



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779
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"This institution is an equal opportunity organization"
John Margeson, Chairman

MINUTES – September 17, 2007

The Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:30 AM on September 17, 2007 in the conference room of the offices of the Southern Tier West Regional Planning and Development Board, 4039 Route 219, Suite 200, Salamanca, New York. The following persons were in attendance:

Board Members In Attendance

Joseph Eade
Terry Everetts
Karl Kruger
John Margeson
Timothy O'Grady
Lucille White

Representing

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

Board Members Not In Attendance

Seth Corwin
William Daly
James Griffin
Thomas Livak
Fran Lus
Robert Walrod
Vacant
Vacant

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

Others Attending

Thomas Barnes
Carl Belke
William Burt
Robert Iszard
Donald Rychnowski
Richard Zink

Representing

Southern Tier West
WNYP
WNYP
NYS ESD
Southern Tier West
Southern Tier West

Call to Order and Introduction of Those Present

Chairman John Margeson called the meeting to order at 9:40 AM. Mr. Margeson welcomed all who were present. Following this, introductions were made of those present..

Quorum By Poll

As there was not a quorum present to do business, the Board authorized a quorum by poll for all voting matters (Everetts, Kruger, passing unanimously). Mr. Kruger noted that he feels that the

Board may wish to avoid quorums by poll whenever possible, as polled members do not have access to the entirety of the discussion at the meeting.

Approval of Minutes

The Board approved the minutes of the June 18, 2007 Board Meeting (Eade, O'Grady, passing unanimously).

Bills and Communications

There was no correspondence, other than that noted later in the meeting.

Treasurer's Report

Mr. Zink, STERA Treasurer, provided a Treasurer's Report, which included an income statement for the period January 1, 2007 through August 31, 2007. There was net income of \$2,612.44 on revenues of \$1,077,934.83. The Board adopted a resolution approving the Treasurer's Report (Kruger, O'Grady, passing unanimously).

After a presentation by Mr. Zink and discussion, the Board authorized securing Director's Insurance from Hayes Companies of Washington, D.C. in the amount of \$8,640 (Eade, Kruger, passing unanimously). Mr. Zink noted that the requirements of competitive procurement were satisfied by Hayes seeking 3 quotes for the insurance. The insurance is \$1 million liability, with a \$10,000 retention.

After a presentation by Mr. Zink, the Board decided to table decision on the adoption of the proposed budget for 2008.

Reports of Committees

Audit Committee

Mr. Margeson noted that the Board received the proposed draft Audit Committee Charter, modeled after the NYS Authority Budget Office model charter.. After review and discussion, the Board adopted a resolution approving the Audit Committee Charter (Eade, Everetts, passing unanimously)..

Mr. Margeson appointed Mr. Zink to be Internal Audit Director, per the Committee Charter.

Mr. Margeson noted that the Audit Committee Report will become a regular agenda item. However, he felt that the Audit Committee would meet several times per year.

Governance Committee

Mr. Margeson noted that the Board received the proposed draft Governance Committee Charter, modeled after the NYS Authority Budget Office model charter.. After review and discussion, the Board adopted a resolution approving the Governance Committee Charter (Kruger, O'Grady, passing unanimously)..

Mr. Margeson noted that the Governance Committee Report will become a regular agenda item. However, he felt that the Governance Committee would meet several times per year.

Unfinished Business

Operating Status and Current and Proposed Rehabilitation Projects

Operating Status – Southern Tier Extension and Buffalo Line

Mr. Burt introduced Carl Belke, WNYP's newly hired Vice President of Engineering.

Mr. Burt distributed a system map for WNYP, and noted that WNYP and NS have concluded their line lease. The lease is co-extensive with the sub-lease on the Southern Tier Extension (24 years remaining), and provides for haulage by NS of WNYP traffic between Driftwood PA and Lockhaven PA at an acceptable flat fee per car, allowing WNYP to access and price competitively traffic to the North Shore Railroad System, a system of four short lines in central Pennsylvania that has a lot of freight traffic. He noted that WNYP system's geographic reach was getting long enough that rail quotes were becoming more and more competitive with trucking. He indicated a need to market the new geographic reach into Pennsylvania to WNYP's current and potential customers.

Mr. Burt noted that WNYP's recent activities have focused on incorporating the Buffalo Line into WNYP's overall operations. He indicated that WNYP is now at 40 employees, and LAL and B&H together also are at 40 employees. WNYP is purchasing trucks and locomotives, and at the current time needs additional locomotives. He noted that VP and General Manager Tom Collard is still splitting time between Falconer and Olean, and noted that the new Olean operations center phone number is 716-372-8140.

Mr. Burt noted a new customer, a coal mine located in Emporium that will begin shipping coal to the Jamestown Board of Public Utilities in November 2007.

Current Rehabilitation Projects

Rail installation under the 2006 contract began in early summer 2007. In August 2007, NYS DOT approved a change order to the 2006 contract per which the planned crop and weld work, planned for the conversion of stick to welded rail between Jamestown and the Pennsylvania line, was deleted and additional tie installation was approved in Allegany and Cattaraugus counties. NYS DOT agreed to this change order after STERA convinced NYS DOT that this was the work that was most needed on the line at the current time.

Mr. Burt summarized cumulative rail replacement. STERA installed 11.5 miles of welded rail in 2003. The 2006 contract involves a total of 7.6 miles of welded rail installation, including 2 miles in Chautauqua County and the balance in Allegany County (Tip Top, Andover, Belmont, Belvedere, and Cuba). Mr. Burt indicated that the current analysis is that there are approximately 5 miles of under-size or worn rail needing replacement, mostly in Alfred, Friendship, Hinsdale, and Kennedy.

