



**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"

Terry Everetts, Chairman  
 Richard Zink, Chief Executive Officer

**Self-Evaluation for STERA for the year ending December 31, 2014**

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

**Evaluation:** The Western New York and Pennsylvania Railroad, LLC. (WNYP) is providing adequate rail service on a cost-effective, as-needed basis on both the Southern Tier Extension (STE) and Buffalo rail lines. STERA is meeting this goal.

**2. Increased rail shipping carload volumes**

**Evaluation:** The Southern Tier Extension freight volume in 2014 continued to be down from the historical maximum of 54,000 carloads per year experienced several years prior (up from 75 carloads per year prior to takeover in 2001), and also from levels in recent years. Freight volume increased slightly from 2013 to 2014 on both the Southern Tier Extension and the Buffalo lines.

**Total carloads for the entire system:**

<u>2013</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	0	(all STE East-West mainline traffic)
Local Freight	4,578	Southern Tier Extension line
	<u>2,207</u>	Buffalo line
	<u>6,785</u>	Total local freight
Total	6,785	Total system

<u>2014</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	80	(all STE East-West mainline traffic)
Local Freight	4,592	Southern Tier Extension line
	<u>3,254</u>	Buffalo line
	<u>7,846</u>	Total local freight
Total	7,926	Total system

**Conclusions** – Coal and other overhead traffic has been eliminated by Norfolk Southern Corporation. However, local freight traffic has increased somewhat on both the Southern Tier Extension and the Buffalo Lines. Norfolk Southern’s decision to eliminate overhead traffic. The elimination of overhead coal traffic may be attributed to several factors (national economic conditions, the closure of coal-fired power plants, and the relative price disadvantage that coal occupies relative to natural gas), and as such is beyond the ability of STERA to influence. Accordingly, this does not imply a failure of the authority’s performance.

For 2015, overhead coal traffic is projected at 0 carloads and local freight traffic is projected to be somewhat above the 7,926 carloads in 2014, attributable to business to the gas line pipe distribution facility, increased aggregate shipping, frack sand unloading activity, and growth of wax refinery traffic along the Buffalo Line.

Between 2013 and 2014, STERA is meeting the overall goal of increased rail carload shipping volumes, but the longer term decrease in total system carload shipping volumes from historical maxima is a shortcoming that STERA hopes can be addressed in coming years.

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

**Evaluation:** There are five types of opportunities for additional business expansion and development based on rail service, as follows:

- 1) Ongoing WNYP marketing efforts
- 2) Economic development community (state and local) marketing and development efforts
- 3) Reutilization of vacant or underutilized rail-served facilities and sites
- 4) Olean BOA site – opportunity for development at this site, located at the junction of the Southern Tier Extension and Buffalo lines
- 5) Transload facility project - 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.
- 6) Site development project - STERA also has worked with the counties to develop an inventory of developable sites along the railroad lines, and in 2015 will continue to work toward encouraging the counties to make these sites shovel-ready and market the sites for business development.

These efforts all are long-term strategies, dependent upon (a) financial resources available to STERA and its local partners and (b) successful identification of a developer or company desiring to locate or expand operations in part as a consequence of rail service availability.

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

**Evaluation:** Rehabilitation projects on the STERA railroad system are either STERA-sponsored or WNYP sponsored.

#### **STERA-Sponsored Rehabilitation Projects**

STERA's line rehabilitation and improvement activities and other capital investment projects are limited by funding constraints at the state and federal government levels, and by matching funds availability. Matching funds for construction projects typically are provided to STERA by WNYP.

During calendar year 2014, STERA continued two rehabilitation projects that had been funded in a prior year and STERA was able to commence two additional rehabilitation projects.

