

Chautauqua, Cattaraugus, Allegany and Steuben Counties

# **Southern Tier Extension Railroad Authority**

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779

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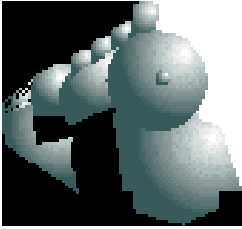
"This institution is an equal opportunity organization"

Frank "Jay" Gould, Chairman

Richard Zink, Chief Executive Officer

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY AND STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
ANNUAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2022**

**Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority  
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## **Executive Summary**

This document is the Annual Report of the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority (herein "Southern Tier Extension Railroad Authority," "STERA," or "the Authority"), prepared for the calendar and corporate fiscal year ending December 31, 2022.

This Annual Report is prepared to satisfy the requirements of STERA's enabling legislation, the Public Authorities Law, the Public Authorities Accountability Act, the Public Authorities Reform Act, and other relevant laws. In all matters and in all its corporate operations, STERA has attempted to operate in compliance with the requirements of these statutes.

STERA intends that this Annual Report will be a public informational document providing information about STERA and STERA's activities during 2022. This report is submitted to New York State, to the four affected New York State counties (Chautauqua, Cattaraugus, Allegany, and Steuben Counties of New York State), to the Southern Tier West Regional Planning and Development Board, and to the Seneca Nation of Indians. It also is published on STERA's web site ([www.ccasstera.org](http://www.ccasstera.org)) and is available directly from STERA.

## **Description of the Authority**

STERA is a local public authority created by the State of New York in 2000 in response to home rule resolutions passed by the Legislatures of Chautauqua, Cattaraugus, Allegany, and Steuben Counties of New York State. STERA is comprised of a 14-person Board of Directors. Three directors are appointed by each of the four counties, one director is appointed by the Southern Tier West Regional Planning and Development Board, and one director is appointed by the Seneca Nation of Indians. The director appointed by the Seneca Nation of Indians is a non-voting member, the only such non-voting member.

This Annual Report contains extensive information about the Authority, the Authority's Board of Directors, the Authority Board officers and corporate officers (including biographical information), the structure of the organization (including committees, subsidiaries and affiliates), and the programs and projects of the Authority. STERA has no subsidiaries or affiliates.

Copies of the STERA enabling legislation, corporate bylaws, press releases, meeting agendas and minutes, corporate policies, financial statements and reports, and other relevant documents may be found at STERA's web site, which is <http://www.ccasstera.org>. These documents also are available directly from STERA. Certain of these documents also are included in this Annual Report.

The **mission** of the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority is to fulfill the purpose for which it was created by the New York State Legislature and to achieve its self-prescribed goals.

- A. The **purpose** of the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority, as indicated by the New York State Legislature in creating it, is "to preserve and enhance the system of railroads serving Chautauqua, Cattaraugus, Allegany, and Steuben Counties in NYS and Warren and Erie Counties in the Commonwealth of PA, so as to insure a healthy economy for these counties."
- B. The **goals** of the Chautauqua, Cattaraugus, Allegany, and Steuben Southern Tier Extension Railroad Authority are to encourage an operating railroad that provides adequate rail service, to

increase rail shipping carload volumes, to catalyze opportunities for additional business expansion and development based on rail service, to achieve improved functional performance of the rail lines through rehabilitation efforts, to encourage safe railroad operations, and to achieve a clean audit report and NYS ABO compliance report.

This mission statement incorporates the Authority's goals and also provides standards for future performance measurement and evaluation. This Annual Report contains a more detailed discussion in this area, including a formal statement of the mission (purpose and goals), a list of stakeholders and their expectations, and a statement of measurement standards for self-evaluation of performance by STERA. This Annual Report also includes a Self-Evaluation Report for the year ending December 31, 2021, prepared by STERA using these measurements standards.

STERA's corporate activities currently focus on two short line railroads: the Southern Tier Extension Railroad Line and the Buffalo Line. In the future, however, STERA hopes to broaden its perspective toward, if not its active involvement with, the other short lines and main lines operating in the southwestern New York region.

The Southern Tier Extension Railroad Line referred to in STERA's name is a 145-mile long rail line – the former Erie Lackawanna mainline – that runs between Corry, Pennsylvania and Hornell, New York. The Southern Tier Extension has interconnections with other rail lines at each end and at various points along the line. The Southern Tier Extension provides direct service to the Cities of Corry, Jamestown, Salamanca, Olean, and Hornell, and the Village of Wellsville and other smaller villages and towns along the line.

The Buffalo Line is a 40-mile long rail line that runs between Machias Junction in Cattaraugus County, New York and the Pennsylvania State line at Portville, New York. The Buffalo Line also has interconnections with other rail lines at each end. The Buffalo Line serves the City of Olean and other smaller villages and towns along the line in New York.

The Southern Tier Extension Line and the Buffalo Line interchange in Olean.

STERA's origin was predicated on a memorandum of agreement executed in June 1998 by Southern Tier West Regional Planning and Development Board, New York State Department of Transportation, Norfolk Southern Corporation, and Pennsylvania Lines LLC. This agreement was the product of years of study and evaluation of the Southern Tier Extension Railroad Line by the four New York State counties, followed by approval of the strategy embodied in the agreement by the property taxing jurisdictions (counties, cities, villages, towns, school districts) in New York State in which the railroad right of way is located. The line was mostly dormant in the years immediately prior to 1998, with only 40 miles in service, one customer, and less than 75 carloads of traffic per year. At that time, and for years before 1998, the line had been expected to be formally abandoned by its then-owner Conrail soon after Conrail's obligation to NYS DOT to maintain as-needed service on the line expired in 1998. It was further expected that upon formal abandonment, Conrail would remove the rail, ties, switches, ballast, and other physical assets and salvage them for scrap. Should this have come to pass, simple economics dictated that an operating railroad line never would be re-installed on the Southern Tier Extension Railroad right of way.

The June 1998 memorandum of understanding was intended to provide a framework that not only allowed for the salvation of the Southern Tier Extension Railroad line from abandonment, but also

guaranteed a minimum level of operating service and catalyzed the return of the line to active local and mainline through service. To summarize certain salient features of the June 1998 agreement, the agreement provides that the ownership of the physical real estate capital assets of the railroad – the land, track, ballast, switches, sidings, grade crossings, etc. – would be transferred by Norfolk Southern Corporation to an entity to be created (i.e., what eventually would become STERA) for a term of years, after which ownership would revert to Norfolk Southern. During the period of ownership by STERA, Norfolk Southern would lease operating rights from STERA, in order to be able to operate trains on the railroad line. Further, the agreement provided that during this period of years, Norfolk Southern agreed to provide service on the line and undertake certain maintenance duties on the line. Ownership by STERA (a tax exempt local public authority) would mean that there would be no property taxes paid on the line – this element was agreed to by all the affected taxing jurisdictions – but Norfolk Southern agreed to pay an escalating payment in lieu of taxes (i.e., a PILOT payment) to STERA in the last several years of STERA’s ownership. The abatement of real estate taxes was a necessary inducement to Norfolk Southern to keep the line in place as a functioning railroad line, and the primary reason for creating and involving STERA. The rationale was that the abatement of taxes would lower the railroad operator’s operating costs, providing an incentive for the railroad operator to operate the line and build traffic on the line. The former owner of the railroad line, Conrail, had considered the line redundant to its Pennsylvania mainline, and when Norfolk Southern obtained ownership of both lines, Norfolk Southern faced this same redundancy. This was the reason that the four counties expected Norfolk Southern to formally abandon the line when it was to become legally empowered to do so in 1998, after acquiring Conrail’s assets. By removing the property tax burden to Norfolk Southern, total ownership costs were low enough that it was possible to conceive of operating advantages, including new freight traffic, which could be obtained by aggressively operating the line.

A secondary reason for involving STERA in the strategy to save and resuscitate the Southern Tier Extension Railroad line was STERA’s eligibility for receiving State and Federal grants for the rehabilitation of the railroad line. The railroad line’s former owner, Conrail, had not done any maintenance on the line for 25 years, and in fact, at certain locations on the line Conrail actually had removed assets from the line (e.g., switches, signals, etc.), using them elsewhere in its system. Conrail had effectively shut down service and operations on other sections of the line, and those sections then fell into a state of disrepair so significant that service could not be offered on those sections even if Conrail had wanted to offer it. So, another rationale for the 1998 agreement was the ability to utilize the public-private partnership between Norfolk Southern and STERA to rehabilitate the railroad line so that it was in good operating condition.

As was indicated above, STERA was created by the State of New York in 2000 to implement the intent of the 1998 memorandum of understanding. The transfer of ownership from Norfolk Southern to STERA and the lease of operating rights to Norfolk Southern by STERA both were consummated in February 2001, and in April 2001, Norfolk Southern sub-leased its operating rights to the Western New York & Pennsylvania Railroad Company LLC (WNYP), retaining the authority to operate trains on the line itself. Under the terms of the sub-lease, the obligation to provide service and maintenance and to make operating payments was transferred to WNYP. Per the terms of the original 1998 agreement, the ability to sell or lease any portion of the real estate assets was retained by Norfolk Southern (and a limited form of this right was transferred to WNYP in the sub-lease agreement). Accordingly, STERA does not have any rights to undertake real property transfers of any part of the line.

In February 2007, STERA approved the extension of the east-west line abatement through 2016, with the PILOT due in 2009, 2010 and 2011 being shifted to 2014, 2015, and 2016, at 33%, 66%, and 100% of

taxes due per New York State Real Property Tax Law, Article 4, Titles 2-A and 2-B, which had become law since the execution of the 1998 memorandum of understanding, and which reduced real estate taxes on all rail lines in New York State through a series of adjustments to the statutory formula for calculating railroad tax ceilings. At the same time, STERA approved entering into a similar sale and leaseback transaction with Norfolk Southern Corporation on the north-south Buffalo Line between Machias Junction and the Pennsylvania state line, with an abatement through 2016, with a PILOT in 2014, 2015, and 2016 at 33%, 66%, and 100% of taxes, under the condition that Norfolk Southern enter into a long term sub-lease of that line with WNYP. This arrangement on the Buffalo Line was implemented as an amendment of the 1998 MOU. An additional provision contained in this amendment agreement was an increase in the annual administrative fee paid by Norfolk Southern Corporation to STERA from \$20,000 to \$40,000. The federal Surface Transportation Board approved the north-south line arrangement, and WNYP began operating trains on the north-south line in early August 2007. The Buffalo Line serves the City of Olean and the Villages of Franklinville and Portville and the various towns that it traverses. The line continues south into Pennsylvania, where it serves a substantial customer base. Norfolk Southern leases operation of the Pennsylvania section of the Buffalo line directly to WNYP. STERA's involvement in ownership of the Pennsylvania section of the Buffalo line was not needed since railroad real estate is not taxed in Pennsylvania. Since WNYP began operations of the Buffalo Line, the Pennsylvania section of the line has been the source and/or destination of most of the freight traffic on the two lines under STERA's auspices.

In May 2013, STERA approved an extension of the real estate property tax abatement term on both the Southern Tier Extension line and the Buffalo line for an additional 15 years, to expire in 2028. The abatement extension agreement provides for no (i.e., \$0) Payment in Lieu of Taxes (PILOT) payments, but does continue the \$40,000 annual administrative fee paid by Norfolk Southern Railway Company (the successor party to the 1998 MOU) to STERA. (Norfolk Southern Railway Company's sub-lease with the Western New York & Pennsylvania Railroad, LLC, or WNYP, transfers the obligation for this \$40,000 annual payment from Norfolk Southern Railway Company to WNYP.) The abatement extension agreement was executed by both STERA and Norfolk Southern Railway Company and became effective on June 17, 2013. One implication of this action is that STERA projects to be in title to the railroad real estate on both lines at least through 2028.

STERA essentially is a financially self-supporting public corporation that receives no tax revenues from any state or local jurisdiction and has no legal authority to tax. For its operating revenue, STERA relies for its operating revenue almost entirely on administrative revenue generated from capital rehabilitation grants from State and Federal sources, plus the ongoing \$40,000 annual administrative fee paid by WNYP for the Southern Tier Extension and Buffalo lines.

STERA's Board elects Board Officers and Corporate Officers. Board Officers include the Chairman, Vice Chairman, and Second Vice Chairman. Corporate Officers include the Chief Executive Officer, the Chief Financial Officer (the Treasurer), and the Secretary. The Corporate Officers are responsible for carrying out STERA's policies and managing STERA's day-to-day operations. Neither the Board nor the Corporate Officers are STERA employees, and the Board Officers and Corporate Officers receive no direct salary from STERA. In fact, STERA does not have any direct employees, and contracts with the Southern Tier West Regional Planning and Development Board for staffing, administrative services, and meeting space. STERA's place of business has the same address as that of the Southern Tier West Regional Planning and Development Board in Salamanca, New York, and STERA normally meets in the offices of the Southern Tier West Regional Planning and Development Board.

The following is the legal address of the Rail Authority:

Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority  
Center for Regional Excellence  
4039 Route 219, Suite 200  
Salamanca, New York 14779

STERA maintains a web site located at <http://www.ccasstera.org>. The web site is a resource for information regarding the Authority.

STERA may be contacted by telephone at 716-945-5301. Ask the switchboard operator for STERA, or for one of the contact people listed below, or dial their extensions (indicated below) directly. STERA's fax number is 716-945-5550.

