



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

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

GOVERNANCE COMMITTEE SELF-EVALUATION REPORT TO THE BOARD on GOVERNANCE COMMITTEE FUNCTIONS FOR CALENDAR YEAR 2010

Submitted March 8, 2011

1. Meetings

- During 2010, the Governance Committee met twice, on February 16, 2010 and November 15, 2010. The Committee Charter requires the Committee to meet a minimum of twice a year, plus any additional meetings as needed. All meetings were properly noticed and open to the public as required, and all agendas and minutes were made available to the public on the Authority web site as required.

2. Reporting to Board

- The Committee reported out its actions and recommendations to the Board at the Board's February 16, 2010 and November 15, 2010 meetings, as required.
- **Deficiencies:**
 - During 2010, the Committee did not report to the Board regarding any proposed **changes to the Committee charter or the governance guidelines**, as required by the STERA bylaws. However, even had the Committee discussed these topics, it may not have recommended any changes to the Board.
 - During 2010, the Committee did not report to the Board regarding a **self-evaluation of the Governance Committee's functions**, as required by the STERA bylaws. However, even had the Committee discussed these topics, it may not have recommended any changes to the Board.
- **Recommendations:**
 - The Committee should address the above-noted deficiencies in 2011 and thereafter.

3. Compliance

- During 2010, excepting the deficiencies noted in #2 above, the Committee otherwise complied with the Committee Charter and the Authority's bylaws.
- During 2010, the Committee complied with NYS ABO, PAAA, and PARA requirements.

4. Committee Responsibilities With Respect to Authority Operations

- During 2010, the Committee reviewed and made recommendations to the Board regarding Authority operations, as follows:
 - On February 16, 2010, the Committee reviewed PAAA, PARA, and NYS ABO requirements for the required **Annual Assessment of STERA's Internal Controls**. The Committee then reviewed a set of questions prepared internally in support of the Annual Assessment of STERA's Internal Controls. The Committee recommended no change in Authority operations or policies to as to increase the effectiveness of internal controls or so as to minimize the risk associated with Authority operations.
 - On February 16, 2010, the Committee reviewed PAAA, PARA, and NYS ABO **compliance requirements** and provided a report to the Board detailing still outstanding compliance requirements.
 - On November 15, 2010, the Committee discussed and proposed a **New Member Orientation Process**, including reference materials that could be used for new member orientation and for the ongoing education of current Board members.
- **Deficiencies:**
 - The Committee did not explicitly discuss and review the Authority's **governance practices** with respect to transparency, independence, accountability, fiduciary responsibilities, and management oversight, as required by the STERA bylaws.
 - The Committee did not explicitly discuss and review the **competencies and personal attributes required of Board members** so as to assist appointing entities in identifying qualified individuals, as required by the STERA bylaws.
 - The Committee did not explicitly discuss and make any recommendations to the Board regarding the **number and structure of STERA committees**, as required by the STERA bylaws.
 - The Committee did not explicitly discuss and make any recommendations to the Board regarding **Board member training to be obtained from State-approved trainers**, as required by the STERA bylaws.
 - The Committee did not explicitly discuss, develop, and provide recommendations to the Board on performance evaluations, including coordination and oversight of such **evaluations of the Board, its committees and senior management** in the Authority's governance process, as required by the STERA bylaws.
 - Review on an annual basis the **compensation and benefits for the Managing**

Director and other senior Authority officials, if there are any such individuals receiving compensation and benefits from the Authority.

- **Recommendations:**

- The Committee should address the above-noted deficiencies in 2011 and thereafter.

5. **Committee Responsibilities With Respect to Authority Policies**

- During 2010, the Committee reviewed and made recommendations to the Board regarding Authority policies, as follows:

- On February 16, 2010, the Committee discussed and made a recommendation to the Board that it adopt a specific revision of the **Contract and Procurement Policy** (i.e., Procurement Guidelines) to allow the CEO 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. This revision was approved by the NYS ABO. Researched PARA; no new compliance requirements for local authorities in PARA. Other than the specific change noted here, the Committee recommended no changes in the Policy.
- On February 16, 2010, the Committee reviewed the **Investment Policy** and recommended no changes in the Policy.
- On February 16, 2010, the Committee reviewed the **Property Disposition Guidelines** and recommended to the Board that they must be revised to conform to PARA requirements.
- On February 16, 2010, the Committee reviewed the **Mission Statement** and recommended to the Board specific revisions including new language relating to specific goals so as to conform to the PARA.
- On February 16, 2010, the Committee discussed and recommended that the Board adopt specific **Measurements** tied to STERA goals for evaluating STERA performance.

- **Deficiencies:**

- The Committee needs to develop, review on a regular basis, and update as necessary the Authority's **Code of Ethics** and written policies regarding **conflicts of interest**. However, even had the Committee discussed these topics, it may not have recommended any changes to the Board.
- The Committee needs to develop and recommend to the Board any required revisions to the Authority's written policies regarding the protection of **whistleblowers** from retaliation. However, even had the Committee discussed this topic, it may not have recommended any changes to the Board.
- The Committee needs to develop and recommend to the Board any required revisions to the Authority's **equal opportunity and affirmative action policies**.

