



Chautauqua, Cattaraugus, Allegany & Steuben Counties
Southern Tier Extension Railroad Authority
 Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779
 TEL (716) 945-5301 FAX (716) 945-5550 TDD (716) 945-5301

"This institution is an equal opportunity organization"

Terry Everetts, Chairman
 Richard Zink, Chief Executive Officer

Self-Evaluation for STERA for the year ending December 31, 2019

1. Operating railroad providing adequate rail service

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

2. Increased rail shipping carload volumes

Evaluation: Total local freight volume increased by 119 carloads in 2019, due primarily to increased frack sand deliveries (+458 carloads). Local freight business for customers between Cuba and Falconer increased a total of 50 cars, largely due to increases at Cuba Cheese (+23), Bush Industries (+4), Growmark (+8) and The Andersons (+21). Cargill (-6) has closed its operation in Poland Center. Much of the increase in traffic was offset by a decline in freight car storage. Storage car count is down (approx. 350 cars) due to the active gas fields across the country. Natural gas activity is slowing nationwide at this time and the railroad is experiencing an uptick in request for car storage spaces. Overhead freight increased from 400 to 563 as WNYP and NS continued to divert 286K loads from a direct NS Meadville routing to an NS Salamanca-Olean-Meadville routing due to a deficient bridge on NS in western PA.

Total carloads for the entire system:

<u>2018</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	400	(all STE East-West mainline traffic)
Local Freight	665	Southern Tier Extension line
	<u>5,951</u>	Buffalo line
	<u>6,616</u>	Total local freight
Total	7,016	Total system
<u>2019</u>	<u>Carloads</u>	<u>Notes</u>
Overhead Freight	563	(all STE East-West mainline traffic)
Local Freight	378	Southern Tier Extension line
	<u>6,357</u>	Buffalo line
	<u>6,735</u>	Total local freight
Total	7,298	Total system

Conclusions – For 2020, Buffalo Line local freight traffic is projected to be less than 2019 levels, attributable to decreased frack sand unloading activity with the wax refinery traffic expected to stay level. Due to new business initiatives the WNYP has underway at this time STERA believes its overall goal of increased rail carload shipping volumes by all indications will be continued in 2020. WNYP business in Meadville, PA is growing, and the railroad’s intention is to move as much of it as possible over the NS-Salamanca gateway.

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

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

- 1) Ongoing WNYP marketing efforts
- 2) Economic development community (state and local) marketing and development efforts
- 3) Reutilization of vacant or underutilized rail-served facilities and sites
- 4) 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 2020 will continue to work toward encouraging the counties to make these sites shovel-ready and market the sites for business development.

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

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

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

STERA-Sponsored Rehabilitation / 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 2019, 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):

- **FEMA Project (Southern Tier Extension Line)**
STERA is awaiting project closeout from FEMA.

- **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. As of December 31, 2019, this additional work has been completed and STERA is awaiting project closeout from NYS DOT.

During 2019, STERA continued construction activities on the following two 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, 2019, this project modification has not yet been accomplished. STERA is awaiting approval of the project scope change by the NYS Administrative Law Judge. A hearing in front of the NYS Administrative Law Judge will be held in 2020, and if approval is received, the project should be completed in 2020.

- **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, 2019, STERA is awaiting approval of this change order by NYS DOT. If approved, the project will be completed in 2020.

In 2019, STERA received a contract from NYS DOT for the following project (application submitted in 2018 for the 2018 NYS DOT PFRAP funding cycle, with NYS DOT PFRAP grant funds to be matched by WNYP funds):

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

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. In 2019, STERA executed both the NYS DOT contract and the sub-contract with WNYP. All of the work would be bid by WNYP and/or done by WNYP itself. As of December 31, 2019, WNYP is readying bid packets for subcontractor services. The project was commenced in 2019 and should be completed in 2020.

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.

In 2019, STERA continued exploration of the following project:

- **Proposed Multi-Modal Freight Transfer Facility and Manufacturing Center Project (Olean)**

This project would involve phased construction of a multi-modal freight transfer facility in Olean adjacent to the Olean railyard. The facility would provide freight loading, unloading and storage for area companies that are not located adjacent to one of STERA's two rail lines. As of December 31, 2019, STERA has been unsuccessful in obtaining first phase construction funds, but continues to seek funding.

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.

5. Encouragement of safe railroad operations

Evaluation: During 2019, 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 WNYC and the Emergency Management Offices of the region's counties.

STERA is meeting this goal.

6. Clean audit report and NYS ABO compliance report

Evaluation: On March 30, 2020, STERA received a clean audit report for the year ending December 31, 2019. 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 30, 2020



Thomas M. Barnes
STERA Corporate Secretary