Those wishing to contact the Rail Authority are encouraged to contact the railroad contacts on staff at the Southern Tier West Regional Planning and Development Board. As noted above, Southern Tier West provides staffing and administrative services to the Rail Authority. STERA's CEO and Corporate Secretary currently are Southern Tier West employees. Primary contact information for the Southern Tier West staff that work with STERA is as follows:

Contractual Administrative Services Affiliate Organization:

Southern Tier West Regional Planning & Development Board  
Center for Regional Excellence  
4039 Route 219, Suite 200  
Salamanca, New York 14779

## **Operating and Financial Risks**

The Authority has identified the following operating and financial risks associated with its operations, and has assigned a degree of risk level to each of these risks, as follows:

<b><u>Risks</u></b>	<b><u>Risk Level</u></b>
Financial insolvency – external causes	Low
Financial insolvency – internal causes	Low
Liability for event occurring from railroad operations	Low
Liability for event occurring from real estate ownership	Low
Liability for event occurring during construction	Low

## **Methods for Minimizing or Avoiding Risks**

Additionally, the Authority has set forth the methods it uses for minimizing or avoiding the risks identified above, as follows:

- Risk: Financial insolvency – external causes
  - Method: Avoiding activities that are not self-liquidating from external funding
- Risk: Financial insolvency – internal causes
  - Method: Involvement of Board in preparation and presentation of internal financial statements, review of financial statements by full Authority Board, double signature requirement for all checks (CEO does not have signature authority), annual audits in which all financial transactions are reviewed, ethics filings by Board and contract staff; additionally, a CFO position separate from the CEO who provides Board oversight of financial transactions, and separation of duties with respect to internal cash handling/transaction entry/reconciliation of bank balances/preparation of interim financial statements
- Liability for event occurring from railroad operations
  - Method: Indemnification agreement with operating railroads, directors and officers insurance
- Liability for event occurring from real estate ownership
  - Method: Indemnification agreement with operating railroads, directors and officers insurance
- Liability for event occurring during construction
  - Method: Indemnification agreement with construction agents and engineering consultants, requiring construction agents and engineering consultants to have adequate insurance, directors and officers insurance

## **Risk Controls**



Additionally, the Authority reviews the risk controls for the risks identified above at the following intervals:

- Risk: Financial insolvency – external causes
  - This is an ongoing procedure. It is reviewed annually.
- Risk: Financial insolvency – internal causes
  - This is an ongoing procedure. It is reviewed annually.
- Liability for event occurring from railroad operations
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring from real estate ownership
  - This is an ongoing procedure, with the indemnification agreement in place and insurance in place. It is reviewed annually.
- Liability for event occurring during construction
  - This is an ongoing procedure, with the indemnification agreements and insurance requirements for construction agents and engineering consultants required of all such contracts. Insurance is in place on an ongoing basis. This policy is reviewed annually.

The above discussion of risks has been taken from the Authority's annual "Assessment of the Effectiveness of Internal Controls," most recently prepared for the year ending December 31, 2021, and which is included in its entirety elsewhere in this Annual Report.

### **Current Bond Ratings**

The Authority has never issued any bonds since its inception and has no immediate plans to issue bonds. Accordingly, the Authority never has obtained a bond rating for any bond issues.

### **Bond and Note Schedule**

Since its inception in 2000, STERA has not issued any bonds or notes. Consequently, as of December 31, 2021, the end of STERA's fiscal year, STERA had no bonds or notes outstanding. Accordingly, in the year ending December 31, 2021, STERA did not redeem or incur any bonds or notes.

#### **Schedule of Bonds and Notes Outstanding**

As of December 31, 2021

Total Bonds Outstanding	\$ 0.00
Total Notes Outstanding	<u>0.00</u>
Total Obligations Outstanding	\$ 0.00

#### **Statement of the Amounts of Obligations Redeemed and Incurred**

For the Fiscal Year Ending December 31, 2021

Total Amounts of Obligations Redeemed	\$ 0.00
Total Amounts of Obligations Incurred	\$ 0.00
Total Amounts of Refinancings	\$ 0.00
Total Amounts of Calls	\$ 0.00
Total Amounts of Refundings	\$ 0.00
Total Amounts of Defeasements	\$ 0.00
Total Amounts of Interest Rate Exchanges	\$ 0.00
Total Amounts of Other Such Agreements	\$ 0.00

### **Long-Term Liabilities (including leases and employee benefit plans)**

The Authority has no long-term liabilities. The Authority has no leases for which it is the lessee. The Authority has no employees.

### **Listing of Material Changes in Operations and Programs for the year ending December 31, 2020**

There have been no material changes in operations and programs for the year ending December 31, 2021, other than the capital projects completed, funded, and/or commenced or ongoing in 2021, discussed elsewhere herein.

### **Description of Any Material Pending Litigation**

During 2014, STERA was named as a party in a suit by an individual who was involved in a collision with a moving WNYR train at a grade crossing in Friendship (Allegany County). STERA's agreement with Norfolk Southern Corporation requires Norfolk Southern Corporation to indemnify STERA for any liability that may arise from this litigation. As of the end of 2021, this litigation is still pending.

### **Compensation Schedule**

STERA has no direct employees. STERA's Board elects and appoints a Chief Executive Officer, a Chief Financial Officer (i.e., a Treasurer), and a Corporate Secretary to carry out the organization's policies and manage the day-to-day operations. However, the Chief Executive Officer, Chief Financial Officer, and Corporate Secretary are not STERA employees and receive no direct salary from STERA. Accordingly, STERA has no compensation schedule.

STERA contracts with the Southern Tier West Regional Planning and Development Board for staffing, administrative services, and meeting space. The Chief Executive Officer and the Corporate Secretary are employees of the Southern Tier West Regional Planning and Development Board.

The Chief Financial Officer is a STERA Board member.

### **Four-Year Financial Plan**

The following is the Authority's Four-Year Financial Plan for 2023 to 2026, approved by the STERA Board in October 2022. The Plan includes projected (2023 to 2026) capital and operating budget components.

Since the Authority's operations are funded exclusively through revenue from the annual contractual fees provided by the Western New York and Pennsylvania Railroad and revenue from grant funding for railroad rehabilitation and other capital and non-capital projects, the projections necessarily are limited to these sources of funds and the activities associated with them. When grant funds are obtained, the Authority expends all grant funds obtained for contractually required uses as specified in the specific grant contracts.

The Authority does not include capital projects (including railroad rehabilitation projects) and non-capital projects in its four-year financial plan for any project that it does not have approved grants in hand, as the Authority will not implement any such projects without grant funding.

As noted previously herein, the Authority had been awarded grant funding for seven railroad rehabilitation projects (i.e., capital projects) that are completed or underway as of December 31, 2022, as follows:

#### **Storm Damage Repair and Mitigation Project**

This project is completed as of December 31, 2016. The project was funded by FEMA, NYS DHSES, and WNYP. The project is in closeout with FEMA as of December 31, 2021.

Summary: Repair of storm damage and mitigation of future damage at 47 locations in Chautauqua, Cattaraugus, Allegany, and Steuben Counties.

#### **Bridge Repair and Track Realignment Project**

This project is completed as of December 31, 2016. The project is in closeout with NYS DOT as of December 31, 2021. The following is a summary of funding for this project, based on agreements from the participating funding sources:

<u>Funding Source</u>	<u>Amount</u>
NYS DOT Bond Act	\$ 786,850
WNYP	<u>700,000</u>
Total	\$1,486,850

Summary: Bridge repair and track realignment project in Chautauqua County.

#### **Cattaraugus County Rail Rehabilitation Project**

This project is completed as of December 31, 2016. The project is in closeout with NYS DOT as of December 31, 2021. The following is a summary of funding for this project, based on agreements from the participating funding sources:

<u>Funding Source</u>	<u>Amount</u>
NYS DOT PFRAP	\$1,983,174
WNYP	<u>495,793</u>
Total	\$2,478,967

Summary: tie replacement, track alignment, and grade crossing and turnout rehabilitation between Olean and Killbuck in Cattaraugus County.

### **Tie Installation and Grade Crossing Repair Project**

This project is completed as of December 31, 2016. However, during 2019, STERA received an extension of the project to complete additional work using unspent project funds. This additional work was completed in 2019, and as of December 31, 2021, the project is in closeout with NYS DOT. The following is a summary of funding for this project, based on agreements from the participating funding sources:

<u>Funding Source</u>	<u>Amount</u>
NYS DOT PFRAP	\$1,076,504
WNYP	<u>269,126</u>
Total	\$1,345,630

Summary: Tie replacement and grade crossing repair project in Cattaraugus County.

The Authority also has been awarded grant funds for three additional rehabilitation projects between 2016 and 2019, all of which are under construction as of December 31, 2021, as follows:

### **Track and Bridge Rehabilitation Project**

This project was funded in 2016; work began in 2017 and continued during 2018, 2019, and 2020. In 2018, STERA began negotiating with NYS DOT and the City of Olean for a project scope change, which would involve filling (i.e., removing) the Queen Street bridge underpass (as opposed to replacing its deck) and installing a pedestrian underpass culvert, while simultaneously raising the height of the nearby Front Street bridge so as to increase highway clearance. As of December 31, 2021, this project modification has not yet been accomplished. STERA has received the required approval of the project scope change by the NYS Administrative Law Judge and is awaiting revised contract documents from NYS DOT. When NYS DOT approval is received, the project should be completed in 2022. The following is a summary of funding for this project, based on agreements from the participating funding sources:

<u>Funding Source</u>	<u>Amount</u>
NYS DOT PFRAP	\$ 1,600,000
WNYP	<u>400,000</u>
Total	\$ 2,000,000

Summary: Installation of curve patch welded rail & repair 5 concrete bridge structures in Cattaraugus and Chautauqua Counties.

### **Olean Enginehouse and Yard Improvement Project**

This project was funded in 2017; work began in 2017 and continued during 2018, 2019, and 2020. In 2019, STERA requested and received NYS DOT approval for the deletion of the enginehouse work from the NYS DOT contract. Accordingly, the project will come in under budget, and STERA has requested a change order from NYS DOT for the underage amount, with additional work to be done in the Olean Yard using these unspent funds. As of December 31, 2021, STERA is awaiting approval of this change order by NYS DOT. If approved, the project will be completed in 2022. The following

is a summary of funding for this project, based on agreements from the participating funding sources:

<u>Funding Source</u>	<u>Amount</u>
NYS DOT PFRAP	\$ 1,542,240
WNYP	<u>385,560</u>
Total	\$ 1,927,800

Summary: Improvements to the enginehouse in the Olean yard, installation of a yard video security system, the installation of 6,000 6x8 ties in the Olean yard, and the replacement of 8 switches in the Olean yard, all located in Cattaraugus County.

### **Tie and Rail Replacement Project**

STERA was notified during 2018 that NYS DOT had approved funding for this project and received a contract from NYS DOT for the project in 2019. As of December 31, 2019, sub-contractor WNYP is readying bid packets for subcontractor services. The project was commenced in 2019 and should be completed in 2022. The following is a summary of proposed funding for this project, based on the scope of work under consideration as of December 31, 2021:

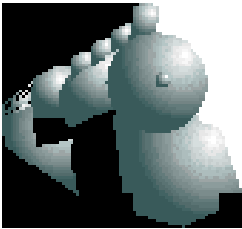
<u>Funding Source</u>	<u>Amount</u>
NYS DOT PFRAP	\$ 1,251,677
WNYP	<u>536,433</u>
Total	\$ 1,788,110

Summary: Replacement of approximately 13,000 ties and surfacing between Steamburg and Waterboro in Cattaraugus and Chautauqua Counties, rebuilding of 3 public grade crossings and 11 private grade crossings, and replacement of switch timbers at one main line turnout

When STERA approved the Four Year Financial Plan in October 2021, there was uncertainty as to the completion dates and final project costs for the above three projects projected to be active on December 31, 2021. Accordingly, the Four Year Financial Plan, as approved in October 2021, had been developed using best projections as to what would occur over the following four years. The Authority has included in its 2021 capital budget an estimate for the projects that it anticipated in October 2021 that would be underway in 2022.

Also, since there are no firm projections for obtaining any other capital or non-capital project grant funds in the succeeding three years of the four-year budget horizon, the four-year financial plan necessarily shows no other capital or non-capital revenues or expenses in the last three years of the four-year budget horizon.

Accordingly, the Authority's Four-Year Financial Plan for 2022 through 2025, provided on the next page, is limited to specifying the budget relating to financial flows from the NYS DOT rehabilitation grants and the Authority's annual contractual fee revenue provided by the Western New York and Pennsylvania Railroad.



Chautauqua, Cattaraugus, Allegany and Steuben Counties

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## **STERA Operations and Accomplishments Report** **Prepared for the year ending December 31, 2022**

### **Description of the Authority's Operations**

The Authority Board of Directors met 3 times in calendar 2022, in March, June, and October. At all Board meetings, the Authority receives a report on railroad operations from the rail operator Western New York and Pennsylvania Railroad LLC (WNYP). The March Board meeting included (a) a comprehensive review of all reports and organizational policies, (b) a review of Authority structural, governance and operating policies and activities, (c) a comprehensive compliance review, and (d) the review and acceptance of the audit and management letter that had been prepared for calendar 2022. The June Board meeting was the annual meeting, which included election of Board and Corporate Officers. The STERA Audit Committee met in March, June, and October. The STERA Governance Committee met in March and June.

