



SAN DIEGO & ARIZONA
EASTERN RAILWAY
COMPANY

A Nevada Nonprofit
Corporation

1255 Imperial Avenue
Suite 1000
San Diego, CA
92101-7490
619.231.1466

BOARD OF DIRECTORS
Paul Jablonski, Chairperson
Matt Domen
Jared Gooch

OFFICERS
Paul Jablonski, President
Matt Domen, Secretary
Erin Dunn, Treasurer

LEGAL COUNSEL
Karen Landers

AGENDA

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

Thursday, February 25, 2021
Virtual WebEx Meeting

9:00 a.m.

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting. Meeting Webex/teleconference instructions can be accessed at the following link: <https://www.sdmts.com/about-mts-meetings-and-agendas/sdae>

- | | <u>ACTION
RECOMMENDED</u> |
|---|-------------------------------|
| 1. Approval of the Minutes of July 28, 2020
Action would approve the SD&AE Railway Company Minutes of July 28, 2020. | Approve |
| 2. Statement of Railway Finances (Erin Dunn)
Action would receive a report for information. | Informational |
| 3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)
Action would receive a report for information. | Informational |
| 4. Report on Pacific Southwest Railway Museum (Diana Hyatt)
Action would receive a report for information. | Informational |
| 5. Report on the Desert Line (Jorge Izquierdo)
Action would receive a report for information. | Informational |
| 6. Real Property Matters (Tim Allison) | |
| 7. <u>Board Member Communications</u> | |
| 8. <u>Public Comments</u> | |
| 9. <u>Next Meeting Date</u> : Tuesday, April 6, 2021 | |

MINUTES

BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

July 28, 2020

(Virtual WebEx Meeting)

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held virtually via WebEx on July 28, 2020, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Wayne Terry, Jared Gooch, and Matt Domen.

Others in attendance included:

San Diego Metropolitan Transit System (MTS): Tim Allison, Erin Dunn, Karen Landers
Baja California Railroad (BJRR): Manuel Hernandez
Pacific Southwest Railway Museum (PSRM): Diana Hyatt
Other: R. Mitchel Beauchamp, Christina Jones

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the January 14, 2020, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved. (The April 7 meeting was cancelled.)

2. Statement of Railway Finances

Ms. Dunn reviewed the Statement of Railway Finances for the period ending June 30, 2020 (attached to the agenda item). Ms. Dunn stated there was a significant income of almost \$2 million from the sale of property. Ms. Landers added that upon the sale of the property, one of the MTS Board members designated that they wanted the money to be used for projects in the San Ysidro area. She clarified that although those earmarked funds are housed in the SD&AE reserve, a specific project for its use has not yet been identified.

Action Taken

Informational item only. No action taken.

3. Report on San Diego & Imperial Valley Railroad (SD&IV) Operations

Mr. