

**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

# **Southern Tier Extension Railroad Authority**

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**"This institution is an equal opportunity organization"  
John Margeson, Chairman**

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

### **ANNUAL REPORT**

**FOR THE YEAR ENDING DECEMBER 31, 2009**

**Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority  
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**CHAUTAUQUA, CATTARAUGUS, ALLEGANY AND STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY**

**ANNUAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2009**

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## **Executive Summary**

This document is the Annual Report of the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority (herein "STERA" or "the Authority"), prepared for the calendar and corporate fiscal year ending December 31, 2009.

This Annual Report is prepared to satisfy the requirements of STERA's enabling legislation, the Public Authorities Law, the Public Authorities Accountability Act, other relevant laws, and the new 2009 Public Authorities Reform Act requirements that become effective in 2010. As much as is possible, STERA has attempted to have organizational compliance activities and the structure and content of this Annual Report conform to the requirements of the new 2009 Public Authorities Reform Act requirements that become effective March 1, 2010.

STERA intends that this Annual Report will be a public informational document providing information about STERA and STERA's activities during 2009. This report is submitted to New York State, to the four affected New York State counties (Chautauqua, Cattaraugus, Allegany, and Steuben Counties of New York State), to the Southern Tier West Regional Planning and Development Board, and to the Seneca Nation of Indians. It also is published on STERA's web site, and is available directly from STERA.

In 2009, STERA continued its corporate operations, holding an active meeting calendar with all Board meetings open to the public and properly noticed. STERA did not hold an annual meeting in 2009; accordingly, Board officer elections were not held in 2009, and Board officers elected in 2008 continued in their offices during 2009. STERA will hold an annual meeting in the spring of 2010, with election of Board officers taking place at that time.

However, because of the retirement of the Chief Executive Officer and the vacancy in the position of the Secretary, in December 2009 the Board elected corporate officers, including the Chief Executive Officer, the Chief Financial Officer, and the Secretary, to take office January 1, 2010. The newly elected Chief Executive Officer, Chief Financial Officer, and Secretary are not employees of STERA and do not draw a salary from STERA, nor are they members of the STERA Board of Directors.

Railroad operating activity continued on both the Southern Tier Extension Railroad Line and Buffalo Line, the two rail lines with which STERA was actively involved in 2009. STERA was in title to the real estate on certain portions of both of these lines during 2009. Western New York and Pennsylvania Railroad continued to operate both lines under a lease arrangement with Norfolk Southern Corporation. Operating volumes were steady or decreased somewhat on the Southern Tier Extension Line, because of the economic recession, while there was mild growth in traffic on the Buffalo Line, owing to increased business in the Pennsylvania portion of the line, which is owned by Norfolk Southern Corporation. This increased traffic on the Pennsylvania portion of the Buffalo Line impacted traffic on the portion of the Buffalo Line

between the Pennsylvania Boarder and the interchange with the Southern Tier Extension Line in Olean, and also impacted traffic on the Southern Tier Extension Line.

STERA completed its railroad line rehabilitation construction project, continued from 2008.

STERA's financial statements indicate a decrease in net assets in 2009. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of an organization's overall financial health, when considered with non-financial facts. In 2009, STERA's decrease in net assets was due to depreciation of the rail line asset. For additional detail, please see the notes to the Audited Financial Statements, included herein.

### **Description of the Authority**

STERA is a local public authority created by the State of New York in 2000 in response to home rule resolutions passed by Chautauqua, Cattaraugus, Allegany, and Steuben Counties of New York State. STERA is comprised of a 14 person Board of Directors. Three directors are appointed by each of the four counties, one director is appointed by the Southern Tier West Regional Planning and Development Board, and one director is appointed by the Seneca Nation of Indians. The director appointed by the Seneca Nation of Indians is a non-voting member.

This Annual Report contains extensive information about the Authority Board of Directors, the Authority Board officers and corporate officers (including biographical information), and the structure of the organization (including committees, subsidiaries and affiliates).

Copies of the STERA enabling legislation, corporate bylaws, meeting minutes, corporate policies, financial statements and reports may be found at STERA's web site, which is <http://www.ccasstera.org>. These documents also are available directly from STERA. Certain of these documents also are included in this Annual Report.

STERA's mission is the continuance, further development and improvement of railroad transportation and other services related thereto within Chautauqua, Cattaraugus, Allegany and Steuben Counties, and the development and implementation of a unified railroad transportation policy and strategy for these counties.

At the March 30, 2010 Executive Committee Meeting of the Authority, the Authority revised the mission statement and adopted the revised mission statement. The new mission statement of the Authority continues to be to fulfill the intent of the New York State Legislature in creating it, which was "to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties." Additionally, the mission statement is broadened to include the goals of encouraging an

operating railroad that provides adequate rail service, encouraging increased rail shipping carload volumes, encouraging opportunities for additional business expansion and development based on rail service, encouraging rehabilitation efforts and improved functional performance of the railroad lines, and achieving a clean audit report and a clean NYS ABO compliance report. The broadened mission statement incorporates the Authority's goals, and provides standards for future performance measurement and evaluation. This Annual Report contains a more detailed discussion in this area, including a statement of the mission (purpose and goals), a list of stakeholders and their expectations, and a statement of measurement standards for self-evaluation by STERA. This Annual Report also includes a Self-Evaluation Report prepared by STERA for the year ending December 31, 2009.

STERA's corporate activities currently focus on two short line railroads: the Southern Tier Extension Railroad Line and the Buffalo Line. However, STERA hopes eventually to broaden its perspective toward, if not its active involvement in, the other short lines and main lines present in the region.

The Southern Tier Extension Railroad Line referred to in STERA's name is a 145-mile long rail line - the former Erie Lackawanna mainline - that runs between Corry, Pennsylvania and Hornell, New York. The Southern Tier Extension has interconnections with other rail lines at each end and at various points along the line. The Southern Tier Extension provides direct service to the Cities of Corry, Jamestown, Salamanca, Olean, and Hornell, and the Village of Wellsville and other small villages and towns along the line.

The Buffalo Line is a 40 mile long rail line that runs between Machias Junction in Cattaraugus County, New York and the Pennsylvania State line at Portville, New York. The Buffalo Line also has interconnections with other rail lines at each end. The Buffalo Line serves the City of Olean and other villages and towns along the line in New York and Pennsylvania.

The Southern Tier Extension and the Buffalo Line interconnect in Olean.

STERA's origin was predicated on a memorandum of understanding executed in June 1998 by Southern Tier West Regional Planning and Development Board, New York State Department of Transportation, Norfolk Southern Corporation, and Pennsylvania Lines LLC. This agreement was the product of years of study and evaluation of the Southern Tier Extension Railroad Line by the four counties, followed by approval of the strategy embodied in the agreement by the property taxing jurisdictions (counties, cities, villages, towns, school districts) in which the railroad right of way is located. The line was mostly dormant in 1998, with only 40 miles in service, 1 customer, and less than 75 carloads of traffic per year. At that time, and for years before, the line had been expected to be formally abandoned soon after 1998. Upon abandonment, the rail, ties, switches, ballast, and other physical assets would be removed and salvaged for scrap, and simple economics dictated that an operating railroad line would never be re-installed on the right of way.

The June 1998 memorandum of understanding was intended to provide a framework that not only allowed for the salvation of the line from abandonment, but also guaranteed a minimum level of operating service and catalyzed the return of the line to active local and mainline through service. To summarize certain salient features of the June 1998 agreement, the agreement provides that the ownership of the physical real estate capital assets of the railroad – the land, track, ballast, switches, sidings, grade crossings, etc. – would be transferred by Norfolk Southern to an entity to be created (i.e., what eventually would become STERA) for a term of years, after which ownership would revert to Norfolk Southern. During the period of ownership by STERA, Norfolk Southern would lease operating rights from STERA, in order to be able to operate trains on the railroad line. Further, the agreement provided that during this period of years, Norfolk Southern agreed to provide service on the line and maintenance of the line. Ownership by STERA would mean that there would be no property taxes paid on the line – this was the element agreed to by the taxing jurisdictions – but Norfolk Southern agreed to pay an escalating payment in lieu of taxes to STERA in the last years of STERA’s ownership. The effective abatement of real estate taxes was a necessary inducement, and the primary reason for involving STERA. The rationale was that the abatement of taxes would lower the railroad operator’s operating costs, providing an incentive for the railroad operator to operate the line and build traffic on the line. The former owner of the railroad line, Conrail, had considered the line redundant to its Pennsylvania mainline, and when Norfolk Southern obtained ownership of both lines, the redundancy remained. This was the reason that the four counties expected Norfolk Southern to formally abandon the line when it was to become legally empowered to do so in 1998. By removing the property tax burden to Norfolk Southern, total ownership costs were low enough that it was possible to conceive of operating advantages, including new freight traffic, which could be obtained by aggressively operating the line.

A secondary reason for involving STERA in the strategy to save and resuscitate the line was STERA’s eligibility for receiving State and Federal grants for the rehabilitation of the railroad line. The railroad line’s former owner, Conrail, had not done any maintenance on the line for 25 years, and in fact in certain locations on the line Conrail actually had removed assets from the line (e.g., switches, signals, etc.), using them elsewhere in its system. So another rationale for the 1998 agreement was the ability to utilize the public-private partnership between Norfolk Southern and STERA to rehabilitate the railroad line so that it was in good operating condition.

As was indicated above, STERA was created by the State of New York in 2000 to implement the intent of the 1998 memorandum of understanding. The transfer of ownership from Norfolk Southern to STERA and the lease of operating rights to Norfolk Southern by STERA were consummated in February 2001, and in April 2001, Norfolk Southern sub-leased its operating rights to the Western New York and Pennsylvania Railroad Company LLC (WNYP), retaining the authority to operate trains on the line itself. Under the terms of the sub-lease, the obligation to provide service and maintenance and to make operating payments was transferred to WNYP.

Per the terms of the original 1998 agreement, the ability to sell or lease any portion of the real estate assets was retained by Norfolk Southern, and this right was transferred to WNYP in the sub-lease agreement. Accordingly, STERA does not have any rights to undertake property transfers of any part of the line.

In February 2007, STERA approved the extension of 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. At the same time, STERA approved entering into a sale and leaseback transaction with Norfolk Southern Corporation 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. The federal Surface Transportation Board approved the north-south line arrangement, and WNYP began operating trains on the north-south line in early August 2007. The north-south line, also known as the Buffalo Line, serves the City of Olean and the Villages of Franklinville and Portville and the various Towns that it traverses.

STERA essentially is a financially self-supporting public agency that receives no tax revenues from any state or local jurisdiction and has no power to tax. STERA relies almost entirely on administrative revenue generated from capital rehabilitation grants from State and Federal sources, plus an ongoing \$20,000 annual administrative fee paid by WNYP, for its operating revenue. The north-south line transaction in 2007 increased this annual WNYP administrative fee from \$20,000 to \$40,000 per year.

STERA's Board elects Board Officers and Corporate Officers. Board Officers include the Chairman, Vice Chairman, and Assistant Vice Chairman. Corporate Officers include the Chief Executive Officer (an Executive Director), the Chief Financial Officer (a Treasurer), and the Secretary. The Corporate Officers are responsible for carrying out the organization's policies and managing the day-to-day operations of the authority. The Executive Director, Treasurer, and Secretary are not STERA employees and receive no direct salary from STERA. In fact, STERA does not have any employees, and contracts with the Southern Tier West Regional Planning and Development Board for administrative services and meeting space. STERA's place of business is the same address as that of the Southern Tier West Regional Planning and Development Board in Salamanca, New York, and STERA normally meets in the offices of the Southern Tier West Regional Planning and Development Board.

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>. The web site is a resource for information regarding the Authority.

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:

Richard T. Zink, Executive Director  
[rzink@southerntierwest.org](mailto:rzink@southerntierwest.org)  
716-945-5301 x 203

Thomas M. Barnes, Senior Regional Economic Development Coordinator  
[tbarnes@southerntierwest.org](mailto:tbarnes@southerntierwest.org)  
716-945-5301 x 209

Southern Tier West Regional Planning & Development Board  
Center for Regional Excellence  
4039 Route 219, Suite 200  
Salamanca, New York 14779

As of January 1, 2010, Mr. Zink also serves as CEO (Executive Director) and CFO (Treasurer) of STERA and Mr. Barnes also serves as corporate Secretary of STERA.

### **Operations and Accomplishments**

In 2009, STERA continued its corporate operations. The full STERA Board met on six occasions (March 16, 2009; June 15, 2009, July 27, 2009; August 17, 2009; October 19, 2009; and December 10, 2009). However, because of the absence of a quorum, two of these meetings (March 16, 2009 and October 19, 2009) were not formal meetings. On these two dates, the STERA members present met informally and did not transact business. All six meetings were properly noticed and open to the public. Minutes of these meetings may be found on the Authority's web site.

There were no formal committee meetings held in 2009.

STERA did not hold an annual meeting in 2009; accordingly, Board officer elections were not held in 2009, and Board officers elected in 2008 continued in their offices during 2009.

Similarly, because STERA did not hold an annual meeting in 2009, corporate officer elections were not held at a 2009 Annual Meeting, and corporate officers elected in 2008 continued in their offices during 2009. However, because of the retirement of the Chief Executive Officer and the vacancy in the position of the Secretary, on December 10, 2009 the Authority Board elected corporate officers, including the Chief Executive Officer, the Chief Financial Officer, and the Secretary, to take office January 1, 2010. The Chief Executive Officer, Chief Financial Officer, and Secretary are not employees of STERA and do not draw a salary from STERA, nor are they members of the STERA Board of Directors. Another section of this Annual Report provides a listing of current Board and corporate officers. STERA will hold an annual meeting in the spring of 2010, with election of Board and corporate officers taking place at that time. Following is a summary of business occurring at the meetings of the STERA Board during 2009:

At the March 16, 2009 meeting (not a formal meeting, due to lack of a quorum), STERA discussed plans to submit a proposal for a stimulus project for the rail lines.

At the June 15, 2009 meeting, STERA:

- discussed the Southern Tier West Regional Planning Board's Regional Transportation Plan Project, a planning project funded by NYS DOT;
- discussed progress made with respect to Southern Tier West's planning and engineering study to support the development of a transload facility in Olean, New York; and
- discussed contract implications of the co-sponsor status (with Cattaraugus County of a brownfield remediation project in Randolph, New York (Cattaraugus County)).

At the July 27, 2009 meeting, STERA

- discussed the Southern Tier West Regional Planning Board's Regional Transportation Plan Project, a planning project funded by NYS DOT, for which Southern Tier West has submitted a draft Regional Transportation Plan;
- discussed progress made with respect to Southern Tier West's planning and engineering study to support the development of a transload facility in Olean, New York;
- discussed contract implications of the co-sponsor status (with Cattaraugus County of a brownfield remediation project in Randolph, New York (Cattaraugus County), under which STERA agreed to reauthorize the resolution from January 2007 as per NYS DEC request once Cattaraugus County agrees to hold harmless the Authority Board from any future costs associated with the Randolph Foundry Remediation Project Site; and
- discussed and approved expending up to \$10,000 for a consultant to write an application for Transportation Investment Generating Economic Recovery ("TIGER") funding available through the American Recovery and Reinvestment Act (Recovery Act) legislation that was enacted in February.

At the August 17, 2009 meeting, STERA

- heard a report from WNYP indicating that
  - the rail lines continue to function well,
  - WNYP made a few repairs necessary due to storm damage,
  - WNYP made repairs have been made in the towns of Kennedy and Poland to alleviate poor drainage though there is still more work to accomplish,
  - the engine house project has the go ahead of the WNYP board and will be available by winter,
  - 20th Century Fox is going to use a portion of the Buffalo Line during 2009 to film a movie, and
  - the Salamanca siding is complete with new ties and switching equipment.
- discussed the Cattaraugus County Remediation Project, and decided after receiving legal counsel that the Authority's counsel would write a new modification agreement stating that the County agrees to pay the local share of the NYS DEC grant award and all other awards that have been made or may in the future be made by DEC for or in connection with the remediation, that the Authority shall not be responsible for making any payments in connection with the remediation, the application, the award or any other awards that have been made or may in the future be made by NYS DEC for or in connection with the remediation, and that the County assumes no other costs, impliedly or expressly, of the Authority or any other third party other than those specified in the agreement.
- discussed the TIGER grant application, and learned that the consultant will have a preliminary draft available by September 1st for the Authority Board to review and revise for submission to US DOT by September 15.

At the October 19, 2009 meeting (not a formal meeting, due to lack of a quorum), STERA

- noted that the TIGER application had been submitted to US DOT for funding review in September 2009;
- directed contract staff to take the low bid for directors and officers insurance, with ratification at the next STERA Board meeting;
- heard a report from WNYP indicating that
  - WNYP RR is in negotiations with Norfolk Southern for lease of the loop track at the Hornell interchange, proposing to double WNYP's available interchange capacity;
  - Work continues on the Olean engine house, and when completed, engine work will move to Olean from Falconer, with MOW trucks and machining remaining in Falconer;
  - WNYP made washout repairs necessary due to storm damage, with the Machias line and Hinsdale being hardest hit,
  - WNYP also installed 4,500 maintenance crossties to date this year (2,000 yet to be installed), installed a switch in Turtle Point (PA), is rebuilding 5 grade crossings, and put the Salamanca section back in service (1,600 ties and a switch panel), repaired a

- number of bridges and culverts, and is moving to do steel repairs to a bridge in Corry and replacement of a PUC case at Austin Road at Keating Summit (discussing funding for this latter repair with Penn DOT);
  - WNYP also has applied to Penn DOT for funding for installation of 4,500 ties on the Farmers Valley Branch 2010 (\$570,000) and a 1,000 foot siding in Franklin PA (\$250,000), both in 2010;
  - WNYP has removed signals from the Buffalo line and is undertaking a signal project at Cass Street in Hornell;
  - WNYP has applied to NYS DOT to close May Road in Steamburg; and
  - WNYP also is working to demolish storefronts in the Main Street bridge in Jamestown and remediate spalling in several of the Jamestown bridges.
- discussed the proposed transload facility project, noting that:
  - Southern Tier West has completed its planning and engineering study to support the development of a transload facility in Olean, New York, which is downloadable from the Southern Tier West web site;
  - Southern Tier West has met with the City of Olean, which is in favor of the project moving forward.
- directed contract staff to submit the proposed budget for 2010 to NYS ABO, with ratification at the next STERA Board meeting

At the December 10, 2009 meeting, STERA

- ratified the execution of the contract for directors and officers insurance
- ratified the approval and authorization of submission to NYS ABO of the 2010 Budget
- approved a new payment relationship with Southern Tier West RPDB for ongoing administrative and staffing services provided to STERA in support of STERA corporate operations
- adopted an amendment to the Contract and Procurement Policy allowing the Chief Executive Officer to authorize payments by the Treasurer, with checks counter-signed by the Chairman, for purchase of goods and services in amounts up to \$500 without the approval of the Board
- approved procuring audit services based upon quotes from at least three firms
- directed contract staff to research the new 2009 Public Authorities Reform Act and its impact on STERA
- heard a report from WNYP indicating that
  - the locomotive shop is now in service at the Olean yard;
  - WNYP will be closing a grade crossing at May Road in Steamburg, and will be replacing the Sherlock Hollow bridge in Hinsdale with a grade crossing; and
  - the Jamestown storefronts on the west side of the Main Street bridge have been demolished, but demolition on the east side has not yet begun.
- discussed the Cattaraugus County Remediation Project, and heard that the Authority had been contacted by NYS DEC, which had indicated that the project was nearing

completion and that NYS DEC planned to issue a certificate of completion on the project and recommend no additional action be taken, provided that three things occur:

1. STERA must file an environmental easement for the railroad right of way parcel.
2. Cattaraugus County must file an environmental easement for the foundry parcel.
3. The Village of Randolph must change the zoning of the foundry parcel from residential to commercial.