### **Capital Construction Projects Completed as of December 31, 2022**

#### **A. FEMA Project**

As a result of a May 2014 storm event. STERA sustained storm damage at 47 locations in four New York State counties on the Southern Tier Extension railroad line. FEMA had declared a disaster in these counties (FEMA- 4180-DR-NY), which made STERA eligible for funding from FEMA and the NYS Department of Homeland Security and Emergency Services (DHSES) to assist in the repair of these damages, and to assist in the mitigation of additional damages that might be caused by future storm events at certain specific locations. WNYP provided the remaining required matching funds. The project began in 2014, and all work was completed in 2015. This project has been closed out.

#### **B. Bridge Rehab and Track Realignment Project**

STERA had received NYS DOT 2005 Bond Act funds for the realignment of track from a bridge that in recent years had been in service to an adjacent bridge that in recent years had not been in service. WNYP provided the required matching funds. This project is located in the Falconer area in Chautauqua County on the Southern Tier Extension line. The goal of the project was to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project was part of an overall strategy to raise the entire Southern Tier Extension Railroad line to a 286,000 lb. capacity specification for 4-axle rail cars. The project replaced a bridge in need of major repair that had only a 273,000 pound per carload weight capacity with a bridge (the bridge placed back into service) that has a 315,000 pound per carload weight capacity (above the industry standard of 286,000 pounds); it was the last remaining 273,000 pound-per-carload bridge in the line. The project began in 2013. The project's primary objectives have been completed; the realigned route and bridge crossing were placed back in service in November 2013. Secondary goals of installation of additional welded rail and 1,200 ties and the improvement of a switch serving the RHI

Monofrax siding in Falconer also subsequently have been completed. Installation of 5,000 ties and ballast has been completed. STERA utilized all of the funds remaining that could be used within the geographic bounds of the original project scope. As of the end of 2016, all work had been completed, and as of December 31, 2022, STERA is awaiting closeout by NYS DOT.

#### **C. Cattaraugus County Rail Rehabilitation Project**

STERA had received NYS DOT PFRAP Act funds for tie replacement, track alignment, and grade crossing and turnout rehabilitation between Olean and Killbuck in Cattaraugus County, NY on the Southern Tier Extension Railroad Line. WNYP provided the required matching funds. The project involved the replacement of 10,000 ties, the installation of approximately 12,000 tons of ballast, the raising/surfacing/aligning of track and turnouts, the rehabilitation of three at-grade crossings, and the rehabilitation of eleven turnouts along 12 linear miles of railroad line between Olean and Killbuck. The goal of the project was to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project was part of an overall strategy to raise the entire Southern Tier Extension Railroad line to a 286,000 lb. capacity specification for 4- axle rail cars. WNYP provided engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP engaged one or more third party private sector construction contractor(s) to provide certain construction services under subcontract to WNYP. All project work has been completed. As of December 31, 2022, STERA is awaiting closeout by NYS DOT.

#### **D. Tie Installation and Grade Crossing Repair Project**

STERA had received NYS DOT PFRAP funds for the installation of 8,000 ties and the repair of four grade crossings on a section of the Buffalo line located between Olean and Portville (Cattaraugus County). WNYP provided the required matching funds. The goal of the project was to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project was part of an overall strategy to maintain the Buffalo line at a 286,000 lb. capacity specification for 4-axle rail cars. The project also will serve customers located on the Buffalo line in Pennsylvania. WNYP provided engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP engaged one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP. All of the work on this project had been completed as of the end of 2015; however, additional project funds remained, and STERA received approval from NYS DOT to extend the project deadline through the end of 2016 so as to complete additional project work elements to better serve rail shippers on the line. STERA used the extension and unspent funds to rehab four additional grade crossings on the Buffalo line north in the Olean area (Back Hinsdale Road, Oregon road, Haskell Road, and Promised Land Road), and install (approximately \$25,000 of) additional ties. As of the end of 2016, all work had been completed. However, at the end of 2018, STERA decided to pursue using unspent project funds to rehabilitate another grade crossing in Olean. NYS DOT had approved extending the project completion deadline, and had approved the proposed work on the additional grade crossing. This work was completed during calendar 2019. As of December 31, 2022, STERA is awaiting closeout by NYS DOT.

### **Capital Construction Projects Active as of December 31, 2021**

#### **A. Track and Bridge Rehabilitation Project**



In August 2015, STERA had submitted an application to NYS DOT for PFRAP grant funds, with matching funds to be provided by WNYP. The project would involve replacing 8,000 linear feet of welded rail in Carrolton in Cattaraugus County, and repairing three bridges in Jamestown, one bridge in Salamanca, and one bridge in Olean. All work except the Olean bridge is to be done on the Southern Tier Extension; the Olean bridge is on the Buffalo line. The goal of the project is to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project is part of an overall strategy to raise the entire Southern Tier Extension Railroad and Buffalo lines to a 286,000 lb. capacity specification for 4-axle rail cars. The bridge repairs specifically are intended to improve safety related to bridge integrity (reducing impacts on pedestrians/highway vehicles). STERA's intention is to contract directly with WNYP for the provision of engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP may engage one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP; interested potential subcontractors may contact STERA and/or WNYP directly. In late 2016, STERA received a contract from NYS DOT funding a portion of the project. In 2017, NYS DOT reviewed and approved plans, but it was too late in the year to begin construction. Work commenced on four of the five bridges in 2018. In 2018, STERA began negotiating with NYS DOT and the City of Olean for a project scope change, which would involve filling (i.e., removing) the Queen Street bridge underpass (as opposed to replacing its deck) and installing a pedestrian underpass culvert, while simultaneously raising the height of the nearby Front Street bridge so as to increase highway clearance. As of December 31, 2021, this project modification has not yet been accomplished. STERA has received the required approval of the project scope change by the NYS Administrative Law Judge, and is awaiting revised contract documents from NYS DOT. When NYS DOT approval is received, the project should be completed in 2023.

#### **B. Olean Enginehouse and Yard Improvement Project**

In late 2016, STERA submitted a grant application to NYS DOT for the 2016 PFRAP funding cycle. In 2017, STERA received a contract for NYS DOT PFRAP grant funds, to be matched by WNYP funds. The project would involve improvements to the enginehouse in the Olean yard, installation of a yard video security system, the installation of 6,000 6x8 ties in the Olean yard, and the replacement of 8 switches in the Olean yard. The work would be done on the Southern Tier Extension Line. The goal of the project is to improve safety and track speeds within the Olean Yard, which would further improve competitiveness of rail service. Further, the project is part of an overall strategy to raise the entire Southern Tier Extension Railroad and Buffalo lines to a 286,000 lb. capacity specification for 4-axle rail cars. The enginehouse improvements specifically are intended to improve safety and productivity related to operations within the enginehouse. The security system is intended to improve public safety and reduce vandalism. STERA executed a contract with WNYP for contractual services in support of the project in 2017. Yard tie installation was completed in December. Switch installation occurred in 2018. The security system purchase and installation occurred in 2019. STERA has requested and received NYS DOT approval for the deletion of the enginehouse work from the NYS DOT contract. Accordingly, the project will come in under budget, and STERA has requested a change order from NYS DOT for the underage amount, with additional work to be done in the Olean Yard using these unspent funds. The project will be completed in 2023.

#### **C. STERA Tie and Rail Replacement PFRAP Project (Southern Tier Extension Line)**

In 2018, STERA submitted a grant application to NYS DOT for the 2018 PFRAP funding cycle. This project would involve replacement of approximately 13,000 ties and surfacing ten (10) miles of tie

replacement and surfacing between Steamburg, SA-14.00 and Waterboro, SA-23.00, and between MP SA-27.0 and MP SA-28.0 (Poland Center) on the Southern Tier Extension Line. Approximately half of this project area will need substantial ballasting. The project also will include three (3) public highway grade crossing surface rebuilds at Coldspring Road (Randolph), Main Street (Randolph), and Goodwins Landing Road (Waterboro) and eleven (11) private farm grade crossing widenings and rebuilds. The project also will involve replace of switch timbers at one main line turnout (the No. 10 turnout at the Randolph Team Track. STERA has received and executed the NYS DOT contract and has executed the sub-contract with WNYP. All of the work would be bid by WNYP and/or done by WNYP itself. The project was commenced in 2019 and should be completed in 2023.

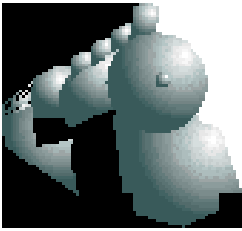
#### **Capital Construction Projects Currently Proposed as of December 31, 2021**

##### **A. Proposed Bridge NY Project (Salamanca Main Street Bridge Replacement and Track Realignment, Southern Tier Extension Line)**

In 2017, STERA had discussions with the City of Salamanca and the Seneca Nation of Indians regarding a project that would involve replacement of the Salamanca Main Street rail bridge (replacing the 6 lane rail bridge with a two lane bridge, with higher clearance for Main Street underpass traffic) and the realignment of track just to the west of the bridge (re-routing of the main line in this area to remove the curvature of the line, which is a safety issue and which keeps train speeds down). Such a project (or at least the bridge replacement component) would be eligible for NYS DOT Bridge NY funding. The project grant application would not be submitted until a future year. The Seneca Nation of Indians representatives indicated that there would have to be approval by the Seneca Nation of Indians for both the bridge and track realignment projects to move forward. There has been no progress on advancing the project since 2017.

#### **Discussion of Any Material Changes in Authority Operations and Programs**

Other than capital rehabilitation projects either commenced, ongoing, or completed in 2021 (discussed above), there were no material changes in STERA operations and programs during 2021.



Chautauqua, Cattaraugus, Allegany and 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"

Frank "Jay" Gould, Chairman  
Richard Zink, Chief Executive Officer

## STERA Governance Committee Report to the STERA Board on

## Organizational Compliance for the year ending December 31, 2022

**Submission and Review Date: March 20, 2023**

STERA compliance may be divided into two categories of compliance: (a) compliance with required submissions to NYS ABO and (b) compliance with several types of operating compliance responsibilities. The latter category, operating compliance, may further be subdivided into five sub-categories of compliance: (a) organizational operating responsibilities, (b) individual Board member responsibilities, (c) Audit Committee responsibilities, (d) Governance Committee responsibilities, and (e) Executive Committee responsibilities.

### **A. NYS ABO Filings for 2022**

<b><u>Requirement</u></b>	<b><u>NYS ABO Submission Deadline</u></b>	<b><u>Compliance Status</u></b>
• Operating and Capital Budget for 2022	October 31, 2022	Submitted
• Four-Year Financial Plan for 2022 to 2025	October 31, 2022	Submitted
• Annual Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Authority Performance Report per Measurement Standards	March 31, 2023	March 31, 2023
• Audit and Management Letter, FYE 12/31/22	March 31, 2023	March 31, 2023
• Board Member Attendance Report	March 31, 2023	March 31, 2023
• Board Self-Evaluation Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Effectiveness of Internal Controls	March 31, 2023	March 31, 2023
• Investment Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Procurement Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Mission Statement and Measurements	March 31, 2023	March 31, 2023
• Procurement Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Property Disposition Report, FYE 12/31/22	March 31, 2023	March 31, 2023
• Property Listing Report, FYE 12/31/22	March 31, 2023	March 31, 2023

All of the NYS ABO filings due to be submitted on March 31, 2023 will be reviewed and approved by the STERA Board on March 20, 2023 and submitted to NYS ABO by March 31, 2023. STERA also must transmit the Annual Report to additional parties.

