



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

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

STERA GOVERNANCE COMMITTEE

MINUTES – March 18, 2013

The Governance Committee of the Chautauqua, Cattaraugus, Allegany and Steuben Southern Tier Extension Railroad Authority met at 9:00 AM on March 18, 2013 in the Conference Room in the office of the Southern Tier West Regional Planning and Development Board in the Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York. The following persons were in attendance:

Committee Members In Attendance

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

Representing

Cattaraugus County
Steuben County
Chautauqua County
Allegany County

Other Board Members In Attendance

Adam Gorczyca

Chautauqua County

Others Attending

Thomas Barnes

Representing

STERA Corporate Secretary

1. Call to Order and Introduction of Those Present

Committee Chairman Joseph Eade called the meeting to order at 9:00 AM. He noted the presence of a quorum for the meeting.

2. Reading and Approval of the Minutes of the Previous Meeting

The Committee approved the minutes of the prior meeting, held October 15, 2012 (Daly, Corwin, passing unanimously).

Unfinished Business

There was no unfinished business.

New Business

3. Annual Policy and Report Development and Review

The Governance Committee reviewed and discussed STERA's current policies, the draft reports for the year ending December 31, 2012, and STERA's structure, governance, and operating activities.

A. Review of Current Policies

With respect to the STERA's current policies, the Governance Committee adopted a resolution making a finding that STERA was in compliance with all of the current policies, that the policies should not be revised, and that the Board should make a similar finding and not revise any of the current policies (Daly, Corwin, passing unanimously). These policies are as follows:

- Audit Committee Charter
- Bylaws
- Code of Ethics
- Compensation, Reimbursement and Attendance Policy
- Competencies and Personal Attributes Required of Board Members
- Defense and Indemnification Policy
- Equal Opportunity and Affirmative Action Policy
- Governance Committee Charter
- Internal Control Procedures
- Investment Policy
- Lobbying Policy
- Management Performance Evaluation Standards
- Measurement Standards for Performance Evaluation
- Mission Statement
- New Member Orientation Process
- New Member Orientation Process Reference Document
- Procurement Guidelines (Contract and Procurement Policy)
- Property Disposition Guidelines
- Public Access to Records Policy
- Public Access to Records - Subject Matter List
- Records Management Program
- Travel Policy
- Uniform Tax Exemption Policy
- Whistleblower Policy

The Committee noted that the Audit Committee also had reviewed the following policies, and might make recommendations for their revision:

- Audit Committee Charter
- Internal Control Procedures

The Committee noted that the NYS ABO requires STERA to have in place a Personnel Policy and a Use of Discretionary Funds Policy. The Personnel Policy is perhaps moot, as STERA has no employees, although a draft policy currently is being developed, and STERA currently is awaiting the potential revision of the NYS ABO requirement for the Use of Discretionary Funds Policy before developing the policy, although a draft policy currently is being developed. Mr. Daly indicated that he would provide a template for the Use of Discretionary Funds Policy that had been developed by Harris Beach.

B. Review of Reports

The Committee reviewed and discussed various draft reports for the year ending December 31, 2012, and adopted a resolution recommending that the Board should approve these reports (Daly, Corwin, passing unanimously). These reports are as follows:

- Annual Report
- Audit
- Audit Management Letter
- Audit Committee Charter Review Report March 2013
- Audit Committee Self-Evaluation Report March 2013
- Board Self-Evaluation Report per NYS ABO Policy Guidance 10-05
- Board Member Attendance Evaluation Report
- Budget for 2013
- Executive Committee Self-Evaluation Report
- Four Year Financial Plan for 2013 to 2016
- Governance Committee Charter Review Report March 2013
- Governance Committee Self-Evaluation Report March 2013
- Investment Report
- Management (Corporate Officers) Evaluation Report
- Management Report: Financial Disclosures and Ethics Report June 2012
- Organizational Assessment of the Effectiveness of Internal Controls
- Organizational Self-Evaluation Report
- Organizational Compliance Evaluation Report
- Procurement Report
- Property Disposition Report
- Property Listing Report
- Records Management Program Report