The STERA easement's language would involve restricting the future use of the land to commercial uses in the future, i.e., no residential uses, no water wells, no gardens in the railroad right of way, etc. NYS DEC had indicated that it would transmit a model environmental easement to STERA, and STERA then would work with WNYP to develop an acceptable easement, possibly in concert with Cattaraugus County. The STERA Board then would have to pass a resolution authorizing the easement, with WNYP's prior concurrence to the language of the easement. The STERA Board directed that a draft environmental easement be prepared in conjunction with WNYP, and possibly with Cattaraugus County, based on the NYS DEC model language, for review and approval and authorization of filing, subject to NYS DEC approval, by the STERA Board.

- elected corporate officers (CEO a.k.a. Executive Director, CFO a.k.a. Treasurer, and Secretary
- noted that Southern Tier West intends to work with Chautauqua, Cattaraugus, and Allegany Counties and with the Seneca Nation of Indians to promote the development of business development sites along the east-west and north-south railroads.

During the year, STERA continued the ongoing process of compliance with the Public Authorities Law and the Public Authorities Accountability Act. In late 2009, STERA also began the process of complying with the new 2009 Public Authorities Reform Act requirements that become effective in 2010. New STERA Board members received training.

At the start of 2009, 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. However, both of these numbers declined somewhat during 2009, owing to the recession.

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

STERA completed its railroad line rehabilitation construction project, continued from 2008. No other projects were commenced in 2009.

## **Financial Summary**

Following is a financial summary for the Southern Tier Extension Railroad Authority for the year ending December 31, 2009. The Financial Reports include the Audited Financial Statements (including income statements and balance sheets), a description of grants and subsidy programs, a description of operating and financial risks, a description of current bond ratings, a description of long-term liabilities (including leases and employee benefit plans) as of December 31, 2009, a listing of material changes in operations and programs for the year ending December 31, 2009, and a description of any material pending litigation

## **Audited Financial Statements**

Following are STERA's Audited Financial Statements for the year ending December 31, 2009, including the Income Statement for the year ending December 31, 2009 and the Balance Sheet for December 31, 2009.

***CHAUTAUQUA, CATTARAUGUS,  
ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION  
RAILROAD AUTHORITY***

***FINANCIAL STATEMENTS***

***YEAR ENDED DECEMBER 31, 2009***

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY**

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

**Board of Directors  
*Chautauqua, Cattaraugus, Allegany & Steuben Southern  
Tier Extension Railroad Authority*  
Salamanca, New York**

I have audited the accompanying statement of net assets of *Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 and 3 is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

**Jamestown, New York  
March 19, 2010**

The following is a narrative overview and analysis of the Authority's financial performance for the year ended December 31, 2009. This section is only an introduction and should be read in conjunction with the Authority's financial statements, which immediately follow this section.

The following management discussion and analysis (MD&A) provides a comprehensive overview of the financial position of *Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2009, and its results of operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A.

### **Using the Annual Financial Report**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The financial statements prescribed by GASB Statement No. 34 (the *Statement of Net Assets, Statement of Revenue, Expenses, and Changes in Net Assets*, and the *Statement of Cash Flows*) present financial information in a form similar to that used by corporations. As such, they are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The *Statement of Net Assets* includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the Authority's overall financial health when considered with non-financial facts.

The *Statement of Revenue, Expenses, and Changes in Net Assets* presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, amortizing the cost of the capital asset over its expected useful life.

The *Statement of Cash Flows* presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability of the Authority to meet financial obligations as they mature.

### **Financial Highlights**

Following are the financial highlights of the Authority for the year ended December 31, 2009:

- Incurred depreciation expense of \$1,233,315 on improvements to the rail line.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The System's basic financial statements are comprised of three components: 1) financial statements 2) accounting policies and 3) notes to the financial statements.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

**Condensed Statement of Net Assets**

	<u>2009</u>
Current assets	\$ 86,427
Capital assets	<u>6,109,039</u>
Total assets	<u>\$ 6,195,466</u>
Current liabilities	<u>\$ 9,482</u>
Total liabilities	<u>\$ 9,482</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 6,109,039
Unrestricted net assets	<u>76,945</u>
Total net assets	<u>\$ 6,195,466</u>

The statement of revenue, expenses and changes in net assets shows the business type activity of the Authority and provides information regarding income and expenses that affect net assets.

**Condensed Statement of Revenue, Expenses and Change in Net Assets**

	<u>2009</u>
Rental income	<u>\$ 40,000</u>
Total revenues	<u>40,000</u>
Operating expenses:	
Administrative and general	15,491
Depreciation	<u>1,233,315</u>
Total expenses	<u>1,248,806</u>
Change in net assets	<u>\$ (1,208,806)</u>

The summary of accounting policies and notes to the financial statements provide additional information that is essential to a full and complete understanding of the information provided in the financial statements.

**Economic Factors That Will Affect the Future**

The Authority remains committed to rehabilitating and preserving rail service for the Southern Tier Region. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the Southern Tier Region as well as upon its ability to continue to attract funding for future improvements.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
STATEMENT OF NET ASSETS**

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<i>As of December 31,</i>	<u>2009</u>
<b>Assets</b>	
Cash	\$ 56,710
Accounts receivable	20,235
Grants receivable (Note 5)	<u>9,482</u>
<b>Total current assets</b>	<u>86,427</u>
Property improvements, less accumulated depreciation of \$6,224, 109 (Note 2)	<u>6,109,039</u>
<b>Total assets</b>	<u>\$ 6,195,466</u>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities -</b>	
Accounts payable (Note 3)	<u>\$ 9,482</u>
<b>Net assets -</b>	
Invested in capital assets	6,109,039
Unrestricted	<u>76,945</u>
<b>Total net assets</b>	<u>6,185,984</u>
<b>Total liabilities and net assets</b>	<u>\$ 6,195,466</u>

*See accompanying notes to financial statements.*

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**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS**

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<i>Year ended December 31,</i>	<u>2009</u>
<b>Revenue:</b>	
Rental income	\$ 40,000
<b>Expenses:</b>	
Depreciation	1,233,315
Insurance	5,600
Professional fees	<u>9,891</u>
<b>Total expenses</b>	<b>1,248,806</b>
<b>Change in net assets</b>	<u>(1,208,806)</u>
<b>Net assets, beginning of year</b>	<u>7,394,790</u>
<b>Net assets, end of year</b>	<b><u>\$ 6,185,984</u></b>

*See accompanying notes to financial statements.*

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**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
STATEMENT OF CASH FLOWS**

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<i>Year ended December 31,</i>	<u>2009</u>
<b>Cash flows from operating activities:</b>	
Cash received for rent	\$ 65,000
Cash received from grantors	646,526
Cash paid to suppliers	<u>(495,160)</u>
<b>Net cash used in operating activities</b>	<u>216,366</u>
<b>Cash flows from investing activities:</b>	
Capital expenditures	<u>(230,456)</u>
<b>Net cash used in investing activities</b>	<u>(230,456)</u>
<b>Net change in cash</b>	(14,091)
<b>Cash, at beginning of year</b>	<u>70,800</u>
<b>Cash, at end of year</b>	<u>\$ 56,710</u>
 <b>Reconciliation of change in net assets to net cash provided by operating activities:</b>	
Change in net assets	\$ (1,208,806)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,233,315
Change in operating assets and liabilities:	
Rent receivable	25,000
Grants receivable	646,526
Accounts payable	<u>(479,669)</u>
<b>Net cash used in operating activities</b>	<u>\$ 216,366</u>

*See accompanying notes to financial statements.*

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**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

**Reporting Entity**

*Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* was incorporated in July 2000 as a public authority created by the New York State Legislature under NY Consolidated Law, NYS Public Authorities Law, Title 28-AA. The purpose of the Authority is to preserve and enhance the railroad system serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties.

**Basis of Accounting**

The accounts have been maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Depredation**

The Authority follows a policy of capitalizing all significant fixed asset purchases at cost. These assets are depreciated by the straight-line method over their estimated useful lives.

**Credit Risk**

At various times throughout the year balances may exceed federally insured amounts.

**NOTE 2 - PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment for the Authority consists of the following:

	<u>1/1/2009</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2009</u> <u>Balance</u>
Improvements to rail line	\$12,102,692	\$ 230,456	\$ - -	\$12,333,148
Accumulated depreciation	(4,990,794)	(1,233,315)	- -	(6,224,109)
Net property and equipment	<u>\$7,111,898</u>	<u>\$ (1,002,859)</u>	<u>\$ - -</u>	<u>\$ 6,109,039</u>

Depreciation expense for the Authority totaled \$1,233,315 for the year ended December 31, 2009.

As a condition of its acceptance of the \$3,000,000 grant from the US Department of Commerce Economic Development Administration (EDA), the Authority was required to allow the government to retain an undivided equitable reversionary interest in the property improved in whole or in part with the funds made available through the award throughout the useful life of the property. For purposes of this award, the grant agreement defines the useful life to be seven years.

As a result of the retention of this undivided equitable reversionary interest in the property, the EDA reserves the right to recover its award in its entirety should the property be disposed of or no longer be needed for the purpose of the award during this seven year useful life.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 3 - RELATED PARTY TRANSACTIONS**

The Southern Tier West Regional Planning and Development Board (STWRP&DB) provides management services to the Authority. Expenses incurred for the year ended December 31, 2009 for these services amounted to \$0. Amounts owed the Board at December 31, 2009 totaled \$0.

**NOTE 4 - FEDERAL TAX STATUS**

The Internal Revenue Service has classified the Authority as exempt from Federal Income taxes under Section 501(a) of the United States Internal Revenue Code.

**NOTE 5 - GRANTS AND CONTRACTS**

Substantially all grants and contracts are subject to financial and compliance audits by the grantor agencies. Disallowances, if any, as a result of these audits may become liabilities of the Authority. Management believes that no material disallowances will result from audits by grantor agencies.

## **Grants and Subsidy Programs**

The Authority received no new grants or subsidies during the year ending December 31, 2009. However, during 2009, the Authority continued to expend certain grant funds received during a prior year for railroad line rehabilitation purposes on those purposes, completing a rehabilitation project that had been begun in a prior year.

During 2009, the Authority also received its \$40,000 fee from the Western New York and Pennsylvania Railroad for administrative purposes, contractually stipulated in the 1998 Memorandum of Understanding, as amended. These funds were used for the corporate operations of the Authority.

## **Operating and Financial Risks**

The Authority has identified the following operating and financial risks associated with its operations, and has assigned a degree of risk level to each of these risks, as follows:

<b><u>Risks</u></b>	<b><u>Risk Level</u></b>
Financial insolvency – external causes	Low
Financial insolvency – internal causes	Low
Liability for event occurring from railroad operations	Low
Liability for event occurring from real estate ownership	Low
Liability for event occurring during construction	Low

## **Methods for Minimizing or Avoiding Risks**

Additionally, the Authority has set forth the methods it uses for minimizing or avoiding the risks identified above, as follows:

- Risk: Financial insolvency – external causes
  - Method: Avoiding activities that are not self-liquidating from external funding
- Risk: Financial insolvency – internal causes
  - Method: Review of financial statements by Audit Committee and full Authority Board, counter-signing of all checks, annual audits
- Liability for event occurring from railroad operations
  - Method: Indemnification agreement with operating railroads, directors and officers insurance
- Liability for event occurring from real estate ownership
  - Method: Indemnification agreement with operating railroads, directors and officers insurance

- Liability for event occurring during construction
  - Method: Indemnification agreement with construction agents and engineering consultants, requiring construction agents and engineering consultants to have adequate insurance, directors and officers insurance

### **Risk Controls**

Additionally, the Authority reviews the risk controls for the risks identified above at the following intervals:

- Risk: Financial insolvency – external causes
  - This is an ongoing procedure. It is reviewed annually.
- Risk: Financial insolvency – internal causes
  - This is an ongoing procedure. It is reviewed annually.
- Liability for event occurring from railroad operations
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring from real estate ownership
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring during construction
  - This is an ongoing procedure, with the indemnification agreements and insurance requirements for construction agents and engineering consultants required of all such contracts. Insurance is in place on an ongoing basis. This policy is reviewed annually.

The above discussion of risks has been taken from the Authority’s annual “Assessment of the Effectiveness of Internal Controls,” most recently prepared for the year ending December 31, 2009, and approved by the Authority Board on February 16, 2009.

### **Current Bond Ratings**

The Authority has never issued any bonds since its inception, and has no immediate plans to issue bonds. Accordingly, the Authority never has obtained a bond rating for any bond issues.

### **Bond and Note Schedule**

Since its inception in 2000, STERA has not issued any bonds or notes. Consequently, as of December 31, 2009, the end of STERA’s fiscal year, STERA had no bonds or notes outstanding.

Further, in the year ending December 31, 2009, STERA did not redeem or incur any bonds or notes.

**Schedule of Bonds and Notes Outstanding**

As of December 31, 2009

Total Bonds Outstanding	\$ 0.00
Total Notes Outstanding	<u>0.00</u>
Total Obligations Outstanding	\$ 0.00

**Statement of the Amounts of Obligations Redeemed and Incurred**

For the Fiscal Year Ending December 31, 2009

Total Amounts of Obligations Redeemed	\$ 0.00
Total Amounts of Obligations Incurred	\$ 0.00
Total Amounts of Refinancings	\$ 0.00
Total Amounts of Calls	\$ 0.00
Total Amounts of Refundings	\$ 0.00
Total Amounts of Defeasements	\$ 0.00
Total Amounts of Interest Rate Exchanges	\$ 0.00
Total Amounts of Other Such Agreements	\$ 0.00

**Long-Term Liabilities (including leases and employee benefit plans)**

The Authority has no long term liabilities. The Authority has no leases for which it is the lessee. The Authority has no employees.

**Listing of Material Changes in Operations and Programs for the year ending Dceember 31, 2009**

There have been no material changes in operations and programs for the year ending December 31, 2009.

**Description of Any Material Pending Litigation**

There was no material pending litigation in which the Authority was involved as a party during the year ending December 31, 2009.

**Compensation Schedule**

STERA has no direct employees. STERA’s Board appoints a Chief Executive Officer (an Executive Director), a Chief Financial Officer (a Treasurer), and a Corporate Secretary 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.

**Four-Year Financial Plan**

The following is the Authority’s Four-Year Financial Plan, including a current and projected capital budget and an operating budget report (including an actual versus estimated budget, with an analysis and measurement of financial and operating performance). Since the Authority’s operations are based exclusively on its annual contractual fees provided by the Western New York and Pennsylvania Railroad and its occasional ability to obtain grant funding for railroad rehabilitation and other capital and non-capital projects, the projections necessarily are limited to these sources of funds and the activities associated with them. When grant funds are obtained, the Authority expends all grant funds obtained for contractually required uses as specified in the specific grant contracts.

The Authority does not plan for capital projects (including railroad rehabilitation projects) and non-capital projects without having approved grants in hand. Accordingly, the budget does not indicate any projected capital and non-capital projects.

Accordingly, the Authority’s Four-Year Financial Plan is limited to specifying the budget relating to financial flows from the Authority’s annual contractual fees provided by the Western New York and Pennsylvania Railroad.

	(Current)			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>Capital Budget</u></b>				
Revenues	\$0	\$0	\$0	\$0
Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net revenues	\$0	\$0	\$0	\$0

**Operating Budget**

Revenues	\$40,000	\$40,000	\$40,000	\$40,000
Expenses	<u>24,000</u>	<u>26,400</u>	<u>29,040</u>	<u>31,944</u>
Net revenues	\$16,000	\$13,600	\$10,960	\$ 8,056

**Cumulative Budget**

Revenues	\$40,000	\$40,000	\$40,000	\$40,000
Expenses	<u>24,000</u>	<u>26,400</u>	<u>29,040</u>	<u>31,944</u>
Net revenues	\$16,000	\$13,600	\$10,960	\$ 8,056

Note 1: The Authority's capital budget is based exclusively on its occasional ability to obtain grant funding for railroad rehabilitation and other capital projects. Since there are no firm projections for obtaining any of these funds in the four year budget horizon, the projected capital budget necessarily shows no capital revenues or expenses.

Note 2: The Authority's operating budget is based exclusively on its annual contractual fees provided by the Western New York and Pennsylvania Railroad and its occasional ability to obtain grant funding for railroad rehabilitation and other capital and non-capital projects. Since there are no firm projections for obtaining any of these funds in the four year budget horizon (excepting the annual contractual fees provided by the Western New York and Pennsylvania Railroad), the projected operating budget necessarily shows no revenues other than these annual contractual fees provided by the Western New York and Pennsylvania Railroad, and no expenses other than those projected to occur as a consequence of those revenues. Operating expenses necessarily are limited to these sources of funds available.

## **Measurement Report for the Year Ending December 31, 2009**

### **Mission Statement as of December 31, 2009**

During 2009, the mission of the Southern Tier Extension Railroad Authority was to fulfill the intent of the New York State Legislature in creating it, which was "to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties."