Clough Harbor Engineering Contract

At the suggestion of NYS DOT, STERA had competitively procured engineering services at the onset of the 2006 contract per an RFP that provided STERA pricing on engineering services for the 2006 contract and beyond (i.e., a retainer contract containing pricing on future engineering services). NYS DOT had indicated that it would allow STERA to continue to use the same engineer for more than the 2006 construction contract, so as to obviate the need for competitive procurement of engineering services for every (small) construction contract that STERA obtained funding for from NYS DOT, provided that STERA would competitively procure the actual construction contractors and materials.

Per this scenario, in 2006 STERA obtained engineering services from Clough Harbor Associates (CHA). The Board discussed the relationship with CHA since 2006. Mr. Burt noted that CHA has communicated to STERA that STERA has exhausted its engineering budget on the 2006 contract, and has proposed that STERA authorize CHA to perform additional engineering services for \$70,000 to complete the balance of the 2006 contract. Mr. Burt noted that overages on the 2006 contract would be the financial responsibility of WNYP. He also noted that STERA was anticipating the additional NYS DOT multimodal funding to be appended to the 2006 construction contracts, which would require engineering services, but which would carry funding for engineering.

The Board distinguished between additional engineering services required to complete the 2006 construction project from additional engineering services for additional work going forward. Mr. Burt noted that with respect to the 2006 contract, there had been additional engineering services required from CHA, owing to circumstances resulting in the three change orders. However, he noted that perhaps some of the engineering expense in the contract would be freed up because certain work related to oversight and field inspection of crop and weld work had been deleted by the change orders. There followed general discussion. It was noted that CHA had provided itemized invoices for engineering services, by contract, and had accounted for services performed to date and yet-to-be-performed.

Mr. Burt noted that WNYP has suggested that in going forward – finishing the 2006 construction contract and for future engineering services – that STERA not use CHA and instead utilize WNYP's in house engineering services, which could be provided at no cost or at lower cost. Discussion on this suggestion included the benefits of relying on an engineering consultant's (malpractice) insurance, the need to comply with NYS DOT contractual procurement provisions and PAAA procurement provisions, and the need to insure propriety in using WNYP's engineering services instead of an arm's length competitively procured third party vendor. Mr. Burt indicated that NYS DOT had informally okayed using WNYP's engineering services on the 2006 contract.

The STERA Board decided that, in addition to engineering services that could be provided by WNYP in-house engineering staff provided at no cost to STERA, STERA needed to continue to utilize CHA for engineering services related to the 2006 contract, provided that the additional CHA services amounted to no more than \$30,000. The Board adopted a resolution to this effect, providing also that engineering services for future or upcoming

contracts would be procured competitively and / or procured from WNYP on a case-by-case basis (Kruger, Everetts, passing unanimously).

Multimodal Program Projects

Mr. Barnes noted that **Assemblyman Parment** has indicated that a **\$235,000 multimodal grant** would be awarded for work in Chautauqua County.

Mr. Burt noted that the **Senator Young's multimodal project**, which was pending but held up in the Comptroller's Office, seems to be moving forward now and is out of the Comptroller's Office. He noted Mr. Iszard's inquiry on this matter.

Mr. Burt discussed the Hornell interchange project, funded with NYS DOT multimodal funds.

Proposed NYS Bond Act Project

Mr. Burt noted that WNYP has submitted proposals for \$4.5 million of rail installation and tie and surface work from the eastern Allegany County boundary to Jamestown. He indicated that we hope to hear on this so as to begin work in the fall of 2007.

Multi-Modal Freight Transfer Facility and Manufacturing Center Project Status

Mr. Barnes noted that Southern Tier West's project steering committee is awaiting re-submission of a draft report on feasibility and site selection by the consultant, and its approval by NYS DOT, before moving forward to address the project publicly.

Cattaraugus County (Randolph) Remediation Project Status

Mr., Barnes noted that he had spoken to Pete Gorton of Panamerican Environmental, consultant for Cattaraugus County, who had indicated that the County is negotiating with NYS DEC for a final work plan, but expects that the demolition portion of the project will be completed by summer's end. Following that, the County will investigate the site, including the building foot print, for contamination. The project may stretch into 2008.

NYS Public Authorities Accountability Act (PAAA) Compliance

STERA Policies

Mr. Margeson asked members for comments or suggested revisions to the policies adopted at the last meeting. He again encouraged members to review the policies and come forward with discussion regarding any need for revisions.

Board Training

Mr. Barnes distributed copies of the NYS ABO's schedule for upcoming Board training sessions.

Public Authorities Reporting Information System (PARIS)

Mr. Barnes noted that this fall the State is instituting a web-based system for submitting financial and other reports.

Interim PILOT Payments on Buffalo Line

The Board noted that the agreement with Norfolk Southern on the Buffalo Line provided that Norfolk Southern would pay a first year transitional payment to the affected taxing jurisdictions in the amount of \$165,000, with \$95,000 due in July 2007 and the balance due in January 2008. Mr. Zink indicated that STERA had invoiced this amount to Norfolk Southern, and would develop the historically-based pro rata formula for distributing the funds to the taxing jurisdictions.

Other Old Business

There was no other Old Business.

New Business

There was no New Business.

Public Comment

There was no public comment.

Next Meeting Date and Agenda for Next Meeting

Mr. Margeson noted that the Audit Committee may meet before the next Board meeting to discuss appropriate matters.

Mr. Margeson noted that the Authority full Board would meet on November 19, 2007 at 9:30 AM to do business.

Adjournment

The Board adopted a resolution to adjourn at 11:50 AM (Kruger, Everetts, passing unanimously).

I certify that this is an accurate summary of the meeting of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority held on the date indicated above.

Name: _____

Office: _____

Date: _____