**B. Operating Compliance**

<b><u>Requirement</u></b>	<b><u>Compliance Deadline</u></b>	<b><u>Projected Compliance Date</u></b>
<b>1. <u>Organizational / Board responsibilities</u></b>		
○ Internal control functions	Ongoing	Ongoing
▪ Review of financial statements and bank accounts (fiduciary oversight)	Ongoing	Ongoing
▪ Risk identification/assessment/minimization & avoidance	Ongoing	Ongoing
▪ Review & monitor the implementation of financial and management controls	Ongoing	Ongoing
▪ Effectiveness of Internal Controls	March 31, 2023 Submission to NYS ABO	March 31, 2023
▪ Management oversight	Ongoing	Ongoing
▪ Audit	March 31, 2023 Submission to NYS ABO	March 31, 2023
○ Management oversight	Ongoing	Ongoing
▪ Management (Corporate officers) performance standards	March 31, 2023	March 31, 2023
▪ Management (Corporate officers) evaluation process	March 31, 2023	March 31, 2023
▪ Review of compliance with staff training requirements	March 31, 2023	In compliance
○ Creation of required policies	Ongoing	Ongoing
▪ Personnel Policy	Ongoing	Ongoing
○ Review/revise existing policies	March 31, 2023	March 31, 2023
▪ Bylaws		
▪ Audit Committee Charter		
▪ Governance Committee Charter		
▪ Code of Ethics		
▪ Compensation, Reimbursement and Attendance Policy		
▪ Competencies and Personal Attributes Required of Board Members		
▪ Defense and Indemnification Policy		

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
<ul style="list-style-type: none"> <li>▪ Equal Opportunity and Affirmative Action Policy</li> <li>▪ Internal Control Procedure</li> <li>▪ Investment Policy</li> <li>▪ Lobbying Policy</li> <li>▪ Management Performance Evaluation Standards</li> <li>▪ Measurement Standards for Performance Evaluation</li> <li>▪ Mission Statement</li> <li>▪ New Member Orientation Process</li> <li>▪ New Member Orientation Process Reference Document</li> <li>▪ Procurement Guidelines</li> <li>▪ Property Disposition Guidelines</li> <li>▪ Public Access to Records Policy</li> <li>▪ Public Access to Records – Subject Matter List</li> <li>▪ Records Management Program</li> <li>▪ Travel and Use of Discretionary Funds Policy</li> <li>▪ Uniform Tax Exemption Policy</li> <li>▪ Whistleblower Policy</li> </ul>		
○ Web site operation	Ongoing	Ongoing
○ Open Meetings Law compliance	Ongoing	Ongoing
○ New member orientation process	Ongoing	Ongoing
<b>2. <u>Individual Board member responsibilities</u></b>		
○ Duty of care and loyalty	Ongoing	Ongoing
○ Fiduciary duty	Ongoing	Ongoing
○ Perform duties in good faith with due diligence and care	Ongoing	Ongoing
○ Apply judgment in the best interest of the authority, its mission, and the public	Ongoing	Ongoing
○ Training	Currently in compliance; all current Board members have received the required training	

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ Ethics Form	Currently in compliance; Board members must execute and submit form, which is submitted to the Cattaraugus County Attorney each spring	
○ Acknowledgement of Fiduciary Duties and Responsibilities form	Currently in compliance; each Board member must execute form and submit the executed form to STERA for permanent retention	
<b>3. <u>Audit Committee responsibilities</u></b>		
○ Meetings – required number per year, Open Meetings compliance	Ongoing	In compliance
○ Meet with the Authority’s independent auditor at least once annually	Ongoing	In compliance
○ Assist the Board by assuring that the STERA Board fulfills its responsibilities for STERA’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting	Ongoing	Ongoing
▪ Oversight of procurement of independent audit services	Ongoing	Ongoing
▪ Recommending that STERA hire a specific certified independent auditing firm	Ongoing	Ongoing
▪ Establishing the compensation to be paid to the auditing firm	Ongoing	Ongoing
▪ Direct oversight of the performance of the independent audit	Annual	Ongoing
▪ Pre-approving all audit services provided by the independent auditor	Ongoing	Ongoing
▪ Providing an avenue of communication between management, the independent auditors, the internal auditors, and the STERA Board	Ongoing	Ongoing
▪ Establish procedures for the engagement of the independent auditor to provide permitted audit services	Ongoing	Ongoing
▪ Review any proposals from the independent auditor to provide non-audit services	Ongoing	Ongoing <b>Projected</b>

<b>Requirement</b>	<b>Compliance Deadline</b>	<b>Compliance Date</b>
<ul style="list-style-type: none"> <li>▪ Reviewing &amp; approving the audited financial statements, associated management letter, report on internal controls and all other auditor communications</li> </ul>	Annual	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Reviewing significant accounting and reporting issues</li> </ul>	Ongoing	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Meet with the independent audit firm on a regular basis to discuss any significant issues</li> </ul>	Ongoing	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities</li> </ul>	Annual	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Provide certain specific services to the Board with respect to internal audit activities</li> </ul>	As needed	In compliance
<ul style="list-style-type: none"> <li>○ Ensure that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Board, officers, or employees of the Authority or any persons having business dealings with STERA or breaches of internal control.</li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li>▪ Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body</li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li>▪ Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation</li> </ul>	Ongoing	Ongoing
<ul style="list-style-type: none"> <li>▪ Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General</li> </ul>	Ongoing	In compliance

<b><u>Requirement</u></b>	<b><u>Compliance Deadline</u></b>	<b><u>Projected Compliance Date</u></b>
<ul style="list-style-type: none"> <li>○ Obtain any information and training needed to enhance the Committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes</li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li>○ Effectiveness of Internal Controls</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>○ Review of charter and recommendation of revisions to Board</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>○ Audit Committee self-evaluation process</li> </ul>	March 31, 2023	March 31, 2023
<b>4. <u>Governance Committee responsibilities</u></b>		
<ul style="list-style-type: none"> <li>○ Meetings – required number per year, Open Meetings compliance</li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li>○ Reports to Board <ul style="list-style-type: none"> <li>▪ Review of Committee charter and recommendation of revisions to Board</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Governance Committee self-evaluation process</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Governance guidelines</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>○ General compliance with Committee Charter, STERA Bylaws, NYS ABO, PAAA, PARA, and other State requirements</li> </ul>	Ongoing	March 31, 2023
<ul style="list-style-type: none"> <li>○ Committee responsibilities with respect to authority operations <ul style="list-style-type: none"> <li>▪ Reviewed of general compliance with Committee Charter, STERA Bylaws, STERA policies, NYS ABO, PAAA, PARA, and other State requirements and provision of Compliance report to the Board</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Oversight of New Member Orientation Process, including reference materials</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023

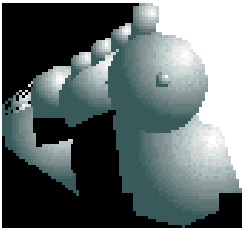


<b><u>Requirement</u></b>	<b><u>Projected Compliance Deadline</u></b>	<b><u>Compliance Date</u></b>
<ul style="list-style-type: none"> <li>▪ Review STERA governance practices with respect to transparency, independence, accountability, fiduciary responsibilities, and management oversight</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review the competencies and personal attributes required of Board members so as to assist appointing entities in identifying qualified individuals</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review the number and structure of STERA committees, with recommendations to the Board</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review compliance with Board member training requirements (with training to be obtained from State-approved trainers)</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review of senior management performance expectations</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Evaluation of senior management performance</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review Organizational performance with respect to measurement standards</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review Board performance</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review Board self-evaluation</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Oversight of compliance with staff training requirements</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>▪ Review compensation and benefits for senior management</li> </ul>	March 31, 2023	March 31, 2023
<ul style="list-style-type: none"> <li>○ Review of current policies and recommendation of revisions to Board               <ul style="list-style-type: none"> <li>▪ Bylaws</li> <li>▪ Governance Committee Charter</li> <li>▪ Code of Ethics (Standards of Conduct Policy)</li> <li>▪ Compensation, Reimbursement and Attendance Policy</li> <li>▪ Competencies and Personal Attributes Required of Board Members</li> <li>▪ Defense and Indemnification Policy</li> <li>▪ Investment Policy</li> <li>▪ Lobbying Policy</li> <li>▪ Management Performance Evaluation Standards</li> </ul> </li> </ul>	March 31, 2023	March 31, 2023

<b>Compliance Requirement</b>	<b>Deadline</b>	<b>Projected Compliance Date</b>
<ul style="list-style-type: none"> <li>▪ Measurement Standards for Performance Evaluation</li> <li>▪ Mission Statement</li> <li>▪ New Member Orientation Process</li> <li>▪ New Member Orientation Process Reference Document</li> <li>▪ Procurement Guidelines (Contract and Procurement Policy)</li> <li>▪ Property Disposition Guidelines</li> <li>▪ Public Access to Records Policy</li> <li>▪ Public Access to Records – Subject Matter List</li> <li>▪ Records Management Program</li> <li>▪ Travel and Use of Discretionary Funds Policy</li> <li>▪ Uniform Tax Exemption Policy</li> <li>▪ Whistleblower Policy</li> </ul>		
○ Review and proposed policies and recommendation of action to Board	March 31, 2023	March 31, 2023
○ Review of reports and recommendation of revisions to Board		
<ul style="list-style-type: none"> <li>▪ Operating and Capital Budget</li> <li>▪ Four-Year Financial Plan</li> <li>▪ Annual Report, FYE 12/31/22</li> <li>▪ Authority Performance Report per Measurement Standards</li> <li>▪ Audit &amp; Management Letter, FYE 12/31/22</li> <li>▪ Board Member Attendance Report</li> <li>▪ Board Self-Evaluation Report, FYE 12/31/22</li> <li>▪ Effectiveness of Internal Controls</li> <li>▪ Investment Report, FYE 12/31/22</li> <li>▪ Mission Statement and Measurements</li> <li>▪ Procurement Report, FYE 12/31/22</li> <li>▪ Property Listing Report, FYE 12/31/22</li> <li>▪ Property Disposition Report, FYE 12/31/22</li> </ul>	<ul style="list-style-type: none"> <li>October 31, 2022</li> <li>October 31, 2022</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> </ul>	<ul style="list-style-type: none"> <li>Submitted</li> <li>Submitted</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> <li>March 31, 2023</li> </ul>
○ Review of NYS ABO Policy Guidances	Ongoing	Ongoing

## 5. Executive Committee responsibilities

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ Executive Committee self-evaluation process	March 31, 2023	March 31, 2023



Chautauqua, Cattaraugus, Allegany and Steuben Counties

# **Southern Tier Extension Railroad Authority**

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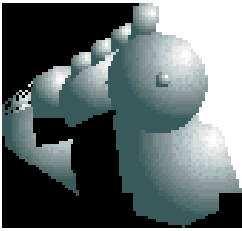
Frank "Jay" Gould, Chairman  
Richard Zink, Chief Executive Officer

## **Governance Committee Report On Review of Governance Committee Charter**

**Submitted March 20, 2023**

The Governance Committee Charter is based on the Model Governance Committee Charter provided by the NYS ABO. Accordingly, the general structure and content of the Governance Committee Charter may be assumed to be compliant with New York State expectations for authority Governance Committee charters. However, the Governance Committee Charter occasionally may need to be revised to accommodate changing circumstances, new regulatory requirements, bylaw revisions, and improved structural organization. Additionally, the Governance Committee Charter currently provides that the Committee will review the Charter annually and make recommendations for revision to the Board. The Charter was extensively revised in 2011.

The Governance Committee has reviewed the current Charter and proposes that the STERA Board make no changes to its Charter at this time. The Governance Committee feels that the Charter is in line with the STERA bylaws, NYS ABO regulations, and NYS law.



Chautauqua, Cattaraugus, Allegany and Steuben Counties

# **Southern Tier Extension Railroad Authority**

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779

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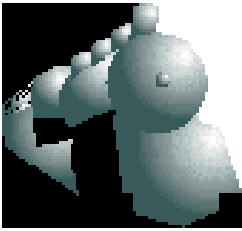
*"This institution is an equal opportunity organization"*

Frank "Jay" Gould, Chairman  
Richard Zink, Chief Executive Officer

## **Audit Committee Report On Review of Audit Committee Charter**

**Submitted March 20, 2023**

The Audit Committee has a responsibility for annually reviewing its charter and making recommendations for its revision. The Audit Committee Charter is based on the Model Audit Committee Charter provided by the NYS ABO. Accordingly, the general structure and content of the Audit Committee Charter may be assumed to be compliant with New York State expectations for authority audit committee charters with respect to good governance practices. However, certain provisions of the Audit Committee Charter occasionally need to be revised to accommodate changing circumstances, new regulatory requirements, bylaw revisions, the need for improvements in performance and in expectations as to Committee duties and responsibilities, and organizational presentation. The Audit Committee recommends to the STERA Board that it make no changes to the Audit Committee Charter.



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## FINANCIAL DISCLOSURE AND ETHICS REPORT

June 13, 2022

This is STERA management's report for the year 2020 regarding issues arising from financial issues and ethical issues arising from STERA operations and/or as indicated by the Ethics Forms (financial disclosure forms) submitted by STERA Board members and STERA Corporate Officers to the Cattaraugus County Attorney's Office by April 30, 2021.

### A. Compliance with Financial Disclosure Filing Requirements:

Although several Board members did not complete and transmit the required Ethics Form to the Cattaraugus County Attorney's Office by the April 30, 2021 deadline, all Board members and Corporate officers subsequently did complete and transmit the required Ethics Form to the Cattaraugus County Attorney's Office. Excepting the timely submission of the required Ethics Form by some Board members, STERA is in compliance with the NYS ABO Policy Guidance 07-02 annual filing requirement regarding financial disclosure.

### B. Disclosures of Actual or Potential Financial Issues or Ethical Issues in Ethics Forms Filed Per NYS ABO Policy Guidance 07-02:

The Cattaraugus County Attorney's Office has indicated, and STERA management staff has confirmed, that there were no disclosures in the Ethics Forms (financial disclosure forms) submitted by STERA Board members and STERA Corporate Officers to the Cattaraugus County Attorney's Office that indicated that any STERA Board members or STERA Corporate Officers might be in a situation of actual or potential conflict of interest or where their independent judgment in the exercise of their duties for STERA may be impaired.

### C. Other Issues Arising from STERA Operations:

- 1) As has been noted in prior years, STERA has one instance of a Board member who is a member of the Board of Directors of the WNYP Railroad (James Griffin). Mr. Griffin had disclosed to STERA his membership on the Board of Directors of the WNYP Railroad and had himself raised the issue of whether there might be an actual or perceived conflict of interest situation or an ethical issue present. At the request of Mr. Griffin, in 2006 STERA received an attorney's opinion from Harris Beach PLLC which examined Mr. Griffin's status and activities on behalf of both STERA and WNYP, and reviewed the applicable sections of the New York Municipal Law, the applicable sections of the New York Public Officers Law, and STERA's Standards of Conduct Policy as was in place at that time. The attorney's opinion noted that:

"1. It is not necessary for Mr. Griffin to resign or be removed from the Board of Directors of STERA provided that he recuses himself from any vote and/or abstains from officially acting with respect to WNYP."