### **Goals of the Authority**

At the February 16, 2010 meeting of the Authority Board of Directors, upon recommendation of the Governance Committee, the Authority set forth the following goals of the Authority:

1. Operating railroad providing adequate rail service
2. Increased rail shipping carload volumes
3. Opportunities for additional business expansion and development based on rail service
4. Clean audit report and NYS ABO compliance report
5. Documentation of rehabilitation efforts and functional performance of railroad line

### **List of Stakeholders and their Expectations**

At the February 16, 2010 meeting of the Authority Board of Directors, upon recommendation of the Governance Committee, the Authority set forth the following list of stakeholders interested in the performance of the Authority, and their expectations:

<b><u>Stakeholder</u></b>	<b><u>Expectations</u></b>
Participating Counties	Operating railroad providing adequate rail service, increased rail shipping carload volumes, opportunities for additional business expansion and development based on rail service, operation of authority as fiduciary for its interests, improvement of the physical assets of the railroad system to so as to insure a commercially viable system
Affected municipalities (Cities, Villages, Towns)	Same as above
Affected school districts	Same as above
Actual and potential rail-shipping business community	Operating railroad providing adequate

rail service, opportunities for additional business expansion based on rail service

The expectations in the above list mirror the Authority's goals.

The new 2009 Public Authorities Reform Act, passed in late 2009, indicates that the Authority's mission statement and proposed measurements must have the following components:

- a brief mission statement expressing the purpose and goals of the authority,
- a description of the stakeholders of the authority and their reasonable expectations from the authority, and
- a list of measurements by which performance of the authority and the achievement of its goals may be evaluated.

Accordingly, at the March 30, 2010 Executive Committee Meeting of the Authority, the Authority revised the mission statement and adopted the revised mission statement. **The new mission statement of the Authority** is as follows:

The **purpose** of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority is to fulfill the intent of the New York State Legislature in creating it, which was "to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties." The **goals** of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority are to encourage an operating railroad that provides adequate rail service, to encourage increased rail shipping carload volumes, to encourage opportunities for additional business expansion and development based on rail service, to encourage rehabilitation efforts and improved functional performance of the railroad lines, and to achieve a clean audit report and a clean NYS ABO compliance report. The **list of stakeholders interested in the performance of the Authority, and their expectations** are as follows:

**Stakeholder**

Participating Counties

**Expectations**

Operating railroad providing adequate rail service, increased rail shipping carload volumes, opportunities for additional business expansion and development based on rail service, operation of authority as fiduciary for its interests, improvement of the physical assets of the railroad system to so as to insure a commercially viable system

Affected municipalities (Cities, Villages, Towns)	Same as above
Affected school districts	Same as above
Actual and potential rail-shipping business community	Operating railroad providing adequate rail service, opportunities for additional business expansion based on rail service

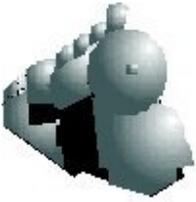
The broadened mission statement incorporates the Authority's purpose and goals, and provides standards for future performance measurement and evaluation.

### **Statement of Measurement Standards for Self-Evaluation**

Following are the Authority's measurement standards for self-evaluation, based upon the goals of the Authority. These measurement standards were approved by the Authority Board of Directors at the February 16, 2010 Authority Board of Directors meeting.

1. Operating railroad providing adequate rail service
2. Increased rail shipping carload volumes
3. Opportunities for additional business expansion and development based on rail service
4. Documentation of rehabilitation efforts and functional performance of railroad line
5. Clean audit report and NYS ABO compliance report

On February 16, 2010, the Authority Board undertook a Self-Evaluation for the year ending December 31, 2009, evaluating performance during 2009 based on the above measurement standards. A copy of the Self Evaluation Report for the year ending December 31, 2009, adopted by the Authority Board on February 16, 2010, follows. The overall self-evaluation determined by the Authority Board is that the Authority is achieving its purpose and meeting its goals. This Self Evaluation Report also is the Authority's Measurement Report for the year ending December 31, 2009, as it evaluates the Authority's performance during 2009 in achieving its goals according to the mission statement in place on December 31, 2009 and the measurements adopted by the Authority Board on February 16, 2010.



**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"**  
**John Margeson, Chairman**

## **Self-Evaluation for STERA for the year ending December 31, 2009**

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

**Evaluation:** The WNYP is providing adequate rail service on a cost—effective, as-needed basis on both the STE and Buffalo lines from the terminus points at each end of both rail lines. STERA is meeting this goal.

### **2. Increased rail shipping carload volumes**

**Evaluation:** The WNYP's freight volume is steady at 54,000 carloads per year on the STE (up from 75 carloads per year prior to takeover in 2001), and the Buffalo line has experienced increased freight volume since takeover in 2007. Norfolk Southern overhead traffic declined in 2009 with the economic recession, but STERA expects a turnaround in this business when the economy recovers and oil prices stabilize at a higher level after recovery. STERA is meeting this goal.

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

**Evaluation:** 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. STERA also has worked with the counties to develop an inventory of developable sites along the railroad lines, and in 2010 will work toward encouraging the counties to make these sites shovel-ready and market the sites for business development. STERA is meeting this goal.

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

**Evaluation:** STERA has regularly undertaken rehabilitation projects as State and Federal funds have been available. 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. Although the railroad line continues to experience 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, and as heavy Norfolk Southern coal trains place a heavy stress on the rail lines, the net effect has been placing all of the railroad line back in service, and increasing traffic speeds toward 25 miles per hour on all of the line (exceptions being areas that occasionally are flagged for 10 mile service until repairs can be made), with some sections at 40 miles per hour. STERA is meeting this goal.

#### **5. Clean audit report and NYS ABO compliance report**

**Evaluation:** STERA has received clean audits in the past and anticipates receiving one for the year ending December 31, 2010. STERA has been in compliance with the PAAA, and is working toward achieving compliance with the new compliance provisions of the revised PAAA that become effective March 1, 2010. STERA is meeting this goal.

**Overall Self-Evaluation:** STERA is achieving its purpose and meeting its goals.

Adopted by the STERA  
Board of Directors on  
February 16, 2010

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Thomas M. Barnes  
STERA Corporate Secretary

## **Personal and Real Property Transactions**

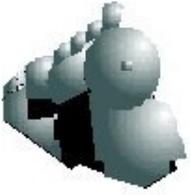
STERA owns no personal property. STERA contracts with the Southern Tier West Regional Planning and Development Board for administrative services, including the use of traditional business assets (e.g., office machines, furniture, telephones, etc.) classified as personal property.

STERA is in title to certain real estate assets transferred to it by Norfolk Southern Corporation in February 2001 and February 2007, which 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. STERA does not own any real estate other than that subject to this agreement with Norfolk Southern.

Accordingly, STERA does not own any personal property or real property that it has legal authority to sell.

Following is STERA's "Property Disposition Policy," revised to comply with the new 2009 Public Authorities Reform Act, as approved by the STERA Board in March 2010.



**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"**  
**John Margeson, Chairman**

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

### **PROPERTY DISPOSITION POLICY**

**ADOPTED PURSUANT TO SECTIONS 2595, 2896, AND 2597 OF THE PUBLIC AUTHORITIES LAW**

#### **SECTION 1. DEFINITIONS**

- A. "Contracting officer" shall mean the officer or employee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority (hereinafter, the "Corporation") who shall be appointed by resolution to be responsible for the disposition of property.
- B. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal or real property in accordance with Section 2897 of the Public Authorities Law.
- C. "Property" shall mean personal property in excess of five thousand dollars (\$5,000) in value, and real property, and any inchoate or other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.

#### **SECTION 2. DUTIES**

- A. The Corporation shall:
  - 1. maintain adequate inventory controls and accountability systems for all property owned by the Corporation and under its control;
  - 2. periodically inventory such property to determine which property shall be disposed of;
  - 3. produce a written report of such property in accordance with subsection B herewith; and

4. transfer or dispose of such property as promptly and practicably as possible in accordance with Section 3 below.

B. The Corporation shall:

1. publish, not less frequently than annually, a report that (a) lists all real property owned and that (b) provides a full description of all real and personal property disposed of during the year, the price received for that property, and the name of the purchaser for all the property sold during the year.
2. transmit copies of such report to the Comptroller of the State of New York, the Director of the Budget of State of New York, the Commissioner of the New York State Office of General Services, the New York State Legislature (via distribution to the majority leader of the senate and the speaker of the assembly), and the New York State Authority Budget Office.

### **SECTION 3. TRANSFER OR DISPOSITION OF PROPERTY**

- A. Supervision and Direction. Except as otherwise provided herein, the Contracting Officer shall have supervision and direction over the disposition and sale of property of the Corporation. The Corporation shall have the right to dispose of its property for any valid corporate purpose.
- B. Custody and Control. The custody and control of Corporation property, pending its disposition, and the disposal of such property, shall be performed by the Corporation or by the Commissioner of General Services when so authorized under this section.
- C. Method of Disposition. Unless otherwise permitted, the Corporation shall dispose of property for not less than its fair market value by sale, exchange, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Corporation and/or contracting officer deems proper. The Corporation may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of this section. Provided, however, except in compliance with all applicable law, no disposition of real property or any interest in real property shall be made unless an appraisal of the value of such property has been made by an independent appraiser and included in the record of the transaction, and, provided further, that no disposition of any other property, which because of its unique nature or the unique circumstances of the proposed transaction is not readily valued by reference to an active market for similar property, shall be made without a similar appraisal.
- D. Sales by the Commissioner of General Services (the "Commissioner"). When the Corporation shall have deemed that transfer of property by the Commissioner will be advantageous to the State of New York, the Corporation may enter into an agreement with

the Commissioner of pursuant to which Commissioner may dispose of property of the Corporation under terms and conditions agreed to by the Corporation and the Commissioner. In disposing of any such property, the Commissioner shall be bound by the terms hereof and references to the contracting officer shall be deemed to refer to such Commissioner.

- E. Validity of Deed, Bill of Sale, Lease, or Other Instrument. A deed, bill of sale, lease, or other instrument executed by or on behalf of the Corporation, purporting to transfer title or any other interest in property of the Corporation in accordance herewith shall be conclusive evidence of compliance with the provisions of these guidelines and all applicable law insofar as concerns title or other interest of any bona fide grantee or transferee who has given valuable consideration for such title or other interest and has not received actual or constructive notice of lack of such compliance prior to the closing.
- F. Bids for Disposal; Advertising; Procedure; Disposal by Negotiation; Explanatory Statement.
1. Except as permitted by all applicable law, all disposals or contracts for disposal of property made or authorized by the Corporation shall be made after publicly advertising for bids except as provided in paragraph 3 of this Subsection F.
  2. Whenever public advertising for bids is required under paragraph 1 of this Subsection F:
    - a. the advertisement for bids shall be made at such time prior to the disposal or contract, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the property proposed for disposition;
    - b. all bids shall be publicly disclosed at the time and place stated in the advertisement; and
    - c. the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Corporation, price and other factors considered; provided, that all bids may be rejected at the Corporation's discretion.
  3. Disposals and contracts for disposal of property may be negotiated or made by public auction without regard to paragraphs 1 and 2 of this Subsection F but subject to obtaining such competition as is feasible under the circumstances, if:
    - a. the personal property involved is has qualities separate from the utilitarian purpose of such property, such as artistic quality, antiquity, historical significance, rarity, or other quality of similar effect, that would tend to increase its value, or if the personal property is to be sold in such quantity that, if it were disposed of under paragraphs 1 and 2 of this Subsection F, would adversely affect the state or local market for such

property, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation;

- b. the fair market value of the property does not exceed fifteen thousand dollars;
- c. bid prices after advertising therefore are not reasonable, either as to all or some part of the property, or have not been independently arrived at in open competition;
- d. the disposal will be to the state or any political subdivision, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation;
- e. under those circumstances permitted by paragraph 5 of this Subsection; or
- f. such action is otherwise authorized by law.

#### 4. Explanatory Statement

- a. An explanatory statement shall be prepared of the circumstances of each disposal by negotiation of:
  - 1. any personal property which has an estimated fair market value in excess of fifteen thousand dollars;
  - 2. any real property that has an estimated fair market value in excess of one hundred thousand dollars, except that any real property disposed of by lease or exchange shall only be subject to clauses 3 through 5 of this subparagraph;
  - 3. any real property disposed of by lease for a term of five years or less, if the estimated fair annual rent is in excess of one hundred thousand dollars for any of such years;
  - 4. any real property disposed of by lease for a term of more than five years, if the total estimated rent over the term of the lease is in excess of one hundred thousand dollars; or
  - 5. any real property or real and related personal property disposed of by exchange, regardless of value, or any property any part of the consideration for which is real property.
- b. Each such statement shall be transmitted to the persons entitled to receive copies of the report required under all applicable law not less than ninety (90) days in advance of such disposal (namely the New York Office of the Comptroller, the New York State Director of the Budget, the Commissioner of the New York State Department of

General Services, and the New York State Legislature via distribution to the majority leader of the senate and the speaker of the assembly), and a copy thereof shall be preserved in the files of the Corporation.

5. Disposal of property for less than fair market value.
  - a. No asset owned, leased or otherwise in the control of the Corporation may be sold, leased, or otherwise alienated for less than its fair market value except if:
    1. the transferee is a government or other public entity, and the terms and conditions of the transfer require that the ownership and use of the asset will remain with the government or any other public entity;
    2. the purpose of the transfer is within the purpose, mission or governing statute of the Corporation; or
    3. in the event the Corporation seeks to transfer an asset for less than its fair market value to other than a governmental entity, which disposal would not be consistent with the Corporation's mission, purpose or governing statutes, the Corporation shall provide written notification thereof to the governor, the speaker of the assembly, and the temporary president of the senate, and such proposed transfer shall be subject to denial by the governor, the senate, or the assembly. Denial by the governor shall take the form of a signed certification by the governor. Denial by either house of the legislature shall take the form of a resolution by such house. The governor and each house of the legislature shall take any such action within sixty days of receiving notification of such proposed transfer during the months of January through June, provided that if the legislature receives notification of a proposed transfer during the months of July through December, the legislature may take any such action within sixty days of January first of the following year. If no such resolution or certification is performed within sixty days of such notification of the proposed transfer to the governor, senate, and assembly, the Corporation may effectuate such transfer. Provided, however, that with respect to a below market transfer by the Corporation that is not within the purpose, mission or governing statute of the Corporation, if the governing statute provides for the approval of such transfer by the executive and legislative branches of the political subdivision in which the Corporation resides, and the transfer is of property obtained by the Corporation from that political subdivision, then such approval shall be sufficient to permit the transfer.
  - b. In the event a below fair market value asset transfer is proposed, the following information must be provided to the Corporation's Board and the public:
    1. a full description of the asset;

2. an appraisal of the fair market value of the asset and any other information establishing the fair market value sought by the Board of the Corporation;
  3. a description of the purpose of the transfer, and a reasonable statement of the kind and amount of the benefit to the public resulting from the transfer, including but not limited to the kind, number, location, wages or salaries of jobs created or preserved as required by the transfer, the benefits, if any, to the communities in which the asset is situated as are required by the transfer;
  4. a statement of the value to be received compared to the fair market value;
  5. the names of any private parties participating in the transfer, and if different than the statement required by subparagraph 4 of this paragraph, a statement of the value to the private party; and
  6. the names of other private parties who have made an offer for such asset, the value offered, and the purpose for which the asset was sought to be used.
- c. Before approving the disposal of any property for less than fair market value, the Board of the Corporation shall consider the information described in paragraph b of this subdivision and make a written determination that there is no reasonable alternative to the proposed below-market transfer that would achieve the same purpose of such transfer.

#### **SECTION 4. MODIFICATION AND AMENDMENT**

This Property Disposition Policy is subject to modification and amendment at the discretion of the Board of Directors of the Corporation and shall be filed annually with all local and state agencies as required under all applicable law.

#### **SECTION 5. DESIGNATED CONTRACTING OFFICER OF THE CORPORATION**

The designated Contracting Officer for the Corporation is the Chief Executive Officer, unless provided for elsewhere in the policies of the Corporation.

This Property Disposition Policy was approved and adopted by the Board of the Corporation and is effective immediately as approved and adopted this 30th day of March, 2010.

Adopted by the STERA  
Board of Directors on  
March 30, 2010

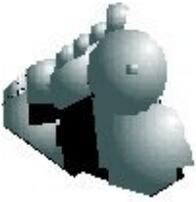
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Thomas M. Barnes  
STERA Corporate Secretary

### **Listing of Real Property for the Year Ending December 31, 2009**

Following is the Real Property Report for the year ending December 31, 2009, which provides a listing of all real property owned by the Authority during the year ending on December 31, 2009, and a listing of all real property transactions (acquisitions or dispositions) during this reporting year. As is indicated above, there were no real property transactions (acquisitions or dispositions) during the year ending December 31, 2009.

Please note the “Notes on Parcel Value and Authority to Dispose of Property” included in the following listing.



**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

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**John Margeson, Chairman**

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

### **Real Property Report for the year ending December 31, 2009**

**1. Real property list**—§2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2009, the Authority is in title to the real property indicated in the list below. Parcels are listed first by rail line (i.e., first the Southern Tier Extension Line, followed by the Buffalo Line), then within each line by county (proceeding west to east on the Southern Tier Extension Line; all parcels comprising the Buffalo Line are located in Cattaraugus County), and then by municipality (proceeding west to east on the Southern Tier Extension Line and north to south on the Buffalo Line).

**Notes on Parcel Value and Authority to Dispose of Property:** All properties comprising the Southern Tier Extension Line were acquired in 2001 by the Authority for a total of \$1.00 in a single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company). This transaction provides that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate to Pennsylvania Lines LLC, and this transaction vests the exclusive authority for real property transactions of the parcels listed below in Norfolk Southern Corporation.

Additionally, all properties comprising the Buffalo Line were acquired in 2007 by the Authority for a total of \$1.00 in a second single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company). This transaction provides that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate to Pennsylvania Lines LLC, and this transaction vests the exclusive authority for real property transactions of the parcels listed below in Norfolk Southern Corporation.

Accordingly, the Authority does not have the ability to sell any of the real property listed in this report.

