and local match provided by WNYP. The 2006 contract involves a total of 7.6 miles of welded rail installation, including 2 miles in Chautauqua County and the balance in Allegany County (Tip Top, Andover, Belmont, Belvedere, and Cuba), plus tie installation and surfacing, primarily between Olean and Cuba and in Chautauqua County east of Jamestown. As of December 31, 2007, work on this project had not yet been completed. STERA estimated that the project would be completed in 2008.

Also pending at the close of the year were two potential Multimodal grant awards plus WNYP matching funds. STERA hopes that these are funded directly and that they go to construction in 2008.

STERA continued to maintain its relationship with Clough Harbour & Associates LLP., although no new rehabilitation projects were begun in 2007. During 2007, WNYP had communicated that it now had significant engineering expertise employed in-house, and had indicated that STERA might be able to utilize WNYP's engineering expertise instead of hiring a third party consultant at additional expense.. In September 2007, the STERA Board adopted a resolution indicating that, in addition to engineering services that could be provided by WNYP in-house engineering staff provided at no cost to STERA, STERA needed to continue to utilize Clough Harbour & Associates LLP for engineering services related to the continuing 2006 rehabilitation project, provided that the additional engineering services provided by Clough Harbour & Associates LLP amounted to no more than \$30,000 on the 2006 rehabilitation project. The resolution also provided that engineering services for future or upcoming contracts would be procured competitively and / or procured from WNYP on a case-by-case basis. In December 2007, STERA re-adopted this resolution, approving the use of engineering services provided by WNYP in-house engineering staff at no cost to STERA plus continuation of utilization of Clough Harbour & Associates LLP for engineering services related to the 2006 contract, provided that the additional engineering services provided by Clough Harbour & Associates LLP amounted to no more than \$30,000, and provided that STERA and WNYP execute a letter agreement in which in return for STERA so engaging Clough Harbour & Associates LLP, WNYP agrees to reimburse STERA for all project expenses over and above the project grant contract funds, including engineering costs in excess of \$110,000, and provided that before the STERA –

WNYP letter agreement is executed, WNYP provide to STERA all accounting information and financial documentation pertaining to the contract to date, and indicating that engineering services for future or upcoming contracts would be procured competitively and / or procured from WNYP on a case-by-case basis.

In January 2007, STERA adopted a resolution to undertake a NYS DEC Environmental Remediation Program Project in Randolph at the Cattaraugus County-owned former Randolph Foundry site as co-applicant with Cattaraugus County. As a condition of this resolution, STERA required that Cattaraugus County provide the required local share match for that project and that Cattaraugus County execute an agreement to that effect. As of December 31, 2007, work on this project had not yet been completed. Cattaraugus County estimated that the project would be completed in 2008.

### **Financial Summary**

The Income Statement for the year ending December 31, 2007 and the Balance Sheet for December 31, 2007 are included in STERA's Annual Report and can be downloaded from STERA's web site (<http://www.ccasstera.org>).

### **Borrowing Activity**

As of December 31, 2007, the end of STERA's fiscal year, STERA had no bonds or notes outstanding. Further, in the year ending December 31, 2007, STERA did not redeem any bonds or notes.

Although STERA in 2006 had authorized bonding for construction funding for the Safetea-Lu portion of the 2006 construction project, which continued into 2007, STERA did not need to utilize construction funding for this project during 2007, and hence did not issue a bond in 2007 for this purpose. This construction project will continue into and is projected to be completed in 2008. STERA does not anticipate that bonding will be necessary in 2008 for this project.

### **Human Resources Description**

STERA has no direct employees. STERA's Board appoints a Chief Executive Officer (an Executive Director) and a Chief Financial Officer (a Treasurer) to carry out the organization's policies and manage the day-to-day operations. However, the Executive Director and Treasurer are not STERA employees and receive no direct salary from STERA. STERA contracts with the Southern Tier West Regional Planning and Development Board for administrative services.

### **Personal and Real Property Transactions**

STERA owns no personal property. STERA contracts with the Southern Tier West Regional Planning and Development Board for administrative services, including the use of traditional business assets classified as personal property.

STERA is in title to certain real estate assets transferred to it by Norfolk Southern Corporation in February 2001 and February 2007, which together comprise the Southern Tier Extension Railroad Line and the Buffalo Line (or east-west line and north-south line), respectively. Pursuant to the agreement between STERA and Norfolk Southern Corporation, STERA retains title to these assets for a period of years, after which time, these real estates assets, and the improvements thereto, revert to Norfolk Southern Corporation.

Pursuant to the agreement between STERA and Norfolk Southern Corporation, Norfolk Southern retains the exclusive right to sell, transfer, or otherwise dispose of these real estate assets. STERA does not have the right to sell, transfer, or otherwise dispose of these real estate assets.

The agreement between STERA and Norfolk Southern Corporation also provides that upon any abandonment by Norfolk Southern Corporation of any or all of the real estate assets, STERA has the right of first refusal to acquire the abandoned assets at a price set through a formula stipulated in the agreement.

Norfolk Southern Corporation subsequently has transferred its right to sell, transfer, or otherwise dispose of these real estate assets to the Western New York and Pennsylvania railroad Company. This transfer does not modify the rights or circumstances of STERA with respect to STERA's lack of authority to sell, transfer, or otherwise dispose of these real estate assets.

## **Contact Information**

The following is the legal address of the Rail Authority:

Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority  
Center for Regional Excellence  
4039 Route 219, Suite 200  
Salamanca, New York 14779

STERA maintains a web site located at <http://www.ccasstera.org>.

STERA may be contacted by telephone at 716-945-5301. Ask the switchboard operator for STERA, or for one of the contact people listed below. STERA's fax number is 716-945-5550.

Those wishing to contact the Rail Authority are encouraged to contact the railroad contacts on staff at the Southern Tier West Regional Planning and Development Board. Southern Tier West provides staffing and administrative services to the Rail Authority. Primary contact information for Southern Tier West is as follows:

Donald R. Rychnowski, Executive Director  
[drychno@southerntierwest.org](mailto:drychno@southerntierwest.org)

Thomas M. Barnes, Senior Regional Economic Development Coordinator  
[tbarnes@southerntierwest.org](mailto:tbarnes@southerntierwest.org)

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