“2. Mr. Griffin complied with STERA’s Standards of Conduct Policy (now known as the STERA Code of Ethics) by disclosing to STERA his appointment to the WNYP Board of Directors.”

This situation has not changed since the opinion was issued, and Mr. Griffin regularly makes a practice of abstaining from officially acting as a STERA Board member in circumstances where he feels that he may be in conflict or where his independent judgment in the exercise of his duties for STERA may be impaired. Accordingly, Mr. Griffin’s circumstances do not appear to pose an ethical issue that would possibly impair his independent judgment in the exercise of his duties for STERA, either currently or going forward, provided that he continues to recuse himself from any vote and/or abstains from officially acting with respect to WNYP.

- 2) STERA has one instance of a Board member (Jeff Gray) who is employed by a company that is either an actual or potential freight shipper using the Southern Tier Extension and doing business with WNYP Railroad.

Previously, STERA had another member of its Board of Directors who similarly had been employed by a freight shipper that used the Southern Tier Extension and did business with WNYP Railroad. This Board member disclosed to STERA his employer-company’s status as a freight shipper that used the Southern Tier Extension and did business with WNYP Railroad and raised the issue of whether there might be an actual or perceived conflict of interest situation or ethical issue present. The Board member had requested that STERA obtain an attorney’s opinion regarding conflict of interest or ethical issues with his membership and activity on the STERA Board. In 2006 STERA received an attorney’s opinion from Harris Beach PLLC which examined the Board member’s status and activities on behalf of both STERA and his employer, and reviewed the applicable sections of the New York Municipal Law, the applicable sections of the New York Public Officers Law, and STERA’s Standards of Conduct Policy as was in place at that time. (The STERA Standards of Conduct Policy has subsequently been revised and is now known as the STERA Code of Ethics policy.)

The attorney’s opinion noted that a critical element is whether the Board member has a financial interest in his employer such as stock ownership, options, or compensation based upon his employer’s operations/performance, i.e., beyond a straight salary that is not otherwise based on his employer’s operations/performance. As the Board member did not have a financial interest in his employer such as stock ownership, options, or compensation based upon his employer’s operations/performance, the attorney’s opinion indicated that it does not appear that any official activity that the Board member would be performing for STERA would directly affect the operations of his employer, and hence impact his own personal financial situation, so as to possibly impair the Board member’s independent judgment in the exercise of his duties for STERA.

The attorney’s opinion also noted that another critical element is whether there is a direct relationship between STERA and the Board member’s employer-company. If there is no such direct relationship, the attorney’s opinion indicated that it does not appear that any official activity that the Board member would be performing for STERA would directly affect the operations of his employer. However, as it also reasonable to concluded that certain actions of STERA could indirectly affect the employer-company, which could possibly impair the Board member’s independent judgment in the exercise of his duties for STERA, the attorney’s opinion indicated that even a substantial conflict of interest may be negated by an abstention from voting or otherwise officially acting with respect to the subject matter affected.

The Harris Beach PLLC attorney indicated that determining when recusal is necessary may become more difficult in this case than in the case of Mr. Griffin (discussed earlier) and would need to be done on a case by case basis. The attorney noted that it could be argued that every decision or official action by the Board member in question has an indirect effect on the employer-company and should result in recusal;

however, the attorney indicated that he believed such a position is unnecessarily strict and goes beyond the intent of the applicable conflicts policies. The attorney indicated that he did believe that when certain actions that will result in a material impact on the users of the rail are under consideration by STERA, the Board member in question would be required to recuse himself in order to avoid the conflict of interest. The attorney's opinion noted that:

"1. It is not necessary for (the Board member in question) to resign or be removed from the Board of Directors of STERA provided that he recuses himself from any vote and/or abstains from officially acting with respect to any matter that affects (the employer-company) as a rail user."

The circumstances of this earlier situation for which the attorney's opinion was received are the same as those of Mr. Gray, and the situation has not changed since the opinion was issued. Accordingly, Mr. Gray's circumstances do not appear to pose an ethical issue that would possibly impair either Board member's independent judgment in the exercise of their duties for STERA, either currently or going forward, provided that he continues to recuse himself from any vote and/or abstains from officially acting as a STERA Board member with respect to any matter that affects each his employer-company as a rail user.

#### **D. Summary:**

There do not appear to be any financial issues or ethical issues arising from STERA operations and/or as indicated by the Ethics Forms (financial disclosure forms) submitted by STERA Board members and STERA Corporate Officers to the Cattaraugus County Attorney's Office that would indicate that any STERA Board members or STERA Corporate Officers might be in a situation of actual or potential conflict of interest or where their independent judgment in the exercise of his duties for STERA may be impaired.

Submitted to the STERA Governance Committee  
On June 13, 2022  
By



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Thomas M. Barnes  
STERA Corporate Secretary

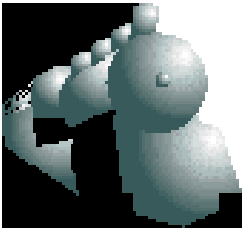
Approved by the STERA Governance Committee  
And STERA Board of Directors  
On June 13, 2022



---

Thomas M. Barnes  
STERA Corporate Secretary





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## AUDIT COMMITTEE SELF-EVALUATION REPORT TO THE STERA BOARD on AUDIT COMMITTEE FUNCTIONS FOR CALENDAR YEAR 2020

Submitted March 20, 2023

### 1. Fulfillment of Audit Committee Purposes

- **Requirement:** Per the Committee Charter, the Committee's purposes are to assist the Board by (a) assuring that the Board fulfills its responsibilities for the Authority's internal and external audit process, (b) recommending to the Board the hiring of a specific certified independent accounting firm for the Authority and the compensation to be paid to the accounting firm, and providing direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes in conjunction with the CFO, and (c) providing an avenue of communication between management, the independent auditors, the internal auditors, and the Board.
- **Observations:** During 2022, the Committee fulfilled its purposes per the Committee Charter.
- **Deficiencies:** None.
- **Evaluation:** During 2022, the Committee's fulfilled its purposes per the Committee Charter.
- **Recommendations:** None.

### 2. Composition of Audit Committee and Selection of Audit Committee Members

- **Requirement:** Per the Committee Charter, the Committee shall be composed of at least three independent members of the Board. Committee members and the Committee Chairperson are appointed by the Authority's Board Chairman. Committee members are prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, Committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has material business relationships with the Authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority. Committee members should possess or obtain a basic understanding of governmental financial reporting and auditing.
- **Observations:** During 2022, the Committee's composition and selection were consistent with the Committee Charter. There are no instances of actual or potential conflict.
- **Deficiencies:** None.
- **Evaluation:** During 2022, the Committee's composition and selection were consistent with the Committee Charter.
- **Recommendations:** None.

### 3. Audit Committee Meetings

#### A. Number of Committee Meetings

- **Requirements:** Per the Committee Charter, the Committee must meet a minimum of twice a year, plus any additional meetings as needed to adequately fulfill all the obligations and duties outlined in its Charter. During 2022, the Committee was scheduled to meet three times, on March 21, 2022; June 13, 2022; and October 17, 2022. The Committee met as scheduled in March, June and October, 2022.
- **Observations:** The year 2022 continued to be somewhat unique because of the pandemic. The Board and its committees utilized Zoom technology to meet. However, once pandemic constraints have been lifted, the Board and Committee should return to some semblance of historical compliance.
- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2021.
- **Recommendations:** None.

#### B. Committee Meeting Operations

- **Requirements:** Per the Committee Charter, the Committee must meet in person or via videoconference. A quorum must be present to transact Committee business. A majority of the whole number of voting members of the Committee is required to transact any business (take action). Committee meetings are subject to the New York State Open Meetings Law and must be properly noticed per the Open Meetings Law. Committee meeting agendas must be prepared for every meeting and provided to Committee members along with briefing materials a minimum of one week before any scheduled Committee meeting. Minutes of every Committee meeting must be recorded. Committee agendas and meeting minutes must be posted to the Authority's web site.
- **Observations:** During 2022, the Committee's meeting operations were consistent with the Committee Charter.
- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Recommendations:** None.

#### C. Committee Meeting(s) with the Authority's Independent Auditor

- **Requirements:** Per the Committee Charter, the Committee must meet with the Authority's independent auditor at least annually to discuss the financial statements of the Authority.
- **Observations:** During 2022, the Committee met with the Authority's independent auditor on March 21, 2022. The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Recommendations:** None.

#### 4. Powers and Responsibilities of the Audit Committee

##### A. General Provisions

- **Requirements:** Per the Committee Charter, the Committee has responsibilities related to (a) the independent auditor and annual financial statements, (b) special investigations and whistleblower policies, and (c) miscellaneous issues related to the financial practices of the Authority.
- **Observations:** The Committee met its responsibilities with respect to the independent auditor and annual financial statements during the year ending December 31, 2022. No issues relating to special investigations, whistleblower events, or other miscellaneous issues related to the financial practices of the Authority arose during 2022.
- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Recommendations:** None.

##### B. Independent Auditor(s) and Audited Financial Statements

- **Requirements:** Per the Committee Charter, the Committee's functions related to the independent auditor(s) and audited financial statements include:
  1. Recommending to the Board the hiring of a specific certified independent accounting firm for the Authority and the compensation to be paid to the accounting firm, providing direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes, and pre-approving any and all audit services provided by the independent auditor.
  2. Establishing procedures for the engagement of the independent auditor to provide permitted audit services. The Authority's independent auditor is prohibited from providing non-audit services unless having received previous written approval from the Committee. Non-audit services include tasks that directly support the Authority's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
  3. Reviewing, based upon the CFO's recommendation, the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
  4. Recommending to the Board that it approve the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications; and recommending to the Authority Board that it undertake specific appropriate actions to remedy any deficiencies identified in the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
  5. Reviewing significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understanding their impact on the financial statements.
  6. Meeting with the independent audit firm as needed to discuss any significant issues that may have surfaced during the course of the audit.
  7. Reviewing and discussing any significant risks reported in the independent audit findings and recommendations and assessing the responsiveness and timeliness of management's follow-up activities pertaining to the same.
- **Observations:** The Audit Committee had undertaken the following actions related to its functions

related to the independent auditor(s) and audited financial statements:

1. Upon the recommendation of the Committee, the auditor previously had been engaged at a specific fee structure by the Board in a prior year on a multi-year contract, in a manner consistent with the Committee Charter.
  2. The Authority's independent auditor did not submit any proposals to provide non-audit services over the course of the multi-year contract, including 2022.
  3. The Committee met with the auditor on March 21, 2022, at which time the auditor presented the audit, including the management letter and report on internal controls, all of which the Committee reviewed and discussed with the auditor. In the subsequent Board of Directors meeting on that same date, the full Board of Directors heard this presentation. The auditor expressed an unqualified opinion and found no significant deficiencies in internal controls or noncompliance. The Committee adopted a resolution recommending to the Board that it approve the Authority's audited financial statements, which included the associated management letter and report on internal controls.
- **Deficiencies:** None.
  - **Evaluation:** The Audit Committee met its responsibilities with respect to meeting with the auditor during the year ending December 31, 2022.
  - **Recommendations:** Whenever significant issues arise during the audit process, the Committee should meet with the audit firm to discuss these issues, and subsequently report to the Board any recommendations. Whenever such significant risks are reported in the independent audit findings and/or recommendations, the Committee minutes should document a discussion of those issues and recommendations (if any) to the Board on responding to those risks. Whenever significant accounting and reporting issues arise, the Committee minutes should document a discussion of those issues and a recommending (if any) to the Board on responding to those issues. These are current Authority practice.

#### C. Internal Controls, Compliance and Risk Assessment

- **Requirements:** Per the Committee Charter, the Committee's functions related to the internal controls, compliance, and risk assessment include:
  1. Reviewing the report on internal controls by the independent auditor as a part of the financial audit engagement.
  2. Recommending to the Board that it approve any internal audit reports and take specific appropriate actions to remedy any deficiencies identified in any internal audit reports and any deficiencies identified in the report on internal controls by the independent auditor as a part of the financial audit engagement.
- **Observations:**
  1. On March 21, 2022, the Committee met and reviewed management's assessment of the effectiveness of the Authority's internal controls during the year ending December 31, 2022. There were no internal audit activities during 2022.
  2. The Committee met with the auditor on March 21 2022, at which time the auditor presented the audit, including the management letter and report on internal controls, all of which the Committee reviewed and discussed with the auditor. In the subsequent Board of Directors meeting on that same date, the full Board of Directors heard this presentation. The auditor expressed an unqualified opinion and found no significant deficiencies in internal controls or noncompliance. The Committee adopted a resolution recommending to the Board that it approve the Authority's audited financial statements, which included the associated management letter and report on internal controls.

- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Recommendations:** Whenever internal controls, compliance, and risk assessment issues are reported in the independent audit findings and/or recommendations, the Committee minutes should document a discussion of those issues and recommendations (if any) to the Board on responding to those issues. This is current Authority practice.