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Location and Description</u>
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**Southern Tier Extension Line**

**Erie County (PA)**

5017000000000	City of Corry	Southern Tier Extension Right of Way
6006000000000	City of Corry	Southern Tier Extension Right of Way
6021000000000	City of Corry	Southern Tier Extension Right of Way
5020000000000	City of Corry	Southern Tier Extension Right of Way

**Warren County (PA)**

yv-001-89615	Freehold Township	Southern Tier Extension Right of Way
cy-002-8637	Columbus Township	Southern Tier Extension Right of Way
cy-003-9396	Columbus Township	Southern Tier Extension Right of Way

**Chautauqua County (NY) (see Note 1 below)**

434.00-1-2	14-1-1.2	Town of Harmony	Southern Tier Extension Right of Way
417.04-1-13	6-1-51	Town of Harmony	Southern Tier Extension Right of Way
434.00-1-43	10-1-7	Town of Harmony	Southern Tier Extension Right of Way
417.00-2-7	7-1-7	Town of Harmony	Southern Tier Extension Right of Way
450.02-1-36	18-3-1	Town of Harmony	Southern Tier Extension Right of Way
450.00-1-39	13-1-39	Town of Harmony	Southern Tier Extension Right of Way
401.00-2-62	3-1-56	Town of Busti	Southern Tier Extension Right of Way
401.00-2-74	24-6-1.1	Town of Busti	Southern Tier Extension Right of Way
385.00-1-21	21-8-1	Town of Busti	Southern Tier Extension Right of Way
385.00-1-46	1-2-6.2	Town of Busti	Southern Tier Extension Right of Way
401.00-2-5	3-1-62	Town of Busti	Southern Tier Extension Right of Way
401.00-2-59	5-1-1	Town of Busti	Southern Tier Extension Right of Way
401.00-2-64	3-1-56	Town of Busti	Southern Tier Extension Right of Way
369.18-4-48	21-10-1	Town of Ellicott	Southern Tier Extension Right of Way
386.06-1-27	22-2-1.2	Town of Ellicott	Southern Tier Extension Right of Way
385.07-4-1	108-1-1	Village of Lakewood	Southern Tier Extension Right of Way
385.08-3-1	109-1-1	Village of Lakewood	Southern Tier Extension Right of Way
385.07-5-2	107-1-1.1	Village of Lakewood	Southern Tier Extension Right of Way
386.05-5-1	110-1-1	Village of Lakewood	Southern Tier Extension Right of Way
386.05-3-50	111-3-1	Village of Lakewood	Southern Tier Extension Right of Way
385.06-3-47	106-2-1	Village of Lakewood	Southern Tier Extension Right of Way
385.09-1-2	105-13-1.2	Village of Lakewood	Southern Tier Extension Right of Way
369.19-3-14	203-15-1.2	Village of Celoron	Southern Tier Extension Right of Way
369.20-1-9	206-1-1	Village of Celoron	Southern Tier Extension Right of Way
369.20-1-4	205-1-1	Village of Celoron	Southern Tier Extension Right of Way
369.19-2-34	204-1-1.2	Village of Celoron	Southern Tier Extension Right of Way
371.17-1-3	304-10-1	City of Jamestown	Southern Tier Extension Right of Way
387.09-7-21	402-7-1.1	City of Jamestown	Southern Tier Extension Right of Way
371.13-4-30	303-14-1.1	City of Jamestown	Southern Tier Extension Right of Way

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Location and Description</u>	
387.42-3-27	415-6-1	City of Jamestown	Southern Tier Extension Right of Way
387.08-3-35	307-7-1.1	City of Jamestown	Southern Tier Extension Right of Way
370.20-7-30	304-10-1	City of Jamestown	Southern Tier Extension Right of Way
387.42-1-20	414-5-1	City of Jamestown	Southern Tier Extension Right of Way
387.05-2-33	401-2-1	City of Jamestown	Southern Tier Extension Right of Way
387.05-2-48	102-6-1	City of Jamestown	Southern Tier Extension Right of Way
387.47-1-8	409-2-1.1	City of Jamestown	Southern Tier Extension Right of Way
387.47-2-1	410-3-1.1	City of Jamestown	Southern Tier Extension Right of Way
387.48-1-23	412-5-1	City of Jamestown	Southern Tier Extension Right of Way
387.48-1-43	411-5-1.1	City of Jamestown	Southern Tier Extension Right of Way
369.20-3-48	101-5-1	City of Jamestown	Southern Tier Extension Right of Way
371.14-1-23	104-13-1.1	Village of Falconer	Southern Tier Extension Right of Way
371.11-3-31	105-21-1.1	Village of Falconer	Southern Tier Extension Right of Way
371.11-3-16	107-5-1.1	Village of Falconer	Southern Tier Extension Right of Way
371.12-1-8	108-2-1.1	Village of Falconer	Southern Tier Extension Right of Way
339.15-2-2	13-17-1.1	Town of Poland	Southern Tier Extension Right of Way
339.15-2-41	14-3-1.2.1	Town of Poland	Southern Tier Extension Right of Way
340.00-1-15	3-1-46.2.1	Town of Poland	Southern Tier Extension Right of Way
340.00-1-17	3-1-50	Town of Poland	Southern Tier Extension Right of Way
356.00-2-52	5-1-51	Town of Poland	Southern Tier Extension Right of Way
372.00-1-2	7-1-8.1	Town of Poland	Southern Tier Extension Right of Way

**Cattaraugus County (NY)** (see Note 2 below)

69.002-1-48	Town Of Conewango	Southern Tier Extension Right of Way
69.004-1-47.2	Town Of Randolph	Southern Tier Extension Right of Way
79.002-1-30	Town Of Randolph	Southern Tier Extension Right of Way
70.071-4-6	Village Of Randolph	Southern Tier Extension Right of Way
80.003-1-35.2	Town of Coldspring	Southern Tier Extension Right of Way
73.071-1-11.1	City of Salamanca	Southern Tier Extension Right of Way
73.004-1-46	Town of Great Valley	Southern Tier Extension Right of Way
94.003-1-14.1	Town of Allegany	Southern Tier Extension Right of Way
94.003-1-20	Town of Allegany	Southern Tier Extension Right of Way
84.003-2-50	Town of Allegany	Southern Tier Extension Right of Way
93.051-1-1	Village of Allegany	Southern Tier Extension Right of Way
94.040-1-26	City of Olean	Southern Tier Extension Right of Way
94.048-1-3	City of Olean	Southern Tier Extension Right of Way
85.004-2-12	Town of Olean	Southern Tier Extension Right of Way
77.003-1-2	Town of Hinsdale	Southern Tier Extension Right of Way
77.003-1-44	Town of Hinsdale	Southern Tier Extension Right of Way

**Allegany County (NY)**

181.-1-14.2	Town of Cuba	Southern Tier Extension Right of Way
181.-1-14.1	Town of Cuba	Southern Tier Extension Right of Way
181.-1-16	Town of Cuba	Southern Tier Extension Right of Way

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Location and Description</u>
179.6-1-20	Village of Cuba	Southern Tier Extension Right of Way
157.-1-17	Town of Friendship	Southern Tier Extension Right of Way
182.-1-86	Town of Friendship	Southern Tier Extension Right of Way
182.12-1-1	Town of Friendship	Southern Tier Extension Right of Way
182.11-2-6	Town of Friendship	Southern Tier Extension Right of Way
182.11-1-49	Town of Friendship	Southern Tier Extension Right of Way
182.-1-86	Town of Friendship	Southern Tier Extension Right of Way
158.-1-33	Town of Amity	Southern Tier Extension Right of Way
185.-1-90	Town of Amity	Southern Tier Extension Right of Way
199.-1-20	Town of Amity	Southern Tier Extension Right of Way
172.13-1-67	Village of Belmont	Southern Tier Extension Right of Way
199.-3-36	Town of Scio	Southern Tier Extension Right of Way
225.-1-29	Town of Scio	Southern Tier Extension Right of Way
214.-1-65	Town of Wellsville	Southern Tier Extension Right of Way
239.-1-57	Town of Wellsville	Southern Tier Extension Right of Way
225.20-1-65	Village of Wellsville	Southern Tier Extension Right of Way
238.8-3-89.1	Village of Wellsville	Southern Tier Extension Right of Way
152.-1-44	Town of Alfred	Southern Tier Extension Right of Way
177.-1-37	Town of Alfred	Southern Tier Extension Right of Way
216.11-1-65	Village of Andover	Southern Tier Extension Right of Way
203.-1-40	Town of Andover	Southern Tier Extension Right of Way
126.-1-50	Town of Almond	Southern Tier Extension Right of Way
126.11-1-21	Village of Almond	Southern Tier Extension Right of Way

**Steuben County (NY)**

150.00-01-066.000	Town of Hornellsville	Southern Tier Extension Right of Way
150.00-01-025.000	Town of Hornellsville	Southern Tier Extension Right of Way
151.13-01-091.000	City of Hornell	Southern Tier Extension Right of Way

**Buffalo Line**

**Cattaraugus County (NY)**

31.003-1-22	Town of Machias	Buffalo Line Right of Way
31.001-1-48	Town of Machias	Buffalo Line Right of Way
40.001-2-24	Town of Farmersville	Buffalo Line Right of Way
40.003-1-22	Town of Franklinville	Buffalo Line Right of Way
40.078-1-2	Village of Franklinville	Buffalo Line Right of Way
49.003-1-27	Town of Franklinville	Buffalo Line Right of Way
58.004-1-31	Town of Ischua	Buffalo Line Right of Way
58.004-1-31.1	Town of Ischua	Buffalo Line Right of Way
76.004-2-22	Town of Hinsdale	Buffalo Line Right of Way
85.004-1-27	Town of Olean	Buffalo Line Right of Way
94.048-1-3	City of Olean	Buffalo Line Right of Way

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Location and Description</u>
94.056-2-57	City of Olean	Buffalo Line Right of Way
94.076-1-77	Town of Olean	Buffalo Line Right of Way
94.003-1-14.1	Town of Allegany	Buffalo Line Right of Way
104.002-1-57	Town of Portville	Buffalo Line Right of Way
104.058-1-1	Village of Portville	Buffalo Line Right of Way
113.002-1-50	Town of Portville	Buffalo Line Right of Way

Note 1: Chautauqua County uses two sets of parcel identification numbers, an old numbering convention and a new numbering convention. Both are included here.

Note 2: Cattaraugus County does not report separate parcel numbers for the Southern Tier Extension Railroad line in the towns of Coldspring, Red House, and Carrolton. These real estate interests apparently are rights of way, not separate parcels.

**2. Real property acquisitions** —The Authority did no make any real property acquisitions during the year ended December 31, 2009.

**3. Real property dispositions** — Per the notes to Item #1 above, the Authority did no sell or otherwise dispose of any real property during the year ended December 31, 2009.

## Schedule of Personal and Real Property Transactions

Following is the Schedule of Personal and Real Property Transactions for the year ending December 31, 2009.

As regards personal property, this schedule indicates that:

- STERA owned no personal property during 2009, and
- STERA undertook no personal property transactions (i.e., acquisitions or dispositions) during 2009.

As regards real property, this schedule indicates that:

- STERA undertook no real property transactions (i.e., acquisitions or dispositions) during 2009.
- As of December 31, 2009, STERA owned no real property with fair market value in excess of \$15,000 that it intended to dispose of.

### Schedule of Personal and Real Property Transactions

For the Year Ending December 31, 2009

#### Personal Property

Fair market value of all personal property owned by STERA, December 31, 2009	\$0 (0 items)
Total number of personal property transactions, year ending December 31, 2009	0
Total value of all personal property transactions, year ending December 31, 2009	\$0

#### Real Estate

Total number of real property transactions, year ending December 31, 2009	0
Fair market value of all real property having an estimated fair market value in excess of \$15,000 that STERA intends to dispose of, held by STERA at December 31, 2009	\$0 (0 such parcels)
Fair market value of all real property having an estimated fair market value in excess of \$15,000 that STERA disposed of during the year ending December 31, 2009	\$0 (0 such parcels)

## **Description of the Total Amounts of Assets, Services or Both Assets and Services Bought or Sold Without Competitive Bidding During the Year Ending December 31, 2009**

The Public Authorities Accountability Act and the new 2009 Public Authorities Reform Act do not have specific requirements for local public authorities for competitive bidding for purchase or sale transactions. Section 2879 of the Public Authorities Accountability Act is specifically limited to state authorities, and does not include requirements for public authorities.

However, Section 103 of the New York State General Municipal Law requires that all local public authorities use the competitive bid process for all of contracts for public work involving an expenditure of more than twenty thousand dollars and for all purchase contracts involving an expenditure of more than ten thousand dollars. Further, Section 104-b of the New York State General Municipal Law requires authorities such as STERA to develop procurement guidelines, and specifies their content.

STERA's Contract and Procurement Policy requires compliance with the provisions of New York State General Municipal Law, New York State Public Authorities Law, Title 28-AA, Section 2642 and U.S. Code of Federal Regulations, Title 7, Volume 15, Chapter 30, Part 3019, Subpart C, Sec. 3019.44.

Accordingly, all public works contracts in which STERA was involved during 2009 complied with the competitive procurement provisions of Section 103 of the New York State General Municipal Law; further, all of these public works contracts in which STERA was involved during 2009 had been entered into by STERA in a prior year. Other than public works contracts, STERA entered into no other purchase contracts involving an expenditure of more than ten thousand dollars during 2009.

By the certification of this Annual Report by the Chief Executive Officer / Chief Financial Officer of STERA, he certifies that they have reviewed all purchases of assets, services, or both assets and services that were purchased by STERA during 2009 for more than fair market value, and all sales of assets, services, or both assets and services that were sold by STERA during 2009 for more than fair market value, and have determined that STERA complies with applicable law and procurement guidelines, including STERA's Contract and Procurement Policy, Section 103 of the New York State General Municipal Law, the Public Authorities Accountability Act, and the 2009 Public Authorities Reform Act. There were no such purchases or sales during 2009.

## Procurement Report

### *All Procurement Contracts entered into during 2009:*

<u>Vendor</u>	<u>Subject</u>	<u>Value</u>
Buffamante Whipple Buttafaro, P.C.	Audit Services	\$3,842
Urban Engineers PC	Consulting Services	\$10,000
Hayes Corporation	Directors & Officers Insurance	\$5,600

### *Procurement contract entered into during 2009 with New York State businesses:*

<u>Vendor</u>	<u>Subject</u>	<u>Value</u>
Buffamante Whipple Buttafaro, P.C.	Audit Services	\$3,842
Urban Engineers PC	Consulting Services	\$10,000

### *Procurement contract entered into during 2009 with foreign business enterprises:*

None

These three procurement contracts all were too small in dollar value to be subject to competitive purchase and bidding requirements. However, STERA did seek price quotations for the Directors and Officers Insurance and selected the low price quotation. STERA also contacted several engineering consulting firms regarding consulting services related to the preparation of a specialized grant application, and selected the low price quotation.

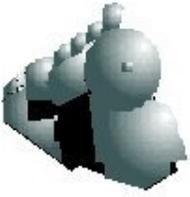
The contract for audit services was a sole source procurement, from a vendor that had quoted a reasonable price that was evaluated as not being above fair market value and that had prior experience providing audit services to the Authority. STERA asserts that the contract for audit services with Buffamante Whipple Buttafaro, P.C. did not involve a contract price for services purchased that exceeded fair market value.

By the certification of this Annual Report by the Chief Executive Officer / Chief Financial Officer of STERA, he certifies that they have reviewed the terms of these purchases of services and determined that they complies with applicable law and procurement guidelines, including STERA's Contract and Procurement Policy, Section 103 of the New York State General Municipal Law, the Public Authorities Accountability Act, and the 2009 Public Authorities Reform Act.

In 2010, STERA has procured directors and officers insurance and audit services through competitive procurement and bid processes, although the dollar values of these two contracts remain below the New York State General Municipal Law threshold that otherwise would require them to be subject to competitive purchase and bidding requirements.

## **Procurement Guidelines**

Following are STERA's procurement guidelines, which are now called "Contract and Procurement Policy." There have been no changes to this policy since the last annual report, as the new 2009 Public Authorities Reform Act did not change procurement requirements, and no other applicable laws and regulations have changed.



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

# **Southern Tier Extension Railroad Authority**

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**John Margeson, Chairman**

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

### **CONTRACT AND PROCUREMENT POLICY**

1. The Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority (hereinafter "Authority") has adopted this Contract and Procurement Policy in order to comply with Section 2642 of Title 28-AA of the NYS Public Authorities Law, and to comply with U.S. Code of Federal Regulations, Title 7, Volume 15, Chapter 30, Part 3019, Subpart C, Sec. 3019.44. Any conflicts between this Contract and Procurement Policy and those laws shall be resolved in favor of those laws.
2. As regards compliance with Section 2642 of Title 28-AA of the NYS Public Authorities Law, this Contract and Procurement Policy sets forth procurement and contracting policies intended to comply with Section 2642, including:
  - (A) All contracts for the construction, reconstruction, rehabilitation or improvement of buildings let by the authority shall comply with the provisions of section two hundred twenty of the NYS labor law and shall also be subject to the provisions of law applicable to contracts let by a municipal corporation in NYS, except as otherwise provided in Section 2642 of Title 28-AA of the NYS Public Authorities Law.
  - (B) All contracts for the construction, reconstruction, rehabilitation or improvement of buildings let by the Authority shall be in conformity with the applicable provisions of Section 135 of the NYS Finance Law.
  - (C) The Authority may, in its discretion, assign contracts for supervision and coordination to the successful bidder for any subdivision of work for which the authority receives bids. Any construction contract awarded by the Authority shall contain such other terms and conditions as the Authority may deem desirable. The Authority shall award any construction contract involving an expenditure of more than five thousand dollars to the lowest bidder who, in its opinion, is qualified to perform the work required and who is responsible and reliable. The Authority may, however, reject any or all bids or waive any informality in a bid if it believes that the public interest will be promoted thereby. The Authority may reject any bid, if, in its judgment, the business and technical organization, plant, resources, financial standing, or experience of the bidder justifies such rejection in view of the work to be performed.

(D) For the purposes of Article 15-A of the Executive Law only, the authority shall be deemed a NYS state agency as that term is used in such article, and all contracts for procurement, design, construction, services and materials shall be deemed state contracts within the meaning of that term as set forth in such article.

3. As regards compliance with U.S. Code of Federal Regulations, Title 7, Volume 15, Chapter 30, Part 3019, Subpart C, Sec. 3019.44, this Contract and Procurement Policy sets forth procedures for the Authority for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. This Contract and Procurement Policy is intended to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

(A) This Contract and Procurement Policy provides that at a minimum, U.S. Code of Federal Regulations, Title 7, Volume 15, Chapter 30, Part 3019, Subpart C, Sec. 3019.44, paragraphs (a)(1), (a)(2), and (a)(3), apply. Specifically,

(1) The Authority shall avoid purchasing unnecessary items.

(2) Where appropriate, the Authority shall make an analysis of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal Government.

(3) Solicitations for goods and services shall provide for all of the following:

(i) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features that unduly restrict competition.

(ii) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.

(iii) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.

(iv) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.

(v) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.

(vi) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

(B) Further, the Authority shall make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The Authority shall take all of the following steps to further this goal:

(1) The Authority shall ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.

