



Chautauqua, Cattaraugus, Allegany & Steuben Counties

Southern Tier Extension Railroad Authority

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

MINUTES – February 16, 2010

The Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:40 AM on February 16, 2010 in the Conference Room in the office 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

James Cooper
William Daly
Joseph Eade
Terry Everetts
Karl Kruger
John Margeson
Timothy O'Grady

Representing

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

Board Members Not In Attendance

Michael Brisky
Seth Corwin
Jay Gould
James Griffin
Thomas Ryan
Mark Wilcox
Vacant

Representing

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

Others Attending

Thomas Barnes
Carl Belke
William Euliano
Robert Iszard
Brian Paschen
Richard Zink

Representing

Southern Tier West RPDB
WNYP RR
General Public
New York State Empire State Development
Southern Tier West RPDB
Southern Tier West RPDB

Call to Order and Introduction of Those Present

Chairman John Margeson called the meeting to order at 9:40 AM. Introductions were made of those present. Mr. Margeson welcomed William Euliano, who is pending appointment to the Board from Chautauqua County, as a guest.

Reading and Approval of the Minutes of the December 10, 2009 Meeting

The Board adopted a resolution approving the minutes of the December 10, 2009 meeting of the Board (Eade, Cooper, passing unanimously).

Bills and Communications

There were no bills and two communications received, as follows:

- Cattaraugus County appointment of Terry Everetts to a term expiring September 12, 2012 and Joseph Eade to a term expiring September 12, 2010
- Steuben County appointment of Seth Corwin to a term expiring August 31, 2012

Treasurer's Report

January 31, 2010 Treasurer's Report

Mr. Zink, STERA Treasurer, distributed a Treasurer's Report for January 31, 2010. For the month ending January 31, 2010, STERA had a net income of \$0 on revenues of \$0. As of January 31, 2010, STERA had net assets of \$8,419,785 on assets of \$8,419,785, with a cash balance of \$56,709. The Board adopted a resolution approving the Treasurer's Report as amended for the period ending January 31, 2010 (Daly, Eade, passing unanimously).

The STERA Board also authorized the payment of a \$5,000 invoice to Southern Tier West (Daly, Eade, passing unanimously).

Reports of Committees

Audit Committee

The Audit Committee met on February 16, 2010.

Selection of Auditor

At the December 10, 2009 Board meeting, the Board had discussed PAAA requirements for changing the auditor and how audit service procurement should proceed to be in compliance with STERA's Contract and Procurement Policy, with the PAAA, and with possible new PAAA requirements regarding procurement. After discussion, the STERA Board had approved procuring audit services based upon quotes from at least three firms, with firms receiving the request for quote being provided by STERA Board members. Staff had been directed to check with NYS ABO regarding potential new PAAA requirements in this regard.

Mr. Barnes indicated that he had contacted the NYS ABO and has asked this question,

Specifically, NYS ABO advised that:

“Section 103 of General Municipal Law requires 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. The Authority Budget Office recommends that even when a formal competitive bid is not required the authority should still solicit bids, proposals or price quotes from multiple qualified vendors to ensure that the authority is getting the most reasonable price for the goods or services.

“CCASSTERA proposed developing a list of potential RFQ recipients for auditing services by asking Board members to identify firms in their counties that provided auditing services. Then CCASSTERA would propose to contact each firm on this list and request a quote for auditing services. CCASSTERA would then select the firm providing the lowest quote, other things equal (and also provided that the audit rotation requirements are satisfied). ...

“We suggest that, at a minimum, CCASSTERA develop and circulate to prospective vendors a written scope of work that outlines the audit requirements, expected duties and work products of the auditor, timeframes for completing the work, terms and conditions of payment, and the responsibilities of CCASSTERA throughout the audit. This will ensure that all vendors receive the same information and protect you from potential accusations of favoritism. Although there is nothing wrong with asking Board Members to identify firms to send RFQ’s, we suggest that you independently develop a list of qualified vendors in the area so that the solicitation is not solely to firms recommended by board members.”

Mr. Zink noted that he had contacted Board members and solicited auditors, had also independently developed a list of qualified vendors, and had solicited quotes per a written scope of work. There had been 3 quotes returned, and the Audit Committee had reviewed them, and recommended that the Board accept the quote of low bidder John Trussalo from Jamestown for audit services for the years ending December 31, 2010, 2011, and 2012 for the amounts of \$2500, \$2700, and \$2900, respectively. The Board adopted a resolution selecting John Trussalo for audit services for the years ending December 31, 2010, 2011, and 2012 for the amounts of \$2500, \$2700, and \$2900, respectively (Daly, O’Grady, passing unanimously). Mr. Trussalo’s employee Kelly Dawson will be the auditor. Ms. Dawson formerly had been the employee of BWB, where she had been STERA’s auditor. The Board noted that as long as the audit reviewer changed, this was compliant with the PAAA.