#### D. Special Investigations

- **Requirements:** Per the Committee Charter, the Committee's functions related to special investigations include:
  1. Ensuring that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Directors, officers, or employees of the Authority or any persons having business dealings with the Authority or breaches of internal control.
  2. Developing procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
  3. Requesting and overseeing special investigations as needed and/or referring specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization).
  4. Reviewing all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.
  5. Reporting to the Board on any reports or complaints received under this section and recommending to the Board that it take specific appropriate actions to respond to issues identified in these reports or complaints.
- **Observations:** The Authority has a Whistleblower Policy and a Records Retention Policy in place, both of which are consistent with the Committee Charter and State regulatory requirements. These policies are provided to all Board members, officers, and employees, and are available to the general public on the Authority's web site. Depending on who the suspected perpetrator is, the mechanism for reporting varies. Officers and all Board members are available to receive such reporting, as are the appointing entities and the NYS ABO. The Chairman will direct an investigation of any complaints or refer them as appropriate. Should a complaint be made to either the NYS ABO or one or more of the appointing entities, the Authority will investigate as appropriate. There were no reports or complaints during the year ending December 31, 2022.
- **Deficiencies:** None.
- **Evaluation:** The Committee met its responsibilities in this regard during the year ending December 31, 2022.
- **Recommendations:** The Committee's minutes should document any reports or complaints received, any discussions regarding special investigations, and any referrals of issues. This is current Authority practice.

#### E. Other Responsibilities of the Audit Committee

- **Requirements:** Per the Committee Charter and the NYS ABO's expectations as expressed in the Model Audit Committee Charter provided by the NYS ABO, the Committee's other responsibilities include:

1. Obtaining any information and training needed to enhance the Committee members' understanding of the role of audits and the independent auditor, the risk management process, internal controls, and financial reporting standards and processes.
  2. Reviewing the Committee's charter annually, reassessing its adequacy, and recommending any proposed changes to the Board. The Committee charter must be updated as applicable laws, regulations, accounting and auditing standards change.
  3. Conducting an annual self-evaluation of the Committee's performance, including its effectiveness, compliance with its Charter, an assessment of how it has discharged its duties and met its responsibilities, and any requests for Board approval for proposed changes in Committee operations. The Committee shall present a written self-evaluation report to the Board.
- **Observations:** No information was requested or required to enhance Committee members' understanding of the role of audits and the independent auditor, the risk management process, internal controls, and financial reporting standards and processes. During 2020, Committee members were offered training in Committee functions and responsibilities. The Committee did review and assess the adequacy of its Committee Charter in 2021 and recommended no changes in the Charter to the Board during the year ending December 31, 2021. The Committee did undertake a self-evaluation in 2021 and provided a written self-evaluation report to the Board in 2021 and recommended no changes in Committee operations to the Board during the year ending December 31, 2021.
  - **Deficiencies:** None.
  - **Evaluation:** The Audit Committee has not seen the need to obtain specific training. The members of the Committee have experience with understanding of the role of internal audits and the independent auditor, the risk management process, and internal controls, and have a certain level of familiarity in financial reporting standards and processes. The Audit Committee met its responsibilities in this regard during the year ending December 31, 2022
  - **Recommendations:** The Committee may wish to obtain training in specific relevant skill sets mentioned herein. The Committee should annually review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Authority in future years; this is current Authority practice. The Committee should annually conduct a self-evaluation of its performance; this is current Authority practice.

## 5. Summary Self Evaluation of Audit Committee Functions During Calendar Year 2022

- **Successes**
  - The Committee complied with most of its functions as regards fulfillment of purposes, committee composition and selection of members, meetings, and powers and responsibilities.
- **Deficiencies**
  - None.
- **Recommendations**
  - The audit annually should be delivered in a timely fashion so that the Committee and Board can review it, and the Board can approve it, and it can be included in the Annual Report and transmitted to NYS ABO prior to the March 31 submission deadline. This is current Authority practice.
  - The Committee should review management's annual assessment of the effectiveness of the Authority's internal controls and make recommendations to the STERA Board for its approval and for undertaking any corrective actions implied by the assessment. This is current Authority practice.
  - The Committee should review the Committee's charter annually, reassess its adequacy, and

recommend any proposed changes to the Board of the Authority. The Audit Committee charter should be updated as applicable laws, regulations, accounting and auditing standards change. This is current Authority practice.

- The Committee should annually conduct a self-evaluation of its performance. This is current Authority practice.
- Additionally, the Committee should undertake the other recommended actions noted above, some of which are appropriate only when certain circumstances arise. This is current Authority practice.

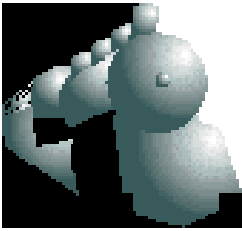
**Approved by the Audit Committee  
And  
Submitted to the Board of Directors of the  
Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority  
On March 20, 2023**



\_\_\_\_\_  
**Secretary**

\_\_\_\_\_  
**March 21, 2022**

**Date**



Chautauqua, Cattaraugus, Allegany and Steuben Counties

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## STERA Management Evaluation Report

Year Ending December 31, 2022

The following is a summary evaluation of the senior management of STERA for the year ending December 31, 2022. STERA has no direct employees. Instead, STERA contracts with the Southern Tier West Regional Planning and Development Board for staffing and administrative assistance. During the year ending December 31, 2022, Southern Tier West has two staff persons assigned to this STERA contract, Richard Zink and Thomas Barnes. These two individuals hold two of STERA's Corporate officer positions (Chief Executive Officer and Corporate Secretary, respectively, with the third Corporate officer position, Chief Financial Officer being held by a STERA Board member, Robert Keis. These three Corporate officers comprise STERA's senior management.

Following is a summary of STERA's expectations of senior management, as used as an evaluative tool:

### 1. Job Knowledge and Skills

**Evaluation:** Staff members have requisite specialized knowledge and skills to enable them to perform their jobs effectively.

**Deficiencies in job knowledge and skills:** None.

### 2. Discharge of Responsibilities as Corporate Officers

CEO  
CFO  
Contract and Procurement Officer (also held by CEO)  
Records Management Officer (also held by CEO)  
Records Access Officer (also held by CEO)  
Secretary

**Evaluation:** Compliance with Bylaws, regulatory requirements, and public official laws. Ongoing improvements in provision of information to Board regarding Board and organizational responsibilities.

**Deficiencies in discharge of responsibilities as corporate officers:** None.

### 3. Availability to Board Members for Assistance

**Evaluation:** Availability during business hours for provision of assistance to Board members. Ongoing improvements in provision of information to Board regarding Board and organizational responsibilities.

**Deficiencies in availability to Board members:** None.



#### **4. Management of Projects**

##### **Evaluation:**

- The (Southern Tier Extension) Falconer track realignment and bridge repair project was managed successfully and completed in 2016. As of the end of 2022, STERA is awaiting NYS DOT closeout of the project.
- The (Southern Tier Extension) Cattaraugus rail rehabilitation project was managed successfully and completed in 2016. As of the end of 2022, STERA is awaiting NYS DOT closeout of the project.
- The (Buffalo line) tie replacement and grade crossing repair project was managed successfully and completed in 2016. Subsequently, STERA received two no-cost time extension to complete additional work using unspent project funds and has completed this work. As of the end of 2022, STERA is awaiting NYS DOT closeout of the project.
- The (Southern Tier Extension) Track and Bridge Rehabilitation Project Was begun in 2017, with all work scheduled to be completed in 2019. As of the end of 2021, STERA is in the process of obtaining a scope of work change on the project, with work now scheduled to be completed in 2023 if the scope change is approved.
- The (Southern Tier Extension) Enginehouse and Olean Yard Improvements Project Was begun in 2017. STERA has begun the project, and as of the end of 2022, STERA is awaiting NYS DOT approval of a change order request in order to complete the project.
- The (Southern Tier Extension Line) Tie and Rail Replacement Project was approved by NYS DOT for funding in 2018. STERA began the project in 2020 and anticipates that the project should be completed in 2023.

**Deficiencies in management of projects:** None.

#### **5. Compliance**

**Evaluation:** Ongoing efforts are being made to comply with current regulatory requirements and additional regulatory requirements as they become effective. Management staff continue on an ongoing basis to bring new compliance obligations and any deficiencies to the Board's attention.

**Deficiencies in overseeing organizational compliance:** None.

#### **6. Ethical Conduct, Transparency, Accountability, Fiduciary Responsibilities**

**Evaluation:** Staff acts in a manner to adhere to these organizational principles.

**Deficiencies in conduct:** None.

#### **7. Training**

**Evaluation:** All senior management has received required NYS ABO training.

**Deficiencies in training:** None.

**8. Summary Evaluation**

**Evaluation:** Performance adequate.

**Deficiencies Identified:** None.

**9. Recommendations**

Continuation of administrative services contract. Continued oversight of management performance by Governance Committee and Board.

Submitted to STERA Governance Committee for review on March 20, 2022.



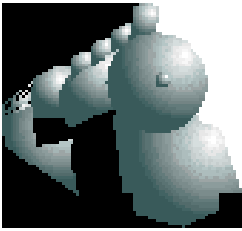
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Thomas M. Barnes  
STERA Corporate Secretary

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March 20, 2023

Date



Chautauqua, Cattaraugus, Allegany and Steuben Counties

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Richard Zink, Chief Executive Officer

## Property Disposition Report for the year ending December 31, 2022

### 1. Notes on Authority to Dispose of Real Property and Setting Parcel Value and Sale Price:

All real property parcels comprising the Southern Tier Extension Line were acquired in 2001 by the Authority for a total of \$1.00 in a single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company, which has since been absorbed by Norfolk Southern Corporation). The terms of this transaction provide that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate parcels to Pennsylvania Lines LLC. Additionally, the terms of this transaction vest the exclusive authority for real property transactions involving these parcels in Norfolk Southern Corporation; the Southern Tier Extension Railroad Authority has no legal authority to unilaterally dispose of or transfer property, or to set the price for property disposed of or transferred, without the approval and direction of Norfolk Southern Corporation.

Additionally, all real property parcels comprising the Buffalo Line were acquired in 2007 by the Authority for a total of \$1.00 in a second single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company). The terms of this transaction provide that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate parcels to Pennsylvania Lines LLC. Additionally, the terms of this transaction vest the exclusive authority for real property transactions involving these parcels in Norfolk Southern Corporation; the Southern Tier Extension Railroad Authority has no legal authority to unilaterally dispose of or transfer property, or to set the price for property disposed of or transferred, without the approval and direction of Norfolk Southern Corporation.

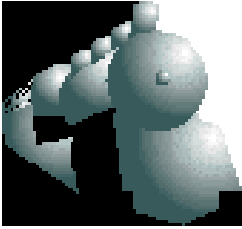
Accordingly, the Southern Tier Extension Railroad Authority does not have the legal authority or ability to sell any of the real property to which it is title or to unilaterally set the price or terms for any parcel sold.

### 2. Real Property Dispositions during the year ended December 31, 2022

Per item #1 above, the Authority did not sell or otherwise dispose of any real property during the year ended December 31, 2022.

### 3. Personal Property

STERA owned no personal property during 2021. Additionally, STERA undertook no personal property transactions (i.e., procurements or dispositions) during the year ended December 31, 2022.



Chautauqua, Cattaraugus, Allegany and Steuben Counties

# Southern Tier Extension Railroad Authority

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779

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## Real Property Report for the year ending December 31, 2022

**1. Real property list**—§2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. As of December 31, 2022, the Authority is in title to the real property indicated in the list below. Parcels are listed first by rail line (i.e., first the Southern Tier Extension Line, followed by the Buffalo Line), then within each line by county (proceeding west to east on the Southern Tier Extension Line; all parcels comprising the Buffalo Line that are owned by the Southern Tier Extension Railroad Authority are located in Cattaraugus County), and then by municipality (proceeding in approximate west-to-east order on the Southern Tier Extension Line and in approximate north-to-south order on the Buffalo Line).

**Notes on Parcel Value and Authority to Dispose of Property:** All properties comprising the Southern Tier Extension Line were acquired in 2001 by the Authority for a total of \$1.00 in a single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company). The terms of this transaction provide that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate parcels to Pennsylvania Lines LLC. Additionally, the terms of this transaction vest the exclusive authority for real property transactions of these parcels in Norfolk Southern Corporation; the Southern Tier Extension Railroad Authority has no legal authority to unilaterally dispose of or transfer property, or to set the price for property disposed of or transferred, without the approval and direction of Norfolk Southern Corporation.

Additionally, all properties comprising the Buffalo Line were acquired in 2007 by the Authority for a total of \$1.00 in a second single transaction from Pennsylvania Lines LLC (Norfolk Southern Corporation's subsidiary real property holding company). The terms of this transaction provide that the Authority is in title to these parcels for a period of years, with the subsequent eventual reversion of the real estate parcels to Pennsylvania Lines LLC; the Southern Tier Extension Railroad Authority has no legal authority to unilaterally dispose of or transfer property, or to set the price for property disposed of or transferred, without the approval and direction of Norfolk Southern Corporation.

Accordingly, the Southern Tier Extension Railroad Authority does not have the legal authority or ability to sell any of the real property listed in this report.

Property listings were updated in 2010 and 2011 based on new information provided by each of the six counties.