- (2) The Authority shall make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.
  - (3) The Authority shall consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises.
  - (4) The Authority shall encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
  - (5) The Authority shall use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the U.S. Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms and women's business enterprises.
- (C) Further, the type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the Authority, but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The "cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of contracting shall not be used.
- (D) Further, contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the term and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. In certain circumstances, contracts with certain parties are restricted by agencies' implementation of U.S. E.O.'s 12549 and 12689, "Debarment and Suspension."
- (D) Further, the Authority shall keep records of and, on request, make available for the Federal awarding agency, any and all pre-award review and procurement documents, such as requests for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply:
- (1) The Authority's procurement procedures or operation fails to comply with the procurement standards in the Federal awarding agency's implementation of this part.
  - (2) The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$25,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.
  - (3) The procurement, which is expected to exceed the small purchase threshold, specifies a "brand name" product.
  - (4) The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under a sealed bid procurement.

- (5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold.

Adopted on October 11, 2001 by Resolution of the  
Chautauqua, Cattaraugus, Allegany and Steuben  
Southern Tier Extension Railroad Authority

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Secretary

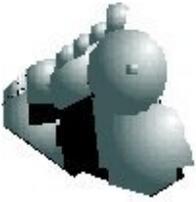
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Date

## **Investment Report**

On February 16, 2010, the Authority's Governance Committee reviewed the Investment Policy, recommended that the Authority Board make a finding that the Investment Policy was appropriate without revision, and recommended that the Authority Board make a finding that the Authority was in compliance with the policy. After a review of the Investment Policy on February 16, 2010, the Authority Board made a finding that the Authority's Investment Policy was appropriate without revision, and made a finding that, pending any information to the contrary found in the audit process for the year ending December 31, 2009, the Authority was in compliance with applicable law and the Investment Policy.

Following is the Authority's Investment Policy effective as of December 31, 2009.



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

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

### **INVESTMENT POLICY**

#### **I. INVESTMENT AND DEPOSIT POLICY**

##### **A. Introduction**

- 1. Scope** – This investment and deposit policy applies to all monies and other financial resources available for investment and deposit.
- 2. Objectives** – The primary objectives of the Corporation's investment activities are, in priority order:
  - a. to conform with all applicable federal, state and other legal requirements (legal);
  - b. to adequately safeguard principal (safety);
  - c. to provide sufficient liquidity to meet all operating requirements (liquidity); and
  - d. to obtain a reasonable rate of return (yield).
- 3. Prudence** – All participants in the investment process and all participants responsible for depositing the Corporation's funds shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair confidence in the Corporation to govern effectively.

Investments and deposits shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process and all participants responsible for depositing the Corporation's funds shall refrain from personal business activity that could conflict with proper execution of the investment program or the deposit of

the Corporation's funds or which could impair their ability to make impartial investment decisions.

**4. Diversification** – It is the policy of the Corporation to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

**5. Internal Controls**

- a. All money's collected by an officer or employee of the Corporation shall be immediately deposited in such depositories and designated by the Corporation for the receipt of such funds.
- b. The Corporation shall maintain or cause to be maintained a proper record of all book, notes, securities or other evidences of indebtedness held by the Corporation for investment and deposit purposes.
- c. The Corporation is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

**B. Investment Policy**

**1. Permitted Investments** – Pursuant to Section 2642-1 of the Public Authorities Law, all monies of the Corporation from whatever source derived shall be paid to the Treasurer of the Corporation and shall be deposited forthwith in an interest-bearing accounts a bank or banks designated by the Corporation. The monies in such accounts shall be paid out or withdrawn on the order of such person or persons as the Corporation may authorize to make such requisitions. All deposits of such monies shall be secured by obligations of the United States or of the state or any municipality of a market value equal at all times to the amount on deposit and all banks and trust companies are authorized to give such security for such deposits. To the extent practical, consistent with the cash requirements of the Corporation, all such monies shall be deposited in interest-bearing accounts. Any monies of the Corporation not required for immediate use or disbursement may, be invested in accordance with Section ninety-eight or ninety-eight-a of the State Finance Law.

Approved and adopted this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

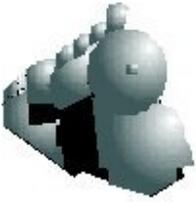
## Assessment of the Effectiveness of Internal Controls

STERA has minimal transactions per year other than those involved in railroad rehabilitation contracts. For railroad rehabilitation contract transactions, STERA, STERA's engineer, and the funding agency typically review all invoices prior to the approval of disbursement. Further, railroad rehabilitation projects typically are subject to a post-completion financial and compliance review and/or audit by the funding agencies.

The Authority has conducted a formal, documented process to assess the effectiveness of its internal control structure and procedures, and has concluded that its internal control structure and procedures are adequate. This assessment was completed on February 16, 2010 for the year ending December 31, 2009, and was memorialized by resolution at the Authority Board meeting held on that date.

The assessment process included review by both the Governance Committee and the full Authority Board. The Governance Committee reviewed Public Authorities Accountability Act requirements and **the new 2009 Public Authorities Reform Act** requirements for the annual assessment of the Authority's internal controls, the NYS ABO guidance on internal controls, the set of questions prepared by staff in support of the assessment of the effectiveness of STERA's internal controls, and recommended that the Board approve a document titled "STERA Assessment of the Effectiveness of Internal Controls February 2010." The Authority Board reviewed Public Authorities Accountability Act requirements and **the new 2009 Public Authorities Reform Act** requirements for the annual assessment of the Authority's internal controls, the NYS ABO guidance on internal controls, and the set of questions prepared by staff in support of the assessment of the effectiveness of STERA's internal controls. The Authority Board the reviewed and discussed the document titled "STERA Assessment of the Effectiveness of Internal Controls February 2010," in particular the risks associated with the Authority's operations and the methods used to minimize or avoid these risks, and approved the Assessment, and also made a finding that internal controls are adequate.

Following is the document "STERA Assessment of the Effectiveness of Internal Controls February 2010," approved by the Authority Board on February 16, 2010 for the year ending December 31, 2009.



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

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**John Margeson, Chairman**

## **STERA ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROLS**

**Prepared for the Year Ending December 31, 2009**

**February 16, 2010**

This assessment is prepared in conformity to the NYS ABO Policy Guidance, "Assessment of the Effectiveness of Internal Controls."

### **A. Definition of the Authority's Major Business Functions**

**Mission of the Authority** - The mission of the Southern Tier Extension Railroad Authority is to fulfill the intent of the New York State Legislature in creating it, which was "to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties."

**Authority's Primary Operating Responsibilities** – The Authority is responsible for:

- operating in conformity with all applicable laws and regulations,
- the ownership of certain railroad assets for the benefit of the public good,
- operating consistently with the public trust and best interests of Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, and the municipalities and school districts therein,
- the proper and appropriate use of public funds
- the maintenance of good operating relationships with affected railroad operating companies, the business community, and certain public entities including but not limited to NYS DOT
- undertaking certain capital projects, including rehabilitation of railroad assets and construction of assets that will further the mission of the Authority

**Indication of responsibilities of various business units, operations and functions that have been put in place to achieve the goals of the Authority** – There are no other business units, operations and functions that have been put in place to achieve the goals of the Authority.

**Definition of the Objectives of the Authority** – The Authority’s objectives include:

- the promotion of the ongoing and permanent commercial viability of the railroad system operating in southwestern New York State and northwestern Pennsylvania
- the increased utilization of railroad shipping by companies operating in southwestern New York State and northwestern Pennsylvania
- growth in real property and sales tax bases of the affected counties in New York state and the Commonwealth of Pennsylvania, and the municipalities and school districts therein

**Policies, procedures and guidelines in place to guide staff in the operations of each specific business function, communicate the objectives, and provide the methods and procedures used to assess the effectiveness of those functions** – STERA has in place the following policies:

- Bylaws
- Compensation, Reimbursement and Attendance Policy
- Disposition of Property Guidelines
- Defense and Indemnification Policy
- Investment Policy
- Procurement Policy - "Contract and Procurement Policy"
- Property Disposition Guidelines
- Standards of Conduct Policy
- Travel Policy
- Whistleblower Policy

STERA also has the following policies in a state of preparation:

- Draft Records Retention Policy
- Draft Personnel Policy

STERA also has in place three committees to help guide staff, implement business operations, and provide the methods and procedures used to assess the effectiveness of business functions:

- Executive Committee
- Audit Committee
- Governance Committee

## **B. Determination of the Risks Associated with Authority Operations**

<b><u>Risks</u></b>	<b><u>Risk Level</u></b>
Financial insolvency – external causes	Low
Financial insolvency – internal causes	Low
Liability for event occurring from railroad operations	Low
Liability for event occurring from real estate ownership	Low
Liability for event occurring during construction	Low

### **Methods for Minimizing or Avoiding Risks**

- Risk: Financial insolvency – external causes
  - Method: Avoiding activities that are not self-liquidating from external funding
- Risk: Financial insolvency – internal causes
  - Method: Review of financial statements by Audit Committee and full Authority Board, counter-signing of all checks, annual audits
- Liability for event occurring from railroad operations
  - Method: Indemnification agreement with operating railroads, directors and officers insurance
- Liability for event occurring from real estate ownership
  - Method: Indemnification agreement with operating railroads, directors and officers insurance
- Liability for event occurring during construction
  - Method: Indemnification agreement with construction agents and engineering consultants, requiring construction agents and engineering consultants to have adequate insurance, directors and officers insurance

### **Frequency of Review of Risk Controls**

- Risk: Financial insolvency – external causes
  - This is an ongoing procedure. It is reviewed annually.
- Risk: Financial insolvency – internal causes
  - This is an ongoing procedure. It is reviewed annually.
- Liability for event occurring from railroad operations
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring from real estate ownership
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring during construction
  - This is an ongoing procedure, with the indemnification agreements and insurance requirements for construction agents and engineering consultants required of all such contracts. Insurance is in place on an ongoing basis. This policy is reviewed annually.

### **C. Identification of the Internal Control Systems in Place**

The Authority has adopted a number of internal controls (policies, practices, attitudes, guidelines and other actions) that, when followed, provide reasonable assurance that the Board and staff understand and properly carry out their responsibilities, that appropriate professional and ethical conduct is observed, and that the Authority will honor its purpose and mission. All Board members, management, and staff are aware of and understand the policies and practices that the Authority has adopted to ensure that the Authority is effective and to address the risks that are relevant to the Authority's operation. The Authority's policies and guidelines are posted on the Authority's web site for review by all Board members, management, and staff, and all Board

members, management, and staff are given a copy of these policies and guidelines when they first become associated with the Authority.

#### **D. Assessment of the Extent to Which the Internal Control System is Effective**

The assessment of internal controls is an annual process involving a review by the Authority's Governance Committee, which identifies and reports any weaknesses of the internal control structure to the Authority Board of Directors and Management. During this process, the Governance Committee evaluates the effectiveness of the existing control structure and determines whether current procedures are adequate with respect to mitigating risk, minimizing ineffectiveness and deterring opportunities that could lead to the abuse of corporate assets. The Governance Committee also evaluates whether the authority's policies and operating practices are understood and executed properly and whether these policies and practices are adequate to protect the organization from waste, abuse, misconduct, or inefficiency. This assessment also is reported to the Authority Board of Directors and Management. The primary vehicle for these assessments is inquiry and observation, supplemented by a review of documents and records as needed.

#### **E. Process for Corrective Action**

When a weakness is identified, the Governance Committee recommends to the Authority Board of Directors and Management a corrective action plan. The Board reviews any such recommendation, modifies the proposed plan if necessary, and then adopts the corrective action plan, which is then monitored by Management, the Governance Committee, and the Authority Board of Directors.

#### **F. Internal Control Certification**

As a local public authority, in order to satisfy the requirement of Section 2800 (2)(a)(8) of Public Authorities Law, STERA incorporates, either within its annual report or as a separate document, a statement explaining that the Authority has conducted a formal, documented process to assess the effectiveness of their internal control structure and procedures, and indicating whether or not the internal controls are adequate. This statement is posted to the Authority's website.

Additionally, the Authority retains any documentation available to support the assessment of its internal controls. If the Authority has found any deficiencies with the internal controls over its functions or operations, it retains additional documentation to demonstrate that it has adopted corrective action plans to address these weaknesses. This documentation is available upon request to the Authority's independent auditor or to the NYS ABO compliance review staff.

As part of the Public Authorities Reporting Information System (PARIS) Annual Report process, STERA reports whether or not it has prepared this assessment and provides the URL link to the Authority's website where STERA has posted the Annual Report, which includes the assessment and the required statement explaining that the Authority has conducted a formal, documented

process to assess the effectiveness of their internal control structure and procedures, and indicating that the internal controls are adequate.

**Description of the Total Amounts of Assets, Services or Both Assets and Services Bought or Sold Without Competitive Bidding**

The Authority has both a Contract and Procurement Policy and a Property Disposition Policy (previously called the Property Disposition Guidelines in prior years) in place to guide its purchase and sale of assets and services. These policies conform to the Public Authorities Accountability Act, the new 2009 Public Authorities Reform Act, and other state laws as applicable.

The Authority certifies that it is in compliance with its Contract and Procurement Policy and Property Disposition Policy. Further, the Authority certifies that, for any assets, services, or combination of assets and services that are bought for more than fair market value or sold for less than fair market value, that it conforms to these policies, which themselves conform to the Public Authorities Accountability Act, the new 2009 Public Authorities Reform Act, and other state laws as applicable.

During 2009, the Authority did not purchase any assets or services or combination of assets and services for more than fair market value, nor did the Authority sell any assets or services or combination of assets and services for less than fair market value

**Legislation that Forms the Statutory Basis of the Authority**

Following is the legislation that forms the statutory basis of the Authority.

## New York State Consolidated Laws

### Public Authorities

#### TITLE 28-AA CHAUTAUQUA, CATTARAUGUS, ALLEGANY AND STEUBEN SOUTHERN TIER EXTENSION RAILROAD AUTHORITY

Section 2642. Short title.

2642-a. Legislative findings and intent.

2642-b. Definitions.

2642-c. Chautauqua, Cattaraugus, Allegany and Steuben southern tier extension railroad authority.

2642-d. Purposes of the authority.

2642-e. General powers of the authority.

2642-f. Special powers of the authority.

2642-g. Cooperation and assistance of other agencies.

2642-h. Exemption from taxation.

2642-i. Advances on behalf of authority; transfer of property to authority; acquisition of property for authority.

2642-j. New York state and local employees` retirement system rights of employees; civil service.

2642-k. Equal employment opportunity.

2642-l. Monies of the authority.

2642-m. Contracts.

2642-n. Annual report and audit.

2642-o. Defense and indemnification.

2642-p. Action by or against the authority.

2642-q. Track, bridge, signal, station and other facility operation and maintenance.

2642-r. State, participating counties, and municipalities not liable for obligations of authority.

2642-s. Effect of inconsistent provisions.

**S 2642. Short title.** This title may be cited as the "Chautauqua, Cattaraugus, Allegany and Steuben southern tier extension railroad authority act".

**S 2642-a. Legislative findings and intent.** The legislature hereby finds and determines that:

1. The continued existence and strengthening of the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania is essential to the long term viability of the economies, municipalities, and ways of life in these counties.
2. The viability and existence of the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the

Commonwealth of Pennsylvania is threatened by the dynamic economics of the railroad industry.

3. By creating the Chautauqua, Cattaraugus, Allegany and Steuben southern tier extension railroad authority, it is the intent of the legislature to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York state and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties.

**S 2642-b. Definitions.** As used or referred to in this title, unless a different meaning appears from the context:

1. "Authority" shall mean the corporation created by section twenty-six hundred forty-two-c of this title.
2. "Authority facilities" shall mean the authority's railroad facilities and operations pursuant to joint service arrangements as defined in subdivision eight of this section.
3. "Commonwealth" shall mean the Commonwealth of Pennsylvania.
4. "Commonwealth agency" or "agency of the Commonwealth" shall mean any officer, department, board, commissioner, bureau, division, public benefit corporation, agency or instrumentality of the Commonwealth of Pennsylvania.
5. "Comptroller" shall mean the comptroller of the state of New York.
6. "Equipment" shall mean rolling stock, vehicles, motors, boilers, engines, wires, ways, conduits and mechanisms, machinery, tools, implements, materials, supplies, instruments and devices of every nature whatsoever used or useful for railroad and related transportation purposes or for the generation or transmission of motive power including but not limited to all power houses, and all apparatus and all devices for signaling, communications and ventilation as may be necessary, convenient or desirable for the operation of a railroad or related transportation facility.
7. "Federal government" shall mean the United States of America, and any officer, department, board, commission, bureau, division, corporation, agency or instrumentality thereof.
8. "Joint service arrangements" shall mean agreements between or among the authority and any common carrier or freight forwarder, the state, the Commonwealth, any state agency or agency of the Commonwealth, the federal government, any other state or Commonwealth or agency or instrumentality thereof, any public authority of this or any other state, any participating county, or any political subdivision or municipality of this or any other state, relating to property, buildings, structures, facilities, services, rates, fares, classifications, divisions, allowances or charges, or rules or regulations pertaining thereto, for or in connection with or incidental to transportation in part in or upon railroad facilities located within the counties of Chautauqua, Cattaraugus, Allegany and Steuben and in part in or upon railroad facilities located outside said counties.
9. "Legislative body" or "legislative bodies" shall mean any or all of the governing boards of the counties of Chautauqua, Cattaraugus, Allegany and Steuben.
10. "Municipality" shall mean any county, including the counties of Chautauqua, Cattaraugus, Allegany and Steuben, city, town, village, school district, improvement district, any other such instrumentality, including an agency or public benefit corporation of the state, or any of the foregoing, or any combination thereof.

11. "Participating counties" shall mean those of the counties of Chautauqua, Cattaraugus, Allegany and Steuben that shall have appointed members of the authority.
12. "Railroad facilities" shall mean right-of-way and related trackage, rails, cars, locomotives, other rolling stock, signal, power, fuel, communication and ventilation systems, power plants, stations, terminals, parking lots, garages, warehouses, storage yards, intermodal facilities, repair and maintenance shops, yards, equipment and parts, offices and other real estate or personalty used or held for or incidental to the operation, rehabilitation or improvement of any railroad operating or to operate between points within the counties of Chautauqua, Cattaraugus, Allegany and Steuben or pursuant to joint service arrangements, including but not limited to buildings, structures, and areas notwithstanding that portions thereof may not be devoted to any railroad purpose other than the production of revenues available for the costs and expenses of all or any facilities of the authority.
13. "Real property" shall mean lands, structures, franchises and interests in land, waters, lands under water, riparian rights and air rights and any and all things and rights included within said term and includes not only fees simple absolute but also any and all lesser interests including but not limited to easements, rights-of-way, uses, leases, licenses and all other incorporeal hereditaments and every estate, interest or right, legal or equitable, including terms for years and liens thereon by way of judgments, mortgages or otherwise.
14. "State" shall mean the state of New York.
15. "State agency" shall mean any officer, department, board, commissioner, bureau, division, public benefit corporation, agency or instrumentality of the state of New York.
16. "Southern tier extension railroad line" shall mean the railroad line generally described as located between the city of Hornell, New York (Cass street interlocking, at approximately milepost 331.8) and the New York-Pennsylvania state line in the county of Chautauqua.