Governance Committee

The Governance Committee met on February 16, 2010. The Committee reviewed a number of items, as follows:

- **New PAAA Revisions** – The Committee reviewed the changes applicable to STERA in the PAAA amendment, and reported to the Board. A document titled “Summary of 2009 PAAA Revisions Affecting STERA” was distributed for Board member information, and reviewed by the Board. Board members will receive a copy of the

PAAA amendment and a copy of the amendment with changes applicable to STERA highlighted.

Staff was asked to determine whether STERA could issue tax exempt debt in favor of WNYP for line rehabilitation activities.

- **PAAA Compliance Status** – The Committee reviewed PAAA compliance requirements pertaining to STERA, and noted continuing instances of actions needed to achieve compliance with the PAAA as revised. STERA should be in compliance once the following are accomplished:
 - all materials are received from the auditor and accepted by the Board,
 - all policies required to be reviewed and / or updated are reviewed and /or updated by the Board,
 - the four-year budget is approved by the Board,
 - the assessment of internal controls is completed and adopted by the Board,
 - the review and updating of the mission statement is accomplished by the Board,
 - the creation of measurements is accomplished by the Board,
 - the self-evaluation is completed by the Board,
 - the listing of property ownership, acquisition, and disposition is reviewed and approved by the Board,
 - the annual report is completed and approved by the Board, and
 - all required submissions to NYS ABO were submitted (by March 31, 2010) by the Board.

The Board indicated that it wished to come into compliance as soon as is possible with all PAAA requirements effective as of March 1, 2010.

- **Review of Proposed Revised Contract and Procurement Policy** – At the December 10, 2009 STERA Board meeting, the Board had discussed and approved an amendment to the STERA Contract and Procurement Policy which would allow 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. The Board had directed staff to provide the amended Contract and Procurement Policy for the Board’s review at the next meeting. The only changes: the addition of paragraph 4, containing the proposed new policy provision mentioned immediately above, and the addition of paragraph 5, containing provisions to bring the policy in conformity with the new PAAA revisions with respect to sole source purchases at prices higher than market value.

It also had been brought up at the December 10, 2009 meeting that there may be some new requirements for procurement required by the new PAAA revisions. Mr. Barnes indicated that he had contacted the NYS ABO and had asked this question and specifically had asked about the proposed modification of STERA’s Contract and Procurement Policy contained in paragraph 4 of the draft amended policy, and had

been told that there are no specific new requirements in the PAAA amendment relating to procurement for local authorities, and that the desired modification of the Contract and Procurement Policy was in compliance with NYS ABO requirements. Specifically, NYS ABO advised that:

“Procurement guidelines should include, for example, dollar thresholds that identify the level of competitive selection that must be followed (i.e., verbal quotes, written quotes, request for proposal, etc.), the number of such quotes or responses that should be obtained, and the dollar thresholds that identify who is authorized to procure or approve a procurement.”

The Governance Committee had reviewed the draft amended policy, and recommended that the Board adopt it. The STERA Board reviewed and approved the revised Contract and Procurement Policy (Eade, Daly, passing unanimously).

- **Annual Internal Control Assessment Process** – The Committee reviewed PAAA requirements for the annual assessment 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 Board reviewed 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. The Board reviewed and discussed the document titled “STERA Assessment of the Effectiveness of Internal Controls February 2010,” in particular the risks associated with STERA 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 (Eade, Daly, passing unanimously).
- **Review of Investment Policy** – The Committee reviewed the Investment Policy, and recommended that the Board make a finding that the Investment Policy was appropriate without revision, and made a finding that STERA was in compliance with the policy (Daly, Eade, passing unanimously).
- **Review of Mission Statement; Creation of Measurements; Undertaking of STERA Self-Evaluation** – The Committee reviewed the STERA mission statement and suggested that the Board revise the mission statement to include new language relating to specific goals, as suggested by the new PAAA revisions. The Committee also reviewed draft measurements and recommended that the Board adopt the measurements. The Committee reviewed a draft self-evaluation and recommended that the Board review and approve the draft self-evaluation. The Board reviewed and discussed the current mission statement, the draft measurements, and the draft self-evaluation. The Board directed staff to prepare new language augmenting the current mission statement to include additional specific goals, for Board review and approval. The Board approved the measurements (Eade, Daly, passing unanimously). The Board approved the self-evaluation, making a finding STERA is achieving its purpose and meeting its goals (Eade, Cooper, passing unanimously).

- **Review of Property Disposition Guidelines and Property Disposition Report** – The Committee reviewed the current Property Disposition Guidelines, which were distributed, and noted that the new PAAA amendment had not been incorporated into the guidelines. The Committee recommended that it review the revised guidelines and then make a recommendation for approval by the Board. The revisions primarily will involve insuring that property is sold or acquired at fair market value, and what needs to happen if property is sold for less than fair market value or acquired for more than fair market value.

The Committee noted also that the PAAA requires that a listing of all real property owned, acquired, and disposed of during 2009 must be prepared. Staff is in the process of obtaining required descriptions of all real property owned by STERA; this should be accomplished by February 19, 2010.

The Board directed that the Property Disposition Guidelines be revised per the new PAAA revisions for Board review and approval, and that the listing of all real property owned, acquired, and disposed of during 2009 be prepared for Board review and approval.