<b><u>Parcel Identification #</u></b>	<b><u>Municipality</u></b>	<b><u>Property Description</u></b>
<b><u>Southern Tier Extension Line</u></b>		
<b>Erie County (PA)</b>		
5017000000000	City of Corry	Southern Tier Extension Right of Way
6006000000000	City of Corry	Southern Tier Extension Right of Way
6021000000000	City of Corry	Southern Tier Extension Right of Way
5020000000000	City of Corry	Southern Tier Extension Right of Way
08035118000300	City of Corry	Southern Tier Extension Right of Way
08034117000100	City of Corry	Southern Tier Extension Right of Way
07026085001401	City of Corry	Southern Tier Extension Right of Way
07026085001400	City of Corry	Southern Tier Extension Right of Way
<b>Warren County (PA)</b>		
yv-001-89615	Freehold Township	Southern Tier Extension Right of Way
cy-002-8637	Columbus Township	Southern Tier Extension Right of Way
cy-003-9396	Columbus Township	Southern Tier Extension Right of Way
<b>Chautauqua County (NY) (see Note 1 below)</b>		
91-9-91..RR1	Town of Harmony	Southern Tier Extension Right of Way
91-9-91..RR2	Town of Harmony	Southern Tier Extension Right of Way
107-1-1.1.S001	Town of Busti	Southern Tier Extension Right of Way
385.00-1-21	Town of Busti	Southern Tier Extension Right of Way
385.07-5-2	Town of Busti	Southern Tier Extension Right of Way
401.00-2-5	Town of Busti	Southern Tier Extension Right of Way
371.15-1-14	Town of Ellicott	Southern Tier Extension Right of Way
91-9-91..RR1	Town of Ellicott	Southern Tier Extension Right of Way
91-9-91..RR1	Town of Ellicott	Southern Tier Extension Right of Way
91-9-91..RR1	Town of Ellicott	Southern Tier Extension Right of Way
91-9-91..RR2	Town of Ellicott	Southern Tier Extension Right of Way
91-9-91..RR2	Town of Ellicott	Southern Tier Extension Right of Way
371.15-1-14	Village of Celoron	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Celoron	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Celoron	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Celoron	Southern Tier Extension Right of Way
91-9-91..RR2	Village of Celoron	Southern Tier Extension Right of Way
91-9-91..RR2	Village of Celoron	Southern Tier Extension Right of Way
107-1-1.1.S001	Village of Lakewood	Southern Tier Extension Right of Way
385.00-1-21	Village of Lakewood	Southern Tier Extension Right of Way
385.07-5-2	Village of Lakewood	Southern Tier Extension Right of Way
401.00-2-5	Village of Lakewood	Southern Tier Extension Right of Way
1-1-75.10	City of Jamestown	Southern Tier Extension Right of Way
1-1-77	City of Jamestown	Southern Tier Extension Right of Way
2-1-695	City of Jamestown	Southern Tier Extension Right of Way
370.03-1-4	City of Jamestown	Southern Tier Extension Right of Way
370.20-7-30	City of Jamestown	Southern Tier Extension Right of Way

<b><u>Parcel Identification #</u></b>	<b><u>Municipality</u></b>	<b><u>Property Description</u></b>
370.20-7-30..A	City of Jamestown	Southern Tier Extension Right of Way
370.20-7-5	City of Jamestown	Southern Tier Extension Right of Way
371.17-1-12	City of Jamestown	Southern Tier Extension Right of Way
371.17-1-12..A	City of Jamestown	Southern Tier Extension Right of Way
371.17-2-29	City of Jamestown	Southern Tier Extension Right of Way
387.48-1-43	City of Jamestown	Southern Tier Extension Right of Way
13-17-1..RR	Town of Poland	Southern Tier Extension Right of Way
371.15-1-14	Village of Falconer	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Falconer	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Falconer	Southern Tier Extension Right of Way
91-9-91..RR1	Village of Falconer	Southern Tier Extension Right of Way
91-9-91..RR2	Village of Falconer	Southern Tier Extension Right of Way
91-9-91..RR2	Village of Falconer	Southern Tier Extension Right of Way
339.15-2-2	Town of Poland	Southern Tier Extension Right of Way
339.15-2-41	Town of Poland	Southern Tier Extension Right of Way
340.00-1-15	Town of Poland	Southern Tier Extension Right of Way
340.00-1-17	Town of Poland	Southern Tier Extension Right of Way
356.00-2-52	Town of Poland	Southern Tier Extension Right of Way
372.00-1-2	Town of Poland	Southern Tier Extension Right of Way
92-9-92..RR1	Town of Poland	Southern Tier Extension Right of Way
92-9-92..RR2	Town of Poland	Southern Tier Extension Right of Way

**Cattaraugus County (NY) (see Note 2 below)**

69.002-1-48	Town of Conewango	Southern Tier Extension Right of Way
69.004-1-47.2	Town of Randolph	Southern Tier Extension Right of Way
70.071-4-6	Village of Randolph	Southern Tier Extension Right of Way
79.002-1-30	Town of Randolph	Southern Tier Extension Right of Way
80.003-1-35.2	Town of Cold Spring	Southern Tier Extension Right of Way
70.000-1-.295	Town of Red House	Southern Tier Extension Right of Way
70.000-1-.331	Town of Salamanca	Southern Tier Extension Right of Way
73.071-1-11.1	City of Salamanca	Southern Tier Extension Right of Way
73.004-1-46	Town of Great Valley	Southern Tier Extension Right of Way
101.001-1-39./1	Town of Carrollton	Southern Tier Extension Right of Way
101.001-1-39./2	Town of Carrollton	Southern Tier Extension Right of Way
94.003-1-14.1	Town of Allegany	Southern Tier Extension Right of Way
94.003-1-20	Town of Allegany	Southern Tier Extension Right of Way
93.051-1-1	Village of Allegany	Southern Tier Extension Right of Way
94.040-1-26	City of Olean	Southern Tier Extension Right of Way
94.048-1-3./1	City of Olean	Southern Tier Extension Right of Way
94.073-3-25.1	City of Olean	Southern Tier Extension Right of Way
94.073-4-17	City of Olean	Southern Tier Extension Right of Way
77.003-1-2	Town of Hinsdale	Southern Tier Extension Right of Way
77.003-1-44	Town of Hinsdale	Southern Tier Extension Right of Way

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Description</u>
<b>Allegany County (NY)</b>		
181.-1-14.2	Town of Cuba	Southern Tier Extension Right of Way
181.-1-16	Town of Cuba	Southern Tier Extension Right of Way
179.6-1-20	Village of Cuba	Southern Tier Extension Right of Way
157.-1-17	Town of Friendship	Southern Tier Extension Right of Way
182.11-1-49	Town of Friendship	Southern Tier Extension Right of Way
182.11-2-6	Town of Friendship	Southern Tier Extension Right of Way
182.12-1-1	Town of Friendship	Southern Tier Extension Right of Way
182.-1-86	Town of Friendship	Southern Tier Extension Right of Way
158.-1-33	Town of Amity	Southern Tier Extension Right of Way
158.-1-33.202	Town of Amity	Southern Tier Extension Right of Way
185.-1-90	Town of Amity	Southern Tier Extension Right of Way
185.-1-90.202	Town of Amity	Southern Tier Extension Right of Way
199.-1-19.202	Town of Amity	Southern Tier Extension Right of Way
199.-1-20	Town of Amity	Southern Tier Extension Right of Way
172.13-1-67	Village of Belmont	Southern Tier Extension Right of Way
199.-3-36	Town of Scio	Southern Tier Extension Right of Way
225.-1-29	Town of Scio	Southern Tier Extension Right of Way
214.-1-65	Town of Wellsville	Southern Tier Extension Right of Way
225.20-1-65	Village of Wellsville	Southern Tier Extension Right of Way
238.8-3-89.1	Village of Wellsville	Southern Tier Extension Right of Way
239.-1-57	Town of Wellsville	Southern Tier Extension Right of Way
203.-1-40	Town of Andover	Southern Tier Extension Right of Way
216.11-1-65	Village of Andover	Southern Tier Extension Right of Way
152.-1-44	Town of Alfred	Southern Tier Extension Right of Way
177.-1-37	Town of Alfred	Southern Tier Extension Right of Way
126.-1-50	Town of Almond	Southern Tier Extension Right of Way
126.11-1-21	Village of Almond	Southern Tier Extension Right of Way
<b>Steuben County (NY)</b>		
149.20-01-006.000	Village of Almond	Southern Tier Extension Right of Way
150.00-01-066.000	Town of Hornellsville	Southern Tier Extension Right of Way
150.00-01-025.000	Town of Hornellsville	Southern Tier Extension Right of Way
151.13-01-091.000	City of Hornell	Southern Tier Extension Right of Way

<u>Parcel Identification #</u>	<u>Municipality</u>	<u>Property Description</u>
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### Buffalo Line

#### **Cattaraugus County (NY)**

31.001-1-48.2	Town of Machias	Buffalo Line Right of Way
31.003-1-22	Town of Machias	Buffalo Line Right of Way
40.001-2-24	Town of Farmersville	Buffalo Line Right of Way
40.003-1-22	Town of Franklinville	Buffalo Line Right of Way
40.078-1-2	Village of Franklinville	Buffalo Line Right of Way
49.003-1-27	Town of Franklinville	Buffalo Line Right of Way
58.004-1-31	Town of Ischua	Buffalo Line Right of Way
58.004-1-31./1	Town of Ischua	Buffalo Line Right of Way
76.004-2-22	Town of Hinsdale	Buffalo Line Right of Way
85.004-1-27	Town of Olean	Buffalo Line Right of Way
94.048-1-3	City of Olean	Buffalo Line Right of Way
94.056-2-57	City of Olean	Buffalo Line Right of Way
94.076-1-77	Town of Olean	Buffalo Line Right of Way
104.002-1-57	Town of Portville	Buffalo Line Right of Way
104.002-1-57./1	Town of Portville	Buffalo Line Right of Way
104.058-1-1	Village of Portville	Buffalo Line Right of Way
113.002-1-50	Town of Portville	Buffalo Line Right of Way

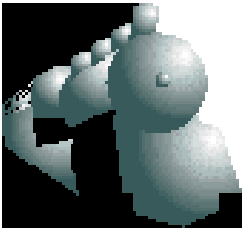
Note 1: In 2010, Chautauqua County stopped using two sets of parcel identification numbers (i.e., both an old numbering convention and a new numbering convention). STERA herein has identified parcels in Chautauqua County using only the new numbering convention.

Note 2: In prior years, Cattaraugus County had indicated that it did not report separate parcel numbers for the Southern Tier Extension Railroad line in the towns of Cold Spring, Red House, and Carrollton; accordingly, in prior years, these real estate interests (which apparently were classified as and grouped together as single rights of way on the Allegany Territory of the Seneca Nation of Indians, as opposed to being separate parcels) were not listed herein. However, beginning in 2010, Cattaraugus County does report separate parcel numbers for one parcel in the Town of Cold Spring and two parcels in the Town of Carrollton, and beginning in 2011, Cattaraugus County does report one parcel in the Town of Red House. However, there continues to be one parcel number listed for all acreage in the Town of Salamanca.

**2. Real property acquisitions** —The Authority did not make any real property acquisitions during the year ended December 31, 2022.

**3. Real property dispositions** — Per the notes to Item #1 above on the first page of this Report, the Authority did not sell or otherwise dispose of any real property during the year ended December 31, 2022.





Chautauqua, Cattaraugus, Allegany and Steuben Counties

# **Southern Tier Extension Railroad Authority**

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## **STERA Records Management Program**

### **Annual Report to the Board For the Year Ending December 31, 2022**

This report details all records management activities during the reporting period, to provide the STERA Board with information necessary for it to discharge its oversight responsibility with respect to STERA's record management system so as to ensure compliance with required regulations.

#### **Statutory Compliance**

The Records Management Program is intended to comply with the requirements of New York State Law and with New York State Authority Budget Office Policy Guidance 10-03.

#### **Program Purpose**

The Records Management Program is intended to promote efficient administration and management of STERA's records related to the maintenance, retention, and storage of official records based on their legal and administrative value to STERA.

#### **Records Retention and Disposition Policy**

STERA's Records Retention and Disposition Policy is as follows:

- A. STERA has adopted *Records Retention and Disposition Schedule MI-1*, issued pursuant to Article 57-A of the Arts and Cultural Affairs Law. Schedule MI-1 contains legal minimum retention periods for local government records for use by all officers in legally disposing of valueless records listed therein.
- B. In accordance with Article 57-A of the Arts and Cultural Affairs Law, STERA only disposes of those records that are described in *Records Retention and Disposition Schedule MI-1* after they have met the minimum retention periods described therein;
- C. In accordance with Article 57-A of the Arts and Cultural Affairs Law, STERA only disposes of those records that do not have sufficient administrative, fiscal, legal, or historical value to merit retention beyond established legal minimum periods.

The CEO of STERA is designated as Records Management Officer (RMO). The Records Management Officer's responsibilities include (a) ensuring that STERA's records are maintained and disposed in compliance with regulations, (b) preparing, identifying, protecting, and preserving archival records, and (c) presenting a report annually to the STERA Board detailing all records management activities during the reporting period.