**S 2642-c. Chautauqua, Cattaraugus, Allegany and Steuben southern tier extension railroad authority.**

1. There is hereby created the "Chautauqua, Cattaraugus, Allegany and Steuben southern tier extension railroad authority" which shall be a body corporate and politic constituting a public benefit corporation.
2. The authority shall continue for thirty years from the effective date of this title, or so long as it shall have bonds or other obligations outstanding or until its existence shall otherwise be terminated by law. Upon the termination of the existence of the authority, all its rights and properties shall pass to and be vested in the participating counties pursuant to any agreements among the participating counties and the authority.
3. The authority shall adopt by-laws governing its operation and keep a record of its resolutions, transactions, findings and determinations, which record shall be a public record.
4. The authority shall consist of the following fourteen members:
  - (a) The county legislative bodies of Chautauqua, Cattaraugus, Allegany and Steuben counties each shall appoint three voting members of the authority who shall be residents of such county, upon the recommendation of the chief executive (county executive or chair of the county legislative body) of each such county; and

(b) The southern tier west regional planning and development board, upon the recommendation of the chairperson of such board, shall appoint one member of the authority, who shall be a resident of one of the counties of Chautauqua, Cattaraugus, Allegany or Steuben.

(c) The Seneca Nation of Indians may appoint a member of such Nation to serve in an advisory non-voting capacity.

5. The term of office of members of the authority shall be three years. Four of the initial members of the authority shall serve a one year term, four shall serve a two year term and six, including the members appointed by the southern tier west regional planning and development board, and the Seneca Nation of Indians shall serve a three year term, provided that at the inception of the authority, each county shall appoint one member to hold office for three years, one for two years and one for one year.

6. All members shall continue to hold office until their successors are appointed and qualified. The resignation of any member shall be filed with the appointing authority and shall be effective when so filed. Vacancies occurring otherwise than by expiration of term of office shall be filled for the unexpired term in the same manner as provided for the original appointment.

7. The chairperson, vice-chairperson, secretary, and other necessary officers shall be named by a majority vote of all the voting members to serve for such period as the members shall decide. The chairperson shall preside over the meetings of the authority and shall appoint members of the authority to committees established by the authority to assist the authority in carrying out its duties.

8. Any member of the authority may be removed by resolution of the entity which appointed such member either for cause or for non-compliance with minimum requirements relating to meeting attendance and other criteria as may be established by resolution of such entity.

9. No person shall be precluded from serving as a member of the authority as appointed by a county legislative body, the southern tier west regional planning and development board or the Seneca Nation of Indians pursuant to this section because such member is an elected or appointed official of a municipality, except that no member of the authority shall vote on any matter before the authority which has been the subject of a proposal, application or vote before the municipality where he or she serves in such elected or appointed capacity.

10. The members of the authority shall receive no salary or compensation for their services, but may be reimbursed for authorized, actual and necessary travel and expenditures.

11. A majority of the whole number of voting members of the authority then in office shall constitute a quorum for the transaction of any business or the exercise of any power of the authority. Notwithstanding any provision of statute or law to the contrary and except as otherwise specified in this title, for the transaction of any business or the exercise of any power of the authority, the authority shall have power to act by a majority of the whole number of voting members of the authority.

12. The authority shall be deemed a state agency for purposes of section seventy-four of the public officers law, provided, however, that no non-voting member of the authority shall be deemed an officer or employee of a state agency.

#### **S 2642-d. Purposes of the authority.**

1. The purposes of the authority shall be the continuance, further development and improvement of railroad transportation and other services related thereto within the counties of Chautauqua,

Cattaraugus, Allegany and Steuben, in accordance with the provisions of this title. It shall be the further purpose of the authority to develop and implement a unified railroad transportation policy and strategy for such counties.

2. It is hereby found and declared that such purposes are in all respects for the benefit of the people of the state and the authority shall be regarded as performing an essential governmental function in carrying out its purposes and in exercising the powers granted by this title.

**S 2642-e. General powers of the authority.** Except as otherwise limited by this title, the authority shall have power:

1. To sue and be sued;
2. To have a seal and alter the same at pleasure;
3. To borrow money;
4. To invest any funds held in reserve or sinking funds, or any monies not required for immediate use or disbursement, at the discretion of the authority, in obligations in which the state comptroller may invest pursuant to section ninety-eight or ninety-eight-a of the state finance law;
5. To make and alter by-laws for its organization and internal management, and rules and regulations governing the exercise of its powers and the fulfillment of its purposes under this title;
6. To enter into contracts and leases and to execute all instruments necessary or convenient;
7. To acquire, hold and dispose of real or personal property in the exercise of its powers for its corporate purposes;
8. The authority may, whenever it shall determine that it is not in conflict with the interests or purposes of the authority, rent, lease or grant easements or other rights in, any land or property of the authority, including the granting of municipal utility easements;
9. To appoint such officers and employees as it may require for the performance of its duties, and to fix and determine their qualifications, duties, and compensation and to retain or employ counsel, auditors, engineers and private consultants on a contract basis or otherwise for rendering professional or technical services and advice; such counsel, auditors, engineers, and private consultants, officers and employees may not be a member of the authority;
10. To make plans, surveys, and studies necessary, convenient or desirable to the effectuation of the purposes and powers of the authority and to prepare recommendations in regard thereto;
11. To contract for and accept any gifts or grants, subsidies or loans of funds or property or financial or other aid in any form from the federal or state government or Commonwealth government or any agency or instrumentality thereof, or from any other source, public or private, and to comply, subject to the provisions of this title, with the terms and conditions thereof;
12. To designate the depositories of its money;
13. To establish its fiscal year; and
14. To do all things necessary or convenient or desirable to carry out its purposes and exercise the powers expressly given in this title.

**S 2642-f. Special powers of the authority. In order to effectuate the purposes of this title:**

1. The authority may acquire, by purchase, gift, grant, transfer, contract or lease, any railroad facility, wholly or partially within the counties of Chautauqua, Cattaraugus, Allegany and Steuben or any part thereof, or the use thereof, and may enter into any joint service arrangements

as provided in this section. Any such acquisition or joint service arrangement shall be authorized only by resolution of the authority approved by not less than a majority of the whole number of voting members of the authority. In addition to and not in limitation of any other power conferred upon the authority by the provisions of this title, the authority is hereby empowered and authorized in respect of any property and assets at any time owned or held by, or under the jurisdiction of, the state, the Commonwealth, any political subdivision thereof, or any private or other public concern, to accept and receive any such interest therein as it may have been or may hereafter be designated by the state, the Commonwealth, any political subdivision thereof, or any other public or private concern, by law or other lawful means to receive, and in respect thereof, except as otherwise provided by the designating statute or contractual instrument, it shall have and exercise all of the powers and jurisdiction herein conferred upon it in respect of any other property, rights, assets, facilities and projects in any other manner acquired or from any other source received by it pursuant to the provisions of this title.

2. The authority may on such terms and conditions as the authority may determine necessary, convenient or desirable itself establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair any such railroad facility, or may provide for such establishment, construction, effectuation, operation, maintenance, renovation, improvement, extension or repair by contract, lease, or other arrangement on such terms as the authority may deem necessary, convenient or desirable with any person, including, but not limited to, any common carrier or freight forwarder or other private for-profit firm, the state, the Commonwealth, any agency or the state or Commonwealth, the federal government, any other state or agency or instrumentality thereof, any non-profit corporation, any public authority of this or any other state or any political subdivision or municipality of the state. In connection with the operation of any such railroad facility, the authority may establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair or may provide by contract, lease or other arrangement for the establishment, construction, effectuation, operation, maintenance, renovation, improvement, extension or repair of any related services and activities it deems necessary, convenient or desirable, including, but not limited to, the transportation and storage of freight and the United States mail, feeder and connecting transportation, parking areas, transportation centers, stations and related facilities.

3. The authority may establish, levy and collect or cause to be established, levied and collected and, in the case of a joint service arrangement, join with others in the establishment, levy and collection of such fares, tolls, rentals, rates, charges and other fees as it may deem necessary, convenient or desirable for the use and operation of any railroad facility and related services operated by the authority or under contract, lease or other arrangement, including joint service arrangements, with the authority.

4. The authority may establish and, in the case of joint service arrangements, join with others in the establishment of such schedules and standards of operations and such other rules and regulations including but not limited to rules and regulations governing the conduct and safety of the public as it may deem necessary, convenient or desirable for the use and operation of any railroad facility and related services operated by the authority or under contract, lease or other arrangement, including joint service arrangements, with the authority.

5. The authority may acquire, hold, own, lease, establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair any of its facilities.

6. The authority, in its own name, may apply for and receive and accept grants of property, money and services and other assistance offered or made available to it by any person, government or agency which it may use to meet capital or operating expenses and for any other use within the scope of its powers, and to negotiate for the same upon such terms and conditions as the authority may determine to be necessary, convenient or desirable.

7. The authority may do all things it deems necessary, convenient or desirable to manage, control and direct the maintenance and operation of railroad facilities, equipment or real property operated by or under contract, lease or other arrangement with the authority. Except as hereinafter specially provided, no municipality or political subdivision, including but not limited to a county, city, village, town or school or other district shall have jurisdiction over any facilities of the authority or any of its activities or operations. The local laws, resolutions, ordinances, rules and regulations of a municipality or political subdivision in the state conflicting with this title or any rule or regulation of the authority, shall not be applicable to the activities or operations of the authority, or the facilities of the authority, except such facilities that are devoted to purposes other than transportation purposes. The authority may agree with the New York state department of transportation for the execution by such department of any grade crossing elimination project or any grade crossing separation reconstruction project along any railroad facility operated by the authority or under contract, lease or other arrangement with the authority. Any such project shall be executed as provided in article ten of the transportation law and the railroad law, respectively, and the costs of any such project shall be borne as provided in such laws.

**S 2642-g. Cooperation and assistance of other agencies.**

1. To avoid duplication of effort and in the interests of economy, the authority may make use of existing studies, surveys, plans, data and other materials in the possession of any state agency or any municipality or political subdivision of the state. Each such agency, municipality or subdivision located in or serving some portion of the state is hereby authorized to make the same available to the authority and otherwise to assist it in the performance of its functions. At the request of the authority, each such agency, municipality or subdivision located in or serving some portion of the state which is engaged in railroad or other transportation activities or in land use or development planning, or which is charged with the duty of providing or regulating any transportation facility or any other public facility, is further authorized to provide the authority with information regarding its plans and programs affecting railroad transportation within the participating counties so that the authority may have available to it current information with respect thereto. The officers and personnel of such agencies, municipalities or subdivisions, and of any other government or agency whatever, may serve at the request of the authority upon such advisory committees as the authority shall determine to create and such officers and personnel may serve upon such committees without forfeiture of office or employment and with no loss or diminution in the compensation, status, rights and privileges which they otherwise enjoy.

2. Notwithstanding any contrary provision of law, every municipality located in the counties of Chautauqua, Cattaraugus, Allegany or Steuben is authorized and empowered to consent to the use by the authority of any real or personal property owned by any such municipality and necessary, convenient or desirable in the opinion of the authority for any of the facilities or projects authorized under this title, including such real property as has already been devoted to a

public use, and as an incident to such consent, to lease or otherwise transfer and convey to the authority any such real or personal property upon such terms as may be determined by the authority and any such municipality. Every such municipality also is authorized and empowered, as an incident to such consent, to vest in the authority the control, possession, operation, maintenance, rents, charges and any and all other revenues of any facilities now owned by any such municipality, the title to such facilities remaining in such municipality.

**S 2642-h. Exemption from taxation.**

1. It is hereby determined that the creation of the authority and the carrying out of its purposes under this title are in all respects for the benefit of the people of the state of New York and is a public purpose. Accordingly, the authority shall be regarded as performing an essential governmental function in the exercise of the powers conferred upon it by this title, and the authority shall not be required to pay any fees, taxes, special ad valorem levies or assessments of any kind, whether state or local, including but not limited to fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other taxes, upon or with respect to any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon or with respect to its activities or operations in furtherance of the powers conferred upon it by this title, or upon or with respect to any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the authority.
2. Notwithstanding subdivision one of this section, the authority or any lessees of the authority shall be required to pay water and sewer fees, water and sewer assessments or water and sewer special ad valorem levies.
3. The authority may pay, or may enter into agreements with any municipality, including school districts, to pay, a sum or sums annually or otherwise or to provide other considerations with respect to real property owned by the authority located within such municipality.

**S 2642-i. Advances on behalf of authority; transfer of property to authority; acquisition of property for authority.**

1. In addition to any powers granted to it by law, any participating county may by resolution advance sums of money to or on behalf of the authority to defray costs or expenses of the authority to be incurred prior to the first issuance of bonds. Subject to the rights of any bondholders, the moneys so appropriated may be repaid by the authority to the participating county at such time and in such manner as may be agreed upon between the authority and the participating county.
2. Any participating county or any municipality along the southern tier extension railroad line may by resolution give, grant, sell, convey, lend, or license the use of or lease to the authority any property or facility which is useful to the authority in order to carry out its powers under this title. Any such transfer of property shall be upon such terms and conditions, subject to the rights of any bondholders, as the authority and the participating county or the municipality may agree.
3. Notwithstanding the provisions of any other law, general, special, or local, real property acquired by the authority or any participating county from the state may be used for any corporate purpose of the authority.

**S 2642-j. New York state and local employees` retirement system rights of employees; civil service.**

1. In accordance with the provisions of section seventy of the civil service law, any officer or employee of a municipality transferred to the authority shall be eligible for such transfer and appointment, without further examination, to applicable offices, positions and employment under the authority. Any such officers or employees so transferred to the authority pursuant to this section, who are members of or benefit under any existing pension or retirement fund or system, shall continue to have all rights, privileges, obligations and status with respect to such fund or system as are now prescribed by law.
2. Nothing contained in this title shall be construed (a) to diminish the rights of employees pursuant to a collective bargaining agreement or (b) to affect existing law with respect to an application to the public employment relations board seeking a designation by the board that certain persons are managerial or confidential.

**S 2642-k. Equal employment opportunity.** The authority shall ensure that all employees or applicants for employment are afforded equal opportunity employment without discrimination on any basis prohibited under subdivision two of section forty-c of the civil rights law.

**S 2642-l. Monies of the authority.** All monies of the authority from whatever source derived shall be paid to the treasurer of the authority and shall be deposited forthwith in an interest-bearing account in a bank or banks designated by the authority. The monies in such accounts shall be paid out or withdrawn on the order of such person or persons as the authority may authorize to make such requisitions. All deposits of such monies shall be secured by obligations of the United States or of the state or of any municipality of a market value equal at all times to the amount on deposit and all banks and trust companies are authorized to give such security for such deposits. To the extent practicable, consistent with the cash requirements of the authority, all such monies shall be deposited in interest-bearing accounts. Any monies of the authority not required for immediate use or disbursement may, be invested in accordance with section ninety-eight or ninety-eight-a of the state finance law.

**S 2642-m. Contracts.**

1. All contracts for the construction, reconstruction, rehabilitation or improvement of buildings let by the authority shall comply with the provisions of section two hundred twenty of the labor law and shall also be subject to the provisions of law applicable to contracts let by a municipal corporation, except as otherwise provided herein.
2. All contracts for the construction, reconstruction, rehabilitation or improvement of buildings let by the authority shall be in conformity with the applicable provisions of section one hundred thirty-five of the state finance law.
3. The authority may, in its discretion, assign contracts for supervision and coordination to the successful bidder for any subdivision of work for which the authority receives bids. Any construction contract awarded by the authority shall contain such other terms and conditions as the authority may deem desirable. The authority shall award any construction contract involving an expenditure of more than five thousand dollars to the lowest bidder who, in its opinion, is qualified to perform the work required and who is responsible and reliable. The authority may,

however, reject any or all bids or waive any informality in a bid if it believes that the public interest will be promoted thereby. The authority may reject any bid, if, in its judgment, the business and technical organization, plant, resources, financial standing, or experience of the bidder justifies such rejection in view of the work to be performed.

4. For the purposes of article fifteen-A of the executive law only, the authority shall be deemed a state agency as that term is used in such article, and all contracts for procurement, design, construction, services and materials shall be deemed state contracts within the meaning of that term as set forth in such article.

**S 2642-n. Annual report and audit.** In conformity with the provisions of section five of article ten of the constitution, the accounts of the authority shall be subject to the supervision of the state comptroller and an annual audit shall be performed by an independent certified public accountant. The authority shall annually submit to the county legislatures, county executives, governor and the state comptroller and to the chairperson of the senate finance committee and the chairperson of the assembly ways and means committee a detailed report pursuant to the provisions of section twenty-eight hundred of this chapter, and a copy of such report shall be filed with the clerk of the county legislature and the county executives; provided further that a copy of such report shall be submitted to the southern tier west regional planning and development board.

**S 2642-o. Defense and indemnification.**

1. The authority shall not execute any of its powers except as necessary to commence its corporate existence, until it has elected to make the provision of section eighteen of the public officers law applicable to its employees (as such term is defined in section eighteen of the public officers law) pursuant to subdivision two of such section; provided, however, that nothing contained within this section shall be deemed to permit the authority to extend the provisions of section eighteen of the public officers law upon any independent contractor.

2. Neither the members of the authority, nor any participating county, municipality, officer or employee acting on the authority`s behalf, while acting within the scope of his, her or its authority, shall be subject to any personal liability resulting from the construction, maintenance or operation of any of the properties of the authority or from carrying out any of the powers expressly given in this title; provided, however, that this shall not be held to apply to any independent contractor.

**S 2642-p. Action by or against the authority.**

1. Except in an action for wrongful death, no action or special proceeding shall be prosecuted or maintained against the authority, its members, officers or employees for personal injury or damage to real or personal property alleged to have been sustained by reason of the negligence, tort or wrongful act of the authority or of any member, officer, agent or employee thereof, unless (a) notice of claim shall have been made and served upon the authority within the time limit set by and in compliance with section fifty-e of the general municipal law, (b) it shall appear by and as an allegation in the complaint or moving papers that at least thirty days have elapsed since the service of such notice and that adjustment or payment thereof has been neglected or refused, and (c) the action or special proceeding shall be commenced within one year and

ninety days after the happening of the event upon which the claim is based. An action against the authority for wrongful death shall be commenced in accordance with the notice of claim and time limitation provisions of title eleven of article nine of this chapter.