- **Annual Report** – The Committee discussed the Annual Report FYE 12/31/09, which must be submitted by March 31 to NYS ABO. 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 will need to be obtained, reviewed and approved by the Board in a timely fashion.

The Board authorized the Executive Committee to meet in late March to review and approve on behalf of the Board, the materials required to be submitted to NYS ABO prior to March 31, 2010, to include the Annual Report, the revised mission statement, the year end financial statements, the audit, the management letter from the auditor, the four year financial plan, the real property listing, the property disposition guidelines, etc., and authorize submission of all required materials and documents to the NYS ABO prior to March 31, 2010 (Eade, Daly, passing unanimously). The Board noted that this explicit authorization of the Executive Committee to do specific business on behalf of the STERA Board was compliant with the PAAA, per STERA's attorney's opinion.

Unfinished Business

WNYP Report

Carl Belke, President & Chief Operating Officer of the WNYP RR, provided a detailed Management Report to the STERA Board. The Management Report covered the areas of Safety, Financial Status of WNYP RR, Operations and Customer Service, Marketing and Freight Business, Mechanical Issues, Engineering and Maintenance of Way, Bridges and Culverts, and Signals and Communication.

Mr. Belke asked whether Southern Tier West had heard anything about the status of the TIGER application. Mr. Zink indicated that he anticipated that awards would be announced later this week.

Mr. Belke noted that WNYP will be closing a grade crossing at May Road in Steamburg, and in exchange for this grade crossing elimination will be replacing the Sherlock Hollow Bridge in Hinsdale with a grade crossing. This is not anticipated until late 2010. Per local request, the Sherlock Hollow Bridge will be converted into a pedestrian bridge, and Sherlock Hollow will be re-aligned to intersect with NYS Route 16 at the intersection of Route 16 and Fay Hollow Road.

Mr. Belke indicated that WNYP's list of the top three priority rehabilitation projects include

- Bridge rehabilitation (Falconer bridge and masonry repairs on ten bridges)
- Replacing rail on three curves with stick rail
- Tie replacement (6,0000 ties in 2010) to bring the line from 25 mph rating to 40 mph

These rehabilitation efforts will require funding.

Multi-Modal Freight Transfer Facility and Manufacturing Center Project Status

Awards for the TIGER program are scheduled to be announced by February 19, 2010.

The Truck-Rail Multi-Modal Freight Facility (Transload Facility) Study is downloadable from the Southern Tier West web site. Southern Tier West has met twice with the City of Olean, which is in favor of the project moving forward.

NYS Public Authorities Accountability Act (PAAA) Compliance

Discussion of Any Desired Policy Modifications

STERA encourages comments on and suggested revisions to the organizational policies, so as to improve organizational effectiveness and PAAA compliance.

Training Sessions

Several current members had not yet completed NYS ABO's PAAA compliance training sessions. Mr. Zink will work with the Allegany, Cattaraugus, and Chautauqua County IDA's to schedule a training session at the Southern Tier West office that STERA Board members can attend.

Randolph Foundry Project

No update or contact from the sponsor or NYS DEC.

Site Development Project

Mr. Barnes 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. He noted an upcoming meeting with the Seneca Nation of Indians and the Salamanca IDA regarding redevelopment of the Main Street railroad yard in Salamanca.

Request for Acquisition of Landlocked Olean Parcels

Mr. Belke noted continuing lack of response by Norfolk Southern.

Siding in Hornell

Mr. Belke noted that WNYP would like to build a siding in Hornell, and the City of Hornell also would like to build a second siding to promote local transload business. He noted continuing lack of response by Norfolk Southern.

Other Unfinished Business

There was no other Unfinished Business.

New Business

Seneca Nation of Indians Board representation

Staff was directed to contact the Seneca Nation of Indians and encourage the Nation to appoint a member to the STERA Board.

NYS Cost Recovery from IDA's

There was a discussion regarding recent NYS Department of the Budget assessment of bills for cost recover to IDA's statewide.

Nominating Committee

Mr. Margeson indicated that he would appoint a nominating committee to present nominations for Board and corporate offices at the May Annual Meeting.

Other New Business

There was no other New Business.

Public Comment

There was no public comment.

Next Meeting Date and Agenda for Next Meeting

The Board noted that the Executive Committee will meet in late March at the Conference Room at the office of the Southern Tier West Regional Planning and Development Board in Salamanca, NY; all Board members are invited to attend.

The STERA Board will next meet on May 17 (Annual Meeting also on that date) at 9:30 AM at the Conference Room at the office of the Southern Tier West Regional Planning and Development Board in Salamanca, NY, with subsequent meetings on September 20 and November 15.

The Audit Committee and Governance Committee each might meet before the next Board meeting if necessary to discuss appropriate matters. Each Committee also may meet at an additional meeting or meeting as needed.

Adjournment

The meeting adjourned at 11:45 AM (Eade, Daly, passing unanimously).

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

Name: _____

Office: _____

Date: _____