The first rehabilitation project that STERA continued in 2014 was a track realignment and bridge repair project in Chautauqua County, on the Southern Tier Extension line. This project was funded

by NYS DOT, with matching funds provided by WNYP. The bulk of the work on this project has been completed as of the end of 2014; however, additional project funds remain, and STERA has received approval to extend the project deadline through the end of 2015 and complete additional project work elements to better serve rail shippers on the line. This project also is part of an overall initiative to make the Southern Tier Extension line capable of carrying 286,000 pound cars, the federal standard.

The second rehabilitation project that STERA continued in 2014 was a project involving the rehabilitation of five (5) bridges in Allegany and Cattaraugus County on the Southern Tier Extension line. This project was funded by NYS DOT, with matching funds provided by WNYP. The bulk of the work on this project has been completed as of the end of 2014; however, additional project funds remain, and STERA has received approval to extend the project deadline through the end of 2015 and complete additional project work elements to better serve rail shippers on the line.

A third project that had been funded in a prior year was a FEMA project involving the repair and remediation / mitigation of eleven (11) locations in Allegany County where the Southern Tier Extension Line had suffered storm damage in April and May of 2011. This project had been funded by FEMA (federal) grant funding, New York State Emergency Management Office (NYS EMO) grant funding, and local share grant funding from WNYP. Funding for the project was obtained in 2011. Construction on this project actually had been completed in late 2012, but STERA had had some difficulties obtaining promised funds from FEMA and NYS EMO. In 2014, STERA received all funding from these two sources, and closed this project out.

With respect to new projects commenced in 2014, the first such project involves the repair of four grade crossings and the installation of 8,000 railroad ties on the Buffalo Rail Line. This project was funded by NYS DOT, with matching funds provided by WNYP. As noted, this project commenced in 2014, and should be completed in 2015.

A second new project commenced in 2014 is a FEMA project involving the repair and remediation / mitigation of forty-seven (47) locations in Allegany, Cattaraugus, Chautauqua, and Steuben Counties where the Southern Tier Extension Line had suffered storm damage in April and May of 2014. This project is being funded by FEMA (federal) grant funding and local share grant funding from WNYP; all or a portion of the local share funding may be replaced by New York State Division of Homeland Security & Emergency Services (NYS DHSES) grant funding. As noted, this project commenced in 2014, and should be completed in 2015.

In 2014, STERA was awarded funds by NYS DOT for the repair of track on the Southern Tier Extension Rail Line in Cattaraugus County between Killbuck and Olean, plus additional work in the Olean Yard. Local match funding will be provided by WNYP. This project should commence in 2015 and may be completed in 2015.

### **WNYP-Sponsored Rehabilitation Projects**

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.

**Conclusions** – Although the railroad line continues to experience ongoing 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, the cumulative effect of STERA’s and WNYP’s ongoing repair / maintenance / mitigation / improvement program has been to restore all of the Southern Tier Railroad Line to service, to make needed repairs to enable the two lines to carry commercial freight in a safe and commercially viable fashion, to work toward increasing (and maintaining) traffic speeds toward 25 miles per hour on all of the line (with some sections at 40 miles per hour, and also with exceptions being areas that occasionally are flagged for 10 mile service until repairs can be made), and working toward developing a standard car weight capacity of the line at 286,000 pounds, the federal standard.

STERA is meeting this goal.

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

**Evaluation:** On March 19, 2015, STERA received a clean audit report for the year ending December 31, 2014. The auditor found no instances of significant or material internal control deficiencies.

STERA’s self-evaluation is that it remains in compliance with the PAAA, the PARA, the Public Authorities Law, and other laws and regulations. STERA has not undergone a NYS ABO compliance and performance field audit since its inception in 2000.

STERA is meeting this goal.

### **Summary: Overall Self-Evaluation**

On the whole, STERA is achieving its purpose and meeting its goals. Once macroeconomic conditions improve, STERA expects rail traffic volumes to grow once again. As additional NYS DOT funds become available, STERA anticipates undertaking ongoing rehabilitation activities.

Adopted by the STERA  
Board of Directors on  
March 9, 2015



---

Thomas M. Barnes  
STERA Corporate Secretary