2. Whenever a notice of claim is served upon the authority, it shall have the right to demand an examination of the claimant relative to the occurrence and extent of the injuries or damages for which claim is made, in accordance with the provisions of section fifty-h of the general municipal law.

3. The authority shall have power to settle or adjust all claims in favor of or against the authority.

4. Any action or proceeding to which the authority or the people of the state may be parties, in which any question arises as to the validity of this title, shall be preferred over all other civil causes of action or cases, except election causes of action or cases, in all courts of the state and shall be heard and determined in preference to all other civil business pending therein except election causes, irrespective of position on the calendar. The same preference shall be granted upon application of the authority or its counsel in any action or proceeding questioning the validity of this title in which the authority may be allowed to intervene. The venue of any such action or proceeding shall be laid in the supreme court of any of the participating counties.

5. The rate of interest to be paid by the authority upon any judgment for which it is liable, shall be the rate prescribed by section five thousand four of the civil practice law and rules.

6. All actions or proceedings against the authority of whatever nature shall be brought in a supreme court in any of the participating counties.

**S 2642-q. Track, bridge, signal, station and other facility operation and maintenance.** The operation, maintenance and use of track, bridges, signals, freight stations, passenger stations and other facilities shall be public purposes of the authority and the participating counties. The total cost to the authority of operation, maintenance and use of each track, bridge, signal, freight station, passenger station and other facility within the counties of the district located in the state and serviced by one or more railroad facilities of the authority or corporations, including the buildings, appurtenances, platforms, lands and approaches incidental or adjacent thereto, shall be borne by the authority.

**S 2642-r. State, participating counties, and municipalities not liable for obligations of authority.**

1. Neither the state, the participating counties, nor any municipality or public corporation shall be liable on any bond, note or other obligation of the authority, and such bonds, notes or other obligations shall not be debts of the state, the participating counties, nor any municipality or public corporation, and such bonds, notes or other obligations shall contain a statement to such effect.

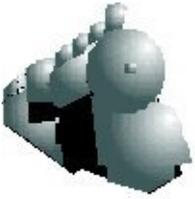
2. Nothing in this title shall be construed to obligate the state in any way in connection with the operations and obligations of the authority.

**S 2642-s. Effect of inconsistent provisions.** Insofar as the provisions of this title are inconsistent with the provisions of any other act, general or special, or of a county charter, any local law, ordinance or resolution of a municipality, the provisions of this title shall be

controlling. Nothing contained in this section shall be held to supplement or otherwise expand the powers or duties of the authority otherwise set forth in this title.

## **By-Laws**

Following are the By-Laws of the Authority.



**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"**  
**John Margeson, Chairman**

## **BYLAWS OF THE**

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

#### **ARTICLE I**

##### **THE CORPORATION**

**Section 1. Name.** The name of the Corporation shall be the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority.

**Section 2. Seal of Corporation.** The seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and the year of its organization.

**Section 3. Office of Corporation.** The office of the Corporation shall be located in the Town of Great Valley, New York, with the mailing address 4039 Route 219, Suite 200, Salamanca, New York 1477, but the Corporation may have other offices at such other places as the Corporation may from time to time designate by resolution.

**Section 4. Authorization.** The Corporation was created as a public benefit corporation by the State Of New York, per Title 28-AA of the Public Authorities Law.

#### **ARTICLE II**

##### **PURPOSES OF THE CORPORATION**

**Section 1. Purposes of the Corporation.** The purposes of the Corporation shall be the continuance, further development and improvement of railroad transportation and other services related thereto within the Counties of Chautauqua, Cattaraugus, Allegany and Steuben of New York State and the Counties of Warren and Erie in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties. It shall be the further purpose of the authority to develop and implement a unified railroad transportation policy and strategy for such counties. The Corporation's purposes are in all respects for the benefit of the people of the State and

Commonwealth, and the Corporation performs an essential governmental function in carrying out its purposes and in exercising the powers granted by the State of New York.

### ARTICLE III

#### POWERS OF THE CORPORATION

**Section 1. General Powers of the Corporation.** Section 2642-e of the Public Authorities Law provides that the Corporation shall have the following general powers, except as otherwise limited by Section 2642-e of the Public Authorities Law:

1. To sue and be sued;
2. To have a seal and alter the same at pleasure;
3. To borrow money;
4. To invest any funds held in reserve or sinking funds, or any monies not required for immediate use or disbursement, at the discretion of the authority, in obligations in which the State Comptroller may invest pursuant to section ninety-eight or ninety-eight-a of the New York State Finance Law;
5. To make and alter by-laws for its organization and internal management, and rules and regulations governing the exercise of its powers and the fulfillment of its purposes under Section 2642 of the Public Authorities Law;
6. To enter into contracts and leases and to execute all instruments necessary or convenient;
7. To acquire, hold and dispose of real or personal property in the exercise of its powers for its corporate purposes;
8. To rent, lease or grant easements or other rights in, any land or property of the Corporation, including the granting of municipal utility easements, whenever the Corporation shall determine that it is not in conflict with the interests or purposes of the Corporation;
9. To appoint such officers and employees as it may require for the performance of its duties, and to fix and determine their qualifications, duties, and compensation, and to retain or employ counsel, auditors, engineers and private consultants on a contract basis or otherwise for rendering professional or technical services and advice, provided that such counsel, auditors, engineers, and private consultants, officers and employees may not be a member of the Corporation;
10. To make plans, surveys, and studies necessary, convenient or desirable to the effectuation of the purposes and powers of the Corporation and to prepare recommendations in regard thereto;
11. To contract for and accept any gifts or grants, subsidies or loans of funds or property or financial or other aid in any form from the federal or state government or Commonwealth government or any agency or instrumentality thereof, or from any other source, public or private, and to comply, subject to the provisions of this title, with the terms and conditions thereof;
12. To designate the depositories of the Corporation's money;
13. To establish the Corporation's fiscal year; and

14. To do all things necessary or convenient or desirable to carry out the Corporation's purposes and exercise the powers expressly given in Section 2642 of the Public Authorities Law.

**Section 2. Special Powers of the Corporation.** Section 2642-f of the Public Authorities Law provides that the Corporation shall have the following special powers:

1. The Corporation may acquire, by purchase, gift, grant, transfer, contract or lease, any railroad facility, wholly or partially within the counties of Chautauqua, Cattaraugus, Allegany and Steuben or any part thereof, or the use thereof, and may enter into any joint service arrangements for such facility. Any such acquisition or joint service arrangement shall be authorized only by resolution of the Corporation approved by not less than a majority of the whole number of voting members of the Corporation. The Corporation also may accept and receive by any lawful means any interest in any property and assets, except as otherwise provided by the designating statute or contractual instrument, and the Corporation has and may exercise all of the powers and jurisdiction herein conferred upon it in respect of any other property, rights, assets, facilities and projects in any other manner acquired or from any other source received by the Corporation.
2. The Corporation may, on such terms and conditions as the Corporation may determine necessary, convenient, or desirable, itself establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair any such railroad facility, or may provide for such establishment, construction, effectuation, operation, maintenance, renovation, improvement, extension or repair by contract, lease, or other arrangement on such terms as the Corporation may deem necessary, convenient or desirable with any person, including, but not limited to, any common carrier or freight forwarder or other private for-profit firm, the state, the Commonwealth, any agency or the state or Commonwealth, the federal government, any other state or agency or instrumentality thereof, any non-profit corporation, any public authority of this or any other state or any political subdivision or municipality of the State. In connection with the operation of any such railroad facility, the Corporation may establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair or may provide by contract, lease or other arrangement for the establishment, construction, effectuation, operation, maintenance, renovation, improvement, extension or repair of any related services and activities it deems necessary, convenient or desirable, including, but not limited to, the transportation and storage of freight and the United States mail, feeder and connecting transportation, parking areas, transportation centers, stations and related facilities.
3. The Corporation may establish, levy and collect or cause to be established, levied and collected and, in the case of a joint service arrangement, join with others in the establishment, levy and collection of such fares, tolls, rentals, rates, charges and other fees as it may deem necessary, convenient or desirable for the use and operation of any railroad facility and related services operated by the Corporation or under contract, lease or other arrangement, including joint service arrangements, with the Corporation.
4. The Corporation may establish and, in the case of joint service arrangements, join with others in the establishment of such schedules and standards of operations and such other rules and regulations including but not limited to rules and regulations governing the

conduct and safety of the public as it may deem necessary, convenient or desirable for the use and operation of any railroad facility and related services operated by the Corporation or under contract, lease or other arrangement, including joint service arrangements, with the Corporation.

5. The Corporation may acquire, hold, own, lease, establish, construct, effectuate, operate, maintain, renovate, improve, extend or repair any of its facilities.
6. The Corporation, in its own name, may apply for and receive and accept grants of property, money and services and other assistance offered or made available to it by any person, government or agency which it may use to meet capital or operating expenses and for any other use within the scope of its powers, and to negotiate for the same upon such terms and conditions as the Corporation may determine to be necessary, convenient or desirable.
7. The Corporation may do all things it deems necessary, convenient or desirable to manage, control and direct the maintenance and operation of railroad facilities, equipment or real property operated by or under contract, lease or other arrangement with the Corporation. Except as hereinafter specially provided, no municipality or political subdivision, including but not limited to a county, city, village, town or school or other district shall have jurisdiction over any facilities of the Corporation or any of its activities or operations. The local laws, resolutions, ordinances, rules and regulations of a municipality or political subdivision in the state conflicting with this title or any rule or regulation of the Corporation, shall not be applicable to the activities or operations of the Corporation, or the facilities of the Corporation, except such facilities that are devoted to purposes other than transportation purposes. The Corporation may agree with the New York State Department of Transportation for the execution by the New York State Department of Transportation of any grade crossing elimination project or any grade crossing separation reconstruction project along any railroad facility operated by the Corporation or under contract, lease or other arrangement with the Corporation. Any such project shall be executed as provided in article ten of the New York State Transportation Law and the New York State Railroad Law, respectively, and the costs of any such project shall be borne as provided in such laws.

## **ARTICLE IV**

### **BOARD MEMBERS OF THE CORPORATION**

**Section 1.** **Board Members of the Corporation.** The Corporation shall consist of fourteen board members (the “Board,” or “members”) who shall be appointed as follows:

1. The County legislative bodies of Chautauqua, Cattaraugus, Allegany and Steuben counties each shall appoint three voting members of the Corporation, who each shall be residents of such County, upon the recommendation of the chief executive (County Executive or Chair of the County legislative body) of each such County.

2. The Southern Tier West Regional Planning and Development Board, upon the recommendation of the Chairperson of such Board, shall appoint one member of the Corporation, who shall be a resident of one of the counties of Chautauqua, Cattaraugus, Allegany or Steuben.
3. The Seneca Nation of Indians may appoint a member of such Nation to serve in an advisory non-voting capacity.

**Section 2. Terms of Board Members.** The term of office of Board members of the Corporation shall be three years. All members shall continue to hold office until their successors are appointed and qualified. The resignation of any member shall be filed with the appointing entity and shall be effective when so filed. Vacancies occurring otherwise than by expiration of term of office shall be filled for the unexpired term in the same manner as provided for the original appointment.

Any member of the Corporation may be removed by resolution of the entity which appointed such member either for cause or for non-compliance with minimum requirements relating to meeting attendance and other criteria as may be established by resolution of such entity.

No person shall be precluded from serving as a member of the Corporation as appointed by a County legislative body, the Southern Tier West Regional Planning and Development Board or the Seneca Nation of Indians because such member is an elected or appointed official of a municipality, except that no member of the Corporation shall vote on any matter before the Corporation which has been the subject of a proposal, application, or vote before the municipality where he or she serves in such elected or appointed capacity.

**Section 3. Officers of the Board.** The Board of Directors of the Corporation shall have the following officers: Chairperson, Vice Chairperson, and Second Vice Chairperson.

**Section 4. Chairperson.** The Chairperson shall preside at all meetings of the Corporation. Except as otherwise authorized by resolution of the Corporation, the Chairperson shall sign all agreements, contracts, deeds, and any other instruments of the Corporation. At each meeting the Chairperson shall submit such recommendations and information as he may consider proper concerning the business, affairs and policies of the Corporation. The Chairperson shall appoint members of the Corporation to Committees established by the Corporation to assist the Corporation in carrying out its duties.

**Section 5. Vice Chairperson.** The Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson, and in case of the resignation or death of the Chairperson, the Vice Chairperson shall perform such duties as are imposed on the Chairperson until such time as the Corporation shall appoint a new Chairperson.

**Section 6. Second Vice Chairperson.** The Second Vice Chairperson will provide assistance to the Vice Chairperson and shall act in the Vice Chairperson's place when the Vice Chairperson is not present.

**Section 7.** **Attendance.** All Board and Committee members shall be expected to attend the regularly scheduled meetings of the Board and Committee. Should three (3) consecutive absences occur, the Chairperson or his/her designate shall contact the absent member regarding his/her intentions of continuing Board and Committee membership. Any member of the Corporation's Board may be removed by resolution of the entity which appointed such member either for cause or for non-compliance with minimum requirements relating to meeting attendance and other criteria as may be established by resolution of such entity.

**Section 8.** **Selection of chairperson, vice-chairperson, second vice chairperson, and other necessary officers.** The chairperson, vice-chairperson, second vice chairperson, and other necessary officers shall be named by a majority vote of all the voting members to serve for such period as the members shall decide.

**Section 10.** **Compensation of Members.** The members of the Corporation shall receive no salary or compensation for their services, but may be reimbursed for authorized, actual and necessary travel and expenditures.

**Section 11.** **Extension of Credit.**..The Board is prohibited from extending or maintaining credit, arranging for the extension of credit, or an extension of credit, in the form of a personal loan to or for any officer, Board member or employee of the Corporation.

## ARTICLE V

### OFFICERS OF THE CORPORATION

**Section 1.** **Officers.** The officers of the Corporation shall be a Chief Executive Officer, a Treasurer, and a Secretary, and any other officers that the Board may from time to time create. Any two or more offices may be held by the same person.

**Section 2.** **Chief Executive Officer.** The Chief Executive Officer shall not be a member of the Board. At the option of the Board, the Chief Executive Officer may be titled the Executive Director. The Chief Executive Officer shall have general supervision over the administration of the business and affairs of the Corporation, subject to the direction of the Board. The Chief Executive Officer shall be charged with the management of all projects of the Corporation.

**Section 3.** **Treasurer.** The Treasurer shall be the chief financial officer of the Corporation and shall not be a member of the Board. The Treasurer shall have the care and custody of all funds to the Corporation and shall deposit the same in the name of the Corporation in such bank or banks as the Corporation may select. The Treasurer shall sign all instruments of indebtedness, all orders, and all checks for the payment of money; and shall pay out and disburse such moneys under the direction of the Corporation. Except as otherwise authorized by resolution of the Corporation, all such instruments of indebtedness, orders and checks shall be counter-signed by

the Chairperson. The Treasurer shall keep regular books of accounts showing receipts and expenditures, and shall render to the Corporation at each regular meeting an account of his transactions and also of the financial condition of the Corporation. The Treasurer shall give such bond for the faithful performance of his duties as the Corporation may determine.

**Section 4.** **Secretary.** The Secretary shall keep the records of the Corporation, shall act as secretary of the meetings of the Corporation and record all votes, and shall keep a record of the proceedings of the Corporation in a journal of proceedings to be kept for such purpose, and shall perform all duties incident to this office. The Secretary shall keep in safe custody the seal of the Corporation and shall have power to affix such seal to all contracts and other instruments authorized to be executed by the Corporation. The Secretary may be a member of the Board.

**Section 5.** **Additional Duties.** The officers of the Corporation shall perform such other duties and functions as may from time to time be authorized by resolution of the Board or be required by the Board, by the Bylaws of the Corporation, or by the policies and guidelines of the Corporation.

**Section 6.** **Appointment of Officers.** All officers of the Corporation shall be appointed at the annual meeting of the Corporation by the members of the Board, and shall hold office for one year or until the successors are appointed.

**Section 7.** **Vacancies.** Should any office become vacant, the Board shall appoint a successor at the next regular meeting, and such appointment shall be for the unexpired term of said office.

## ARTICLE VI

### ADDITIONAL PERSONNEL

**Section 1.** **Additional Personnel.** The Corporation may from time to time employ such personnel as it deems necessary to exercise its powers, duties and functions as prescribed by the Title 28-AA of the Public Authorities Law, as amended, and all other laws of the State of New York applicable thereto. The selection and compensation of all personnel shall be determined by the Board subject to the laws of the State of New York.

## ARTICLE VII

### MEETINGS

**Section 1.** **Annual Meeting.** The annual meeting of the Board of the Corporation shall be held on the \_\_\_ day of \_\_\_\_\_, at \_\_\_ o'clock pm at the regular meeting place of the Corporation. In the event such day shall fall on a Saturday, Sunday or legal holiday, the annual meeting shall be held on the next succeeding day that is not a Saturday, Sunday or legal holiday.

**Section 2. Regular Meetings.** Regular meetings of the Board of the Corporation may be held at such times and places, as from time to time, may be determined by resolution of the Corporation.

**Section 3. Special Meetings.** The Chairperson of the Corporation may, when he deems it desirable, and shall, upon the written request of two members of the Board of the Corporation call a special meeting of the Board of the Corporation for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered to each member of the Board of the Corporation or may be mailed to the business or home address or each member of the Board of the Corporation at least two days prior to the date of such special meeting. Waivers of notice may be signed by any members failing to receive a proper notice. At such special meeting no business shall be considered other than as designated in the call, but if all the members of the Board of the Corporation are present at a special meeting, with or without notice thereof, any and all business may be transacted at such special meeting.

**Section 4. Quorum.** At all Board or Committee meetings of the Corporation, a majority of the voting members of the Board or Committee of the Corporation shall constitute a quorum for the purpose of transacting business; provided that a smaller number may meet and adjourn to some other time or until the quorum is obtained.

For the transaction of any business or the exercise of any power of the Corporation, the Corporation shall have power to act by a majority of the whole number of voting members of the Corporation.

For the transaction of any business or the exercise of any power of a Committee of the Corporation, the Committee shall have the power to act by a majority of the whole number of voting members of the Committee.

A valid quorum and vote may only be established where such members are physically present at a meeting or are present through the use of videoconferencing.

**Section 5. Order of Business.** At the regular meetings of the Board of the Corporation, the following shall be the order of business:

1. Roll Call.
2. Reading and approval of the minutes of the previous meeting.
3. Bills and communications.
4. Report of the Treasurer.
5. Reports of Committees.
6. Unfinished Business.
7. New Business.
8. Adjournment.

All resolutions shall be in writing and shall be copied in or attached to a journal of the proceedings of the Corporation.