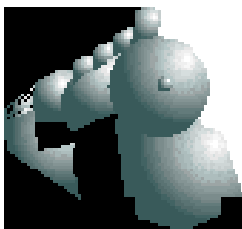
### **Records Management Activities**

1. In all cases, STERA complies with the provisions of the three outlines of the policy as set forth above, to wit:
  - Only disposing of documents covered by *Records Retention and Disposition Schedule MI-1*, issued pursuant to Article 57-A of the Arts and Cultural Affairs Law if they are valueless records or if they have met the minimum retention periods described therein; and
  - Only disposing of those records that do not have sufficient administrative, fiscal, legal, or historical value to merit retention beyond established legal minimum periods.
2. STERA has retained digital copies of all corporate documents required for compliance with NYS statutes and regulations pertaining to its status as a local public authority (e.g., including but not limited to meeting agendas and minutes, press releases, financial records, internally prepared interim financial statements, audits, policies, reports, budgets, financial plans, legal opinions, grant applications, compliance files, affirmative action/equal opportunity records, minority- and women-owned business records, subject matter list of records held by STERA as required under Freedom of Information Law, register or list of applicants seeking access to public records, Freedom of Information records request file, web site content, etc., to the extent that there are records in these record category types). These may be considered archival records. Some may be disposed of after the minimum retention period described in Schedule MI-1 has run.
3. STERA has retained hard copies of certain corporate documents that were not otherwise available as digital documents (e.g., including but not limited to contract documents, agreements, bank statements, received correspondence, capital construction or public improvement project file {including but not limited to bids, specifications, contracts, performance guarantees, inspection reports, and environmental impact statements, and proposals in response to an RFP}, any complaint/ petition/ request for service received by STERA, real property parcel information, procurement documents, etc.). Certain such documents (e.g., correspondence may be scanned and the originals disposed of if they are not archival and if their administrative value is not diminished by substituting a digital version for the original hard copy version.
4. Disposals of records in conformity to the policy are carried out on an ongoing basis.

Submitted to and Approved by the Board of Directors  
of the Southern Tier Extension Railroad Authority  
on March 20, 2023



\_\_\_\_\_  
Name  
Records Management Officer



Chautauqua, Cattaraugus, Allegany and Steuben Counties

# Southern Tier Extension Railroad Authority

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## STERA Schedule of Debt Report

Prepared for the year ending December 31, 2022

### Current Bond Ratings

The Authority has never issued any bonds since its inception, and has no immediate plans to issue bonds. Accordingly, the Authority never has obtained a bond rating for any bond issues.

### Bond and Note Schedule

Since its inception in 2000, STERA has not issued any bonds or notes. Consequently, as of December 31, 2022, the end of STERA's fiscal year, STERA had no bonds or notes outstanding. Accordingly, in the year ending December 31, 2022, STERA did not redeem or incur any bonds or notes.

### Schedule of Bonds and Notes Outstanding

As of December 31, 2022

Total Bonds Outstanding	\$ 0.00
Total Notes Outstanding	<u>0.00</u>
Total Obligations Outstanding	\$ 0.00

### Statement of the Amounts of Obligations Redeemed and Incurred

For the Fiscal Year Ending December 31, 2022

Total Amounts of Obligations Redeemed	\$ 0.00
Total Amounts of Obligations Incurred	\$ 0.00
Total Amounts of Refinancings	\$ 0.00
Total Amounts of Calls	\$ 0.00
Total Amounts of Refundings	\$ 0.00
Total Amounts of Defeasements	\$ 0.00
Total Amounts of Interest Rate Exchanges	\$ 0.00
Total Amounts of Other Such Agreements	\$ 0.00

**Long-Term Liabilities (including leases and employee benefit plans)**

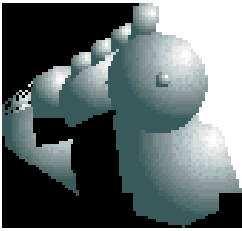
The Authority has no long term liabilities. The Authority has no leases for which it is the lessee. The Authority has no employees.

Submitted to and Approved by the Board of Directors  
of the Southern Tier Extension Railroad Authority  
on March 20, 2023

A handwritten signature in blue ink, reading "Richard D. Zink".

---

Name  
Chief Executive Officer



Chautauqua, Cattaraugus, Allegany and Steuben Counties

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## Self-Evaluation for STERA for the year ending December 31, 2022

### 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. 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) 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.
- 5) Site development project - STERA also has worked with the counties to develop an inventory of developable sites along the railroad lines, and in 2022 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.

### 3. 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 / Construction 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 2022, STERA continued closeout activities on the following projects that had been completed in a prior year (in one case adding additional work that has been completed in 2019):

- **NYS DOT 2005 Bond Act Bridge Rehab and Track Realignment (Falconer) Project (Southern Tier Extension Line)**

STERA is awaiting project closeout from NYS DOT.

- **NYS DOT PFRAP Cattaraugus Rail Rehabilitation Project (Southern Tier Extension Line)**

STERA is awaiting project closeout from NYS DOT.

- **NYS DOT PFRAP Tie Replacement and Grade Crossing Repair Project (Buffalo Line)**

STERA had received NYS DOT PFRAP funds for the installation of 8,000 ties and the repair of four grade crossings on a section of the Buffalo line located between Olean and Portville (Cattaraugus County). WNYP provided the required matching funds. The goal of the project was to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project was part of an overall strategy to maintain the Buffalo line at a 286,000 lb. capacity specification for 4-axle rail cars. The project also will serve customers located on the Buffalo line in Pennsylvania. WNYP provided engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP engaged one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP. All of the work on this project had been completed as of the end of 2015; however, additional project funds remained, and STERA received approval from NYS DOT to extend the project deadline through the end of 2016 so as to complete additional project work elements to better serve rail shippers on the line. STERA used the extension and unspent funds to rehab four additional grade crossings on the Buffalo line north in the Olean area (Back Hinsdale Road, Oregon road, Haskell Road, and Promised Land Road), and install (approximately \$25,000 of) additional ties. As of the end of 2016, all work had been completed. However, at the end of 2018, STERA decided to pursue using unspent project funds to rehabilitate another grade crossing in Olean (Clark Street). During 2019, STERA received NYS DOT approval for an extension on the project, in order to use unspent project funds to do additional work. This additional work was completed in 2019. As of December 31, 2022, STERA is awaiting project closeout from NYS DOT.

During 2022, STERA continued construction activities on the following three projects that had commenced in prior years:

- **STERA Track and Bridge Rehabilitation Project (Southern Tier Extension Line and Buffalo Line)**

In November 2016, STERA received a contract for NYS DOT PFRAP grant funds, to be matched by WNYP funds. The project would involve replacing 8,000 linear feet of welded rail in Carrolton in Cattaraugus County, and repairing three bridges in Jamestown, one bridge in Salamanca, and one bridge in Olean. All work except the Olean bridge was to be

done on the Southern Tier Extension; the Olean bridge is on the Buffalo line. The goal of the project is to improve safety and track speeds, which would further improve competitiveness of rail service. Further, the project is part of an overall strategy to raise the entire Southern Tier Extension Railroad and Buffalo lines to a 286,000 lb. capacity specification for 4-axle rail cars. The bridge repairs specifically are intended to improve safety related to bridge integrity (reducing impacts on pedestrians/highway vehicles). STERA's intention is to contract directly with WNYP for the provision of engineering, construction, and construction inspection services on this contract (augmented by engineering review and inspection review by NYS DOT). WNYP may engage one or more third party private sector construction contractor(s) to provide certain construction services under sub-contract to WNYP; interested potential subcontractors may contact STERA and/or WNYP directly. In 2017, NYS DOT reviewed and approved plans, but it was too late in the year to begin construction. Work commenced on four of the five bridges in 2018. In 2018, STERA began negotiating with NYS DOT and the City of Olean for a project scope change, which would involve filling (i.e., removing) the Queen Street bridge underpass (as opposed to replacing its deck) and installing a pedestrian underpass culvert, while simultaneously raising the height of the nearby Front Street bridge so as to increase highway clearance. As of December 31, 2022, this project modification has not yet been accomplished. STERA has received the required approval of the project scope change by the NYS Administrative Law Judge, and is awaiting revised contract documents from NYS DOT. When NYS DOT approval is received, the project should be completed in 2023.

- **Olean Enginehouse and Yard Improvement Project**

In 2017, STERA received a contract for NYS DOT PFRAP grant funds, to be matched by WNYP funds. The project was to involve improvements to the enginehouse in the Olean yard, installation of a yard video security system, the installation of 6,000 6x8 ties in the Olean yard, and the replacement of 8 switches in the Olean yard. The work would be done on the Southern Tier Extension Line. STERA executed a contract with WNYP for contractual services in support of the project in 2017. Yard tie installation was completed in December. Switch installation occurred in 2018. The security system purchase and installation occurred in 2019. STERA has requested and received NYS DOT approval for the deletion of the enginehouse work from the NYS DOT contract. Accordingly, the project will come in under budget, and STERA has requested a change order from NYS DOT for the underage amount, with additional work to be done in the Olean Yard using these unspent funds. As of December 31, 2022, STERA is awaiting approval of this change order by NYS DOT. If approved, the project will be completed in 2023.

- **STERA Tie and Rail Replacement PFRAP Project (Southern Tier Extension Line)**

In 2018, STERA submitted a grant application to NYS DOT for the 2018 PFRAP funding cycle. This project would involve replacement of approximately 13,000 ties and surfacing ten (10) miles of tie replacement and surfacing between Steamburg, SA-14.00 and Waterboro, SA-23.00, and between MP SA-27.0 and MP SA-28.0 (Poland Center) on the Southern Tier Extension Line. Approximately half of this project area will need substantial ballasting. The project also will include three (3) public highway grade crossing surface rebuilds at Coldspring Road (Randolph), Main Street (Randolph), and Goodwins Landing Road (Waterboro) and eleven (11) private farm grade crossing widenings and rebuilds. The project also will involve replace of switch timbers at one main line turnout (the No. 10 turnout at the Randolph Team Track. STERA has received and executed the NYS DOT

contract and has executed the sub-contract with WNYP. All of the work would be bid by WNYP and/or done by WNYP itself. The project was commenced in 2019 and should be completed in 2023.

In 2017, STERA had discussions with the City of Salamanca and the Seneca Nation of Indians regarding the following project:

- **Proposed Bridge NY Project (Salamanca Main Street Bridge Replacement and Track Realignment, Southern Tier Extension Line)**

The project would involve replacement of the Salamanca Main Street rail bridge (replacing the 6 lane rail bridge with a two lane bridge, with higher clearance for Main Street underpass traffic) and the realignment of track just to the west of the bridge (re-routing of the main line in this area to remove the curvature of the line, which is a safety issue and which keeps train speeds down). Such a project (or at least the bridge replacement component) would be eligible for NYS DOT Bridge NY funding. The project grant application would not be submitted until a future year. The Seneca Nation of Indians representatives indicated that there would have to be approval by the Seneca Nation of Indians for both the bridge and track realignment projects to move forward. There has been no progress on advancing the project since 2017.

#### **WNYP-Sponsored Rehabilitation / Construction 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.



#### **4. Encouragement of safe railroad operations**

**Evaluation:** During 2022, STERA's progress on rail rehabilitation projects helped to contribute to safe railroad operations on the two rail lines that STERA owns. STERA's continuing strategy for additional rail rehabilitation projects also is intended to encourage safe railroad operations. STERA also encouraged Operation Lifesaver training in communities in which it owns rail lines. STERA also encourages regular classroom and hands-on training on railroad safety for emergency responder trainings, with WNYP and the Emergency Management Offices of the region's counties. WNYP regularly reports to the STERA Board regarding safety.

STERA is meeting this goal.

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

**Evaluation:** On March 20, 2023, STERA received a clean audit report for the year ending December 31, 2022. 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.

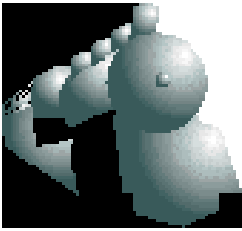
STERA is meeting this goal.

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

On the whole, STERA is achieving its purpose and meeting its goals. Rail traffic is increasing somewhat, and as macroeconomic conditions improve, STERA expects rail traffic volumes to continue to increase. As additional NYS DOT funds become available, STERA anticipates undertaking ongoing rehabilitation activities.

Adopted by the STERA  
Board of Directors on  
March 20, 2023

STERA Corporate Secretary



Chautauqua, Cattaraugus, Allegany and Steuben Counties

# Southern Tier Extension Railroad Authority

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"This institution is an equal opportunity organization"

Frank "Jay" Gould, Chairman  
Richard Zink, Chief Executive Officer

## Board Member Attendance Report

for the year ending December 31, 2022

The following is an alphabetical summary attendance report for the members of the STERA Board of Directors for meetings of the Board of Directors held in the year ending December 31, 2022. All members were active participants at meetings of the Authority Board of Directors that they attended.

<u>Board Member</u>	<u>Number of Meetings In 2022 for which the Member was a Member of the Board of Directors</u>	<u>Number of Meetings Attended</u>	<u>Percentage of Meetings Attended</u>
John Carbone	3	0	0%
Richard Cousins	3	0	0%
Richard Dixon	3	1	33%
Jay Gould	3	3	100%
Jeff Gray	3	2	67%
James Griffin	3	2	67%
Brooke Harris	3	3	100%
Steven Havey	3	2	67%
Robert Keis	3	3	100%
Keri Kerper	3	3	100%
John Malter	3	2	67%
Jerry Scott	3	2	67%
Corey Wiktor (note 1)	2	2	100%
Eric Wohlers (note 1)	0	0	0%
Vacancy, SNI (Note 2)	3	0	0%

Note 1: The member was appointed after the March 21, 2022 special meeting of the Board.

Note 1: Member to be appointed by the Seneca Nation of Indians – position vacant throughout 2022; no meeting attendance during 2022.