However, even had the Committee discussed these topics, it may not have recommended any changes to the Board.

- The Committee needs to develop and recommend to the Board **any other policies or documents relating to the governance** of the Authority, including rules and procedures for conducting the business of the Authority's Board, such as the Authority's by-laws. The Governance Committee will oversee the implementation and effectiveness of the by-laws and other governance documents and recommend modifications as needed. However, even had the Committee discussed these topics, it may not have recommended any changes to the Board.
- Annually review, assess and make necessary changes to the **Governance Committee Charter** and provide a **self-evaluation of the Governance Committee**.
- **Recommendations:**
 - The Committee should address the above-noted deficiencies in 2011 and thereafter.

6. Committee Responsibilities With Respect to the Authority's Reports

- During 2010, the Committee reviewed and made recommendations to the Board regarding the Authority's reports, as follows:
 - On February 16, 2010, the Committee recommended that the Board prepare a **Procurement Report** for 2010. The Report must be submitted to NYS ABO, included in the Annual Report, and made available to the public on the web site. The Committee did not meet again prior to the March 31, 2010 NYS ABO submission deadline, so the Board delegated responsibility for approving the Report to the Executive Committee.
 - On February 16, 2010, the Committee recommended that the Board prepare an **Investment Report** for 2010. The Report must be submitted to NYS ABO, included in the Annual Report, and made available to the public on the web site. The Committee did not meet again prior to the March 31, 2010 NYS ABO submission deadline, so the Board delegated responsibility for approving the Report to the Executive Committee.
 - On February 16, 2010, the Committee recommended that the Board prepare a **Property Disposition Report** for 2010. The Report must be submitted to NYS ABO, included in the Annual Report, and made available to the public on the web site. The Committee did not meet again prior to the March 31, 2010 NYS ABO submission deadline, so the Board delegated responsibility for approving the Report to the Executive Committee.
 - On February 16, 2010, the Committee discussed and recommended that the Board adopt a specific **Self-Evaluation** prepared using the Measurements and make a finding STERA is achieving its purpose and meeting its goals.
 - On February 16, 2010, the Committee discussed and recommended that the Board

adopt a specific **Annual Assessment of STERA's Internal Controls** report. The Committee and the Report recommended no change in Authority operations or policies to as to increase the effectiveness of internal controls or so as to minimize the risk associated with Authority operations.

- On February 16, 2010, the Committee recommended that the Board prepare a **Four-Year Budget** containing capital and operating budgets for the four-year planning period. The Budget must be submitted to NYS ABO, included in the Annual Report, and made available to the public on the web site. The Committee did not meet again prior to the March 31, 2010 NYS ABO submission deadline, so the Board delegated responsibility for approving the Budget to the Executive Committee.
- On February 16, 2010, the Committee recommended that the Board prepare an **Annual Report** for calendar year 2010. The Report must be submitted to NYS ABO and made available to the public on the web site. As of February 16, 2010, there were several items that need to be included in the Annual Report that were not yet in hand (e.g., revised mission statement, year end financial statements, audit, management letter from the auditor, four year financial plan, real property listing, etc.), which needed to be obtained, reviewed and approved by the Board in a timely fashion. The Committee did not meet again prior to the March 31, 2010 NYS ABO submission deadline, so the Board delegated responsibility for approving the Report to the Executive Committee.
- **Deficiencies:**
 - None.
- **Recommendations:**
 - The reports that were identified above could have been reviewed by the Governance Committee had they been ready in advance of the March 31 NYS ABO submission deadline. In future years, if these reports can be made ready for the Committee's review, then they can be reviewed and recommendations made to the Board in a timely fashion.

7. Summary Self Evaluation of Governance Committee Functions During Calendar Year 2010

- **Successes**
 - The Committee complied with its functions as regards meetings, organizational and regulatory compliance.
 - The Committee generally complied with its functions as regards operating responsibilities and functions, except in the areas listed under Deficiencies below.

- **Deficiencies**

- The Committee had deficiencies in the following categories of its operations:
 - Reports to the Board
 - Recommendations to the Board regarding STERA operations
 - Recommendations to the Board regarding STERA policies
 - Review of STERA reports and Recommendations to the Board
- In all cases of the deficiencies noted above, these deficiencies can be remedied readily in future years by either explicitly addressing topics not discussed by the Committee during the reporting year and/or by having the Board supply the Committee with reports to review in a timely fashion to enable the Committee to do its job.

**Approved by the Governance Committee
And
Submitted to the Board of Directors of the
Chautauqua, Cattaraugus, Allegany, and Steuben
Southern Tier Extension Railroad Authority
On March 8, 2011**

Secretary

Date