**Section 6.**     **Manner of Voting.** The voting on all questions coming before the Corporation shall be by roll call, and the yeas and nays shall be entered on the minutes of such meeting, except in the case of appointments, when the vote may be by ballot.

**Section 7.**     **Open Meetings Law.** Meetings of the Board and all Committees of the Corporation are subject to the New York State Open Meetings Law.

## ARTICLE VIII

### AMENDMENTS

**Section 1.**     **Amendments to Bylaws.** The bylaws of the Corporation shall be amended only with the approval of at least a majority of all of the members of the Corporation at a regular or a special meeting, but no such amendment shall be adopted unless at least seven days written notice thereof has been previously given to all members of the Corporation.

## ARTICLE IX

### COMMITTEES

**Section 1.**     **Standing Committees.** The Corporation shall designate an Executive Committee, a Governance Committee, and an Audit Committee, which shall be committees comprised exclusively of members of the Corporation's governing Board, and the Chairperson shall name members to these committees and appoint a chairperson of each committee.

**Section 2.**     **General.** The Corporation may designate other committees as are needed and appropriate to the operation of the Corporation, which may either be exclusively comprised of members of the Corporation's governing Board, or exclusively comprised of persons who are not members of the Corporation's governing Board, or some combination of members and non-members of the Corporation's governing Board. The Corporation shall designate the mission of such committees, and the Corporation may decide upon resolution to terminate such committees.

**Section 3.**     **Executive Committee.** The Executive Committee shall be comprised of the Chairperson, Vice Chairperson, Second Vice Chairperson, and Corporate Secretary, and shall be chaired by the Chairperson, or in the Chairperson's absence, the Vice Chairperson. The Executive Committee shall be authorized to do business for the Board in between Board meetings, and shall have the authority to execute the powers of the Board when the Board is not in session, provided that the Board shall delegate or specify certain matters, powers, or issue parameters so as to give direction to or constrain the authority of the Executive Committee in

executing the powers of the Board. The Executive Committee shall not have the power to: (i) amend or repeal the bylaws, or adopt new bylaws; (2) amend or repeal any resolution of the Board, which by its terms shall not be so amendable or repealable; and (3) fill the vacancies in any committee. Decisions of the Executive Committee shall be ratified by resolution of the full Corporation Board at the following meeting of the full Corporation Board.

**Section 4. Governance Committee.** The Governance Committee shall be comprised of independent members of the Corporation's governing Board. It shall be the responsibility of the members of the Governance Committee to keep the Board informed of current best governance practices, to review corporate governance trends, to update the Corporation's corporate governance principles, and to advise appointing authorities on the skills and experiences required of potential Corporation Board members.

**Section 5. Audit Committee.** The Audit Committee shall be comprised of independent members of the Corporation's governing Board. It shall be the responsibility of the members of the Audit Committee to recommend to the Corporation's Board the hiring of a certified independent accounting firm for the Corporation, to establish the compensation to be paid to the accounting firm, and to provide direct oversight of the performance of the impendent audit performed by the accounting firm hired for such purposes. To the extent practicable, members of the Audit Committee should be familiar with corporate financial and accounting practices.

**Originally Adopted by Resolution of the  
Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority  
On February 12, 2007**

**Amended by Resolution of the  
Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority  
On May 19, 2008**

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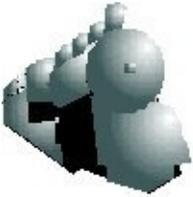
Secretary

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Date

## **Code of Ethics**

Following is the Authority's Code of Ethics, which is called the Standards of Conduct Policy.



**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"**  
**John Margeson, Chairman**

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

### **STANDARDS OF CONDUCT POLICY**

#### ***SECTION 1. INTRODUCTION***

This Standards of Conduct Policy provides standards of conduct governing the performance of officers, directors, employees and agents engaged in activities on behalf of and/or under the direction of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority (Railroad Authority). The Railroad Authority is a body corporate and politic constituting a public benefit corporation, created by New York State at the request of the county governments of Allegany, Cattaraugus, Chautauqua, and Steuben Counties. As such, the Railroad Authority and the officers, directors, employees and agents engaged in activities on behalf of and/or under the direction of the Railroad Authority, owe a duty to the State, these counties, and the citizens thereof to adhere to high standards of public service that emphasize professionalism, courtesy, and avoidance of even the appearance of illegal or unethical conduct at all times, acting at all times in accordance with the standards of behavior prescribed herein.

#### ***SECTION 2. DEFINITIONS***

As used in this Standards of Conduct Policy, the following terms shall have the meanings indicated:

**AGENT** - Includes every individual acting officially at the request of or at the direction of or otherwise on the behalf of the Railroad Authority, whether compensated or uncompensated, and whether under explicit contract or not under contract.

**CONFLICT OF INTEREST** - Includes any action or omission which is in conflict or gives the appearance of conflict with the performance of official Railroad Authority business or government.

**DIRECTOR** - Includes every member of the Board of Directors of the Railroad Authority, whether compensated or uncompensated, and whether voting or non-voting.

**EMPLOYEE** - Persons who are not officers, but whose salaries are paid in whole or in part by the Railroad Authority.

FAMILY - Includes a spouse and unemancipated minor children residing in the same household with their parents.

OFFICER - Includes every officer of the Railroad Authority, whether compensated or uncompensated.

### ***SECTION 3. TREATMENT OF THE PUBLIC***

A. Each officer, director, employee and agent of the Railroad Authority shall conduct the activities of the organization always in full compliance with the law and in an honest, fair, equitable, and courteous manner.

B. Every such officer, director, employee and agent shall maintain good relationships with all members of the public, whether a person, private business, or other organization.

C. Each officer, director, employee and agent of the Railroad Authority shall not permit personal preferences and dislikes to affect decisions related to their duties.

D. Each officer, director, employee and agent of the Railroad Authority shall treat all members of the public, whether a person, private business, or other organization, with equal consideration and without special advantage.

E. Every such officer, director, employee and agent shall also endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

F. Each officer, director, employee and agent of the Railroad Authority shall reflect these standards of conduct in their oral and written statements representing the Railroad Authority with all members of the public, whether a person, private business, or other organization.

### ***SECTION 4. CONFLICTS OF INTEREST***

A. No officer, director, employee or agent of the Railroad Authority shall engage in any act that is in conflict, or gives the appearance of a conflict of interest. Officers, directors, employees and agents of the Railroad Authority will refrain from situations where their own interests are brought into conflict with that of the Railroad Authority. There is an affirmative duty to disclose all conflicts to the Board of Directors of the Railroad Authority or its designate(s). The officer, director, employee or agent shall be deemed to have a conflict of interest if:

1. He or she willfully engages in any business transaction or professional activity or shall have a financial or other private interest, direct or indirect, or incurs any obligation of any nature that is in substantial conflict with the proper discharge of his or her duties, unless such he or she abstains from voting or otherwise officially acting with respect to the subject matters affected.

2. He or she receives or has any financial interest in any sale to or by the Railroad Authority of any service or property, when such financial interest was received with the proper knowledge that the Railroad Authority intended to purchase such property or obtain such services.

3. He or she uses or attempts to use his or her official position to secure unwarranted privileges or exceptions for himself or herself or others, including members of his or her family.

4. He or she engages in or accepts private employment or engages in any business transaction or professional activity or receives any gift or free service or makes any investment that will impair his or her independence of judgment in the exercise of his or her official duties, or that will interfere in any manner whatsoever with the discharge of his official duties, or that will compete with or operate against the purposes of the Railroad Authority.

5. A member of his or her family is involved in any business transaction or professional activity or makes any investment that will impair his or her independence of judgment in the exercise of his or her official duties, or that will interfere in any manner whatsoever with the discharge of his official duties, or that will compete with or operate against the purposes of the Railroad Authority.

B. No officer, director, employee or agent of the Railroad Authority shall not ask or expect contractors or others with whom the organization does business to favor the Railroad Authority or the individual officer, director, employee or agent of the Railroad Authority with special treatment.

C. No officer, director, employee or agent of the Railroad Authority who exercises any functions or responsibilities in the review or approval of an undertaking or the carrying out of one of the Railroad Authority's contracts or operations shall participate in any decision relating to that contract if the decision affects his or her personal pecuniary interest.

D. The foregoing acts are listed by way of example and are by no means to be deemed all-inclusive. Every officer, director, employee and agent of the Railroad Authority shall endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

#### ***SECTION 5. DISCLOSURE OR USE OF CONFIDENTIAL INFORMATION***

A. No officer, director, employee or agent of the Railroad Authority shall disclose, without proper authority, confidential information concerning the property or affairs of the Railroad Authority, nor shall the officer, director, employee or agent use such information to advance the financial or other private interest of said officer, director, employee or agent or others.

B. No officer, director, employee or agent of the Railroad Authority shall accept employment or engage in any business transaction or professional activity for which the officer, director, employee or agent will experience financial gain as a result of the officer's, director's, employee's or agent's position or authority.

**SECTION 6. PENALTIES FOR VIOLATIONS OF STANDARDS OF CONDUCT POLICY**

Any person willfully violating either Article 18 of the General Municipal Law or any provision of this Standards of Conduct Policy shall be subject to the civil penalties herein and may also be guilty of a misdemeanor according to public law.

A. Any employee or agent determined to be in negligent or intentional violation of this Standards of Conduct Policy shall be subject to penalties up to and including termination from employment or agency relationship and/or loss of pay not to exceed one (1) month's salary or one (1) month's contractual amounts due.

B. Directors and officers of the Railroad Authority determined to be in negligent or intentional violation of this Standards of Conduct Policy shall also be subject to immediate removal from such appointment.

C. In addition to the sanction for aiding, abetting, seeking or requesting a violation of this Standards of Conduct Policy, any person or organization that willfully attempts to secure preferential treatment in its dealing with the Railroad Authority by offering any valuable gifts, whether in the form of a service, loan, thing or promise, in any form to any officer, director, employee or agent of the Railroad Authority shall be subject to having its current contracts with the Railroad Authority canceled and shall be subject to not being allowed to bid on any other Railroad Authority contract for a period of two (2) years.

**SECTION 7. EFFECTIVE DATE**

This Standards of Conduct Policy shall take effect immediately.

This Standards of Conduct Policy was approved by the  
Chautauqua, Cattaraugus, Allegany and Steuben  
Southern Tier Extension Railroad Authority  
on \_\_\_\_\_, 20\_\_.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## **Description of the Authority and its Board Structure**

### **Names of Board members and Biographical Information**

(as of December 31, 2009)

#### **Michael Brisky**

- Resident of Cattaraugus County
- Employed by New York State Senator Joseph Giglio

#### **James Cooper**

- Resident of Chautauqua County
- Employed by the City of Jamestown Board of Public Utilities
- Chairman of the Board of the Southern Tier West Regional Planning and Development Board, the appointing entity

#### **Seth Corwin**

- Resident of Steuben County
- Affiliated with Operation Lifesaver

#### **William Daly**

- Resident of Chautauqua County
- Executive Director of the County of Chautauqua Industrial Development Agency

#### **Joseph Eade**

- Resident of Cattaraugus County
- Retired, former Cattaraugus County Legislator

#### **Terry Everetts**

- Resident of Cattaraugus County
- Employed by Dresser Rand Inc.

#### **Jay Gould**

- Resident of Chautauqua County
- Chautauqua County Legislator

#### **James Griffin**

- Resident of Steuben County
- Executive Director of the City of Hornell Industrial Development Agency

**Karl Kruger**

- Resident of Allegany County
- Employed by the Town of Friendship Department of Public Works

**John Margeson**

- Resident of Allegany County
- County Administrator of Allegany County

**Timothy O'Grady**

- Resident of Allegany County
- Employed by the Village of Alfred Police Department

**Thomas Ryan**

- Resident of Steuben County
- Steuben County Legislator

**Mark Wilcox**

- Resident of Chautauqua County

**Vacant**

- Member to be appointed by the Seneca Nation of Indians

**Names of Officers of the Board**

(as of December 31, 2009)

John Margeson, Chairman  
Joseph Eade, Vice Chairman  
James Griffin, Assistant Vice Chairman

**Names of Committees, Committee Members, and Committee Chairpersons**

**Executive Committee**

John Margeson, Chairman  
Joseph Eade  
James Griffin

**Audit Committee**

James Griffin, Chairman  
Karl Kruger  
Jay Gould  
Vacancy

**Governance Committee**

Joseph Eade, Chairman  
Seth Corwin  
William Daly  
Timothy O'Grady

**Lists of Board Meetings and Attendance for the year ending December 31, 2009**

The Authority held six (6) meetings of its Board of Directors during 2009. All meetings were properly noticed and open to the public. Minutes of these meetings may be found on the Authority's web site. Authority Board attendance for each meeting was as follows:

**March 16, STERA Board Meeting (no quorum, not a formal meeting)**

**Board Members In Attendance**

James Cooper  
Joseph Eade  
Terry Everetts  
Karl Kruger  
Thomas Ryan

**Representing**

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

**Board Members Not In Attendance**

Seth Corwin  
William Daly  
Jay Gould  
James Griffin  
John Margeson  
Timothy O'Grady  
Vacant  
Vacant  
Vacant

**Representing**

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

**June 15, STERA Board Meeting**

**Board Members In Attendance**

Michael Brisky  
James Cooper  
Seth Corwin  
Joseph Eade  
Terry Everetts  
Jay Gould  
James Griffin

**Representing**

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

John Margeson  
Timothy O'Grady

Allegany County  
Allegany County

**Board Members Not In Attendance**

William Daly  
Karl Kruger  
Thomas Ryan  
Mark Wilcox  
Vacant

**Representing**

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

**July 27, STERA Board Meeting**

**Board Members In Attendance**

Michael Brisky  
James Cooper  
Seth Corwin  
Joseph Eade  
Terry Everetts  
Jay Gould  
James Griffin  
Timothy O'Grady

**Representing**

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

**Board Members Not In Attendance**

William Daly  
Karl Kruger  
John Margeson  
Thomas Ryan  
Mark Wilcox  
Vacant

**Representing**

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

**August 17, STERA Board Meeting**

**Board Members In Attendance**

Michael Brisky  
James Cooper  
Seth Corwin  
William Daly  
Joseph Eade  
Terry Everetts  
Jay Gould  
James Griffin  
John Margeson

**Representing**

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

**Board Members Not In Attendance**

Karl Kruger  
Timothy O’Grady  
Thomas Ryan  
Mark Wilcox  
Vacant

**Representing**

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

**October 19, STERA Board Meeting (no quorum, not a formal meeting)**

**Board Members In Attendance**

James Cooper  
Seth Corwin  
William Daly  
Terry Everetts  
Jay Gould

**Representing**

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

**Board Members Not In Attendance**

Michael Brisky  
Joseph Eade  
James Griffin  
Karl Kruger  
John Margeson  
Timothy O’Grady  
Thomas Ryan  
Mark Wilcox  
Vacant

**Representing**

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

**December 10, 2009**

**Board Members In Attendance**

Michael Brisky  
James Cooper  
Seth Corwin  
William Daly  
Joseph Eade  
Terry Everetts  
Jay Gould  
John Margeson  
Timothy O’Grady  
Thomas Ryan

**Representing**

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

**Board Members Not In Attendance**

James Griffin  
 Karl Kruger  
 Mark Wilcox  
 Vacant

**Representing**

Steuben County  
 Allegany County  
 Chautauqua County  
 Seneca Nation of Indians

**Board Performance Evaluations**

The Authority Board undertook a Self Evaluation of the organization for the year ending December 31, 2009. This Self-Evaluation Report may be found elsewhere in this Annual Report.

The Authority did not undertake formal performance evaluations of individual members of the Authority Board of Directors for the year ending December 31, 2009. As a surrogate, the following is an alphabetical attendance report for the members of the Authority Board of Directors for meetings of the Board of Directors held in 2009. All members were active participants at meetings of the Authority Board of Directors that they attended.

<b><u>Board Member</u></b>	<b><u>Number of Meetings In 2009 for which the Member was a Member of the Board of Directors</u></b>	<b><u>Number of Meetings Attended</u></b>	<b><u>Percentage of Meetings Attended</u></b>
Michael Brisky	5	4	80%
James Cooper	6	6	100%
Seth Corwin	6	5	83%
William Daly	6	3	50%
Joseph Eade	6	5	83%
Terry Everetts	6	6	100%
Jay Gould	6	5	83%
James Griffin	6	3	50%
Karl Kruger	6	1	17%
John Margeson	6	3	50%
Timothy O'Grady	6	3	50%
Thomas Ryan	6	2	33%
Mark Wilcox	5	0	0%
Vacant (Note 1)	0	0	0%

Note 1: Member to be appointed by the Seneca Nation of Indians – position vacant throughout 2009; no meeting attendance during 2009.

## Descriptions of Major Authority Units and Subsidiaries

The Authority had no major operating units or divisions, nor any subsidiaries during the year ending December 31, 2009.

## Names of Officers of the Corporation and Biographical Information

### Corporate Officers (as of December 31, 2009)

**Donald Rychnowski** Executive Director (Chief Executive Officer)

- Resident of Cattaraugus County
- Executive Director of the Southern Tier West Regional Planning and Development Board

**Richard Zink** Treasurer (Chief Financial Officer)

- Resident of Cattaraugus County
- Assistant Director of the Southern Tier West Regional Planning and Development Board

**Vacant** Secretary

### Corporate Officers (as of January 1, 2010)

**Richard Zink** Executive Director (Chief Executive Officer) and Treasurer (Chief Financial Officer)

- Resident of Cattaraugus County
- Executive Director of the Southern Tier West Regional Planning and Development Board

**Thomas Barnes** Secretary

- Resident of Cattaraugus County
- Senior Regional Economic Development Coordinator of the Southern Tier West Regional Planning and Development Board

## Number of Employees

The Authority did not have any employees during 2009.

## **Organizational Chart**

Following is an organizational chart of the Authority. It is comprised solely of the Board of Directors. There are no employees. There are no subsidiary or affiliate organizations.

The Authority's relationship with the Southern Tier West Regional Planning and Development Board is an arms length contract relationship relating exclusively to the provision of staffing and administrative services by Southern Tie West to the Authority, and accordingly Southern Tier West is not a component of the Authority's organizational chart.

Authority Board of Directors
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**Certification of Annual Report**

This Annual Report for the Year Ending December 31, 2009 was approved on March 30, 2010 by the Executive Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority, acting on behalf of and with the express authorization to do so of the Board of Directors of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority.

I hereby certify this Annual Report for the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority for the Year Ending December 31, 2009

\_\_\_\_\_  
RICHARD T. ZINK  
Executive Director (CEO) and Treasurer (CFO)

\_\_\_\_\_  
Date