The Committee noted that the Audit Committee also had reviewed the following reports, and would make recommendations for their revision and/or approval:

- Audit
- Audit Communications Letter
- Audit Committee Charter Review Report March 2012
- Audit Committee Self-Evaluation Report
- Organizational Assessment of the Effectiveness of Internal Controls

The Committee noted that Executive Audit Committee also had reviewed the following report, and would make recommendations for its revision and/or approval:

- Executive Committee Self-Evaluation Report

The Committee noted that the following reports were discussed and approved at the October 15, 2012 Board meeting:

- Budget for 2013
- Four Year Financial Plan for 2013 to 2016

The Committee noted that the following report was discussed and approved at the June 18, 2012 Board meeting:

- Management Report: Financial Disclosures and Ethics Report June 2012

C. Review of structure, governance, and operating activities

The Committee has responsibilities for reviewing STERA structural, governance and operating policies and activities. Many of the policies and governance practices practiced by STERA derive directly from the cornerstone principles (transparency, independence, accountability, fiduciary responsibilities, and management oversight) prescribed by the State Legislature and NYS ABO.

In this regard, the Committee discussed the report on the Board Member Self Evaluation process, and discussed whether the Board may wish to make any changes so as to improve STERA's performance. There actually were improvements in the Board's sense that it was functioning effectively in many of the survey question areas. In fact, there was improvement in the percentage of positive responses to the following questions:

- Question 3: Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.
- Question 10: The Board knows the statutory obligations of the Authority and if the Authority is in compliance with state law.
- Question 11: Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.
- Question 14: The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.
- Question 15: The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies before problems occur.

However, there was a decline in the percentage of positive responses to the following questions:

- Question 9: The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.
- Question 12: Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.
- Question 16: Board members demonstrate leadership and vision and work respectfully with each other.

Additionally, several problem areas exist, including:

- Question 5: The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission.
- Question 8: Board members are knowledgeable about the Authority's programs, financial statements, reporting requirements, and other transactions.
- Question 12: Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.

It was noted that the Committee previously had recommended that the Board should set aside some time at each Board meeting for presentations or training sessions on each of the issues raised in the Board Self Evaluation survey, and on other relevant issues relating to the Authority, the Board, and to governance and operations. In 2012, STERA did this with respect to the abatement process, and STERA may wish to also have similar presentations on other issues or topics of more general relevance with respect to STERA structural, governance and operating

policies and activities. Mr. Daly suggested that at Board meetings with little business, perhaps staff could prepare short educational presentations on topics that seem appropriate for discussion, including the above three problem areas.

The Governance Committee also discussed:

- the Competencies and Personal Attributes Required of Board Members Policy and the New Member Orientation Process Policy, and noted that it had reviewed and approved these policies at this meeting and recommended no changes. It was also noted that the New Member Orientation Process Reference Document has been updated and is now current.
- the number and structure of STERA Committees, and noted that it had reviewed and approved this issue at this meeting and recommended no changes in the number and structure of committees.
- Board and staff compliance with NYS ABO training requirements, and noted that staff is in compliance but that several Board members still need to take the required training.
- the compensation and benefits for the managing director and other senior Authority officials, and noted that the Authority has no direct employees, and accordingly there are no such individuals (Board or corporate officers or other management personnel) receiving compensation and benefits from the Authority, and recommended no action in this matter by the Board.

The Committee made a finding that the Authority's policies and procedures are being effectively implemented and are effective in guiding and controlling the Authority's governance and operations, and recommended to the Board that it make no changes to the Authority's governance and operating policies and procedures, but should address the results of the annual Board Self Evaluation process and should require that all Board members receive the training required by the NYS ABO by the end of 2012 (Daly, Corwin, passing unanimously).

4. Other New Business

There was no other new business.

5. Public Comment

There was no public comment.

6. Next Meeting Date and Agenda for Next Meeting

The Governance Committee will next meet on June 17, 2013 at 9:00 AM.

7. Adjournment

The Committee adjourned at 9:38 AM (Corwin, Daly, passing unanimously).

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

Name: Thomas M. Barnes

Office: Secretary

Date: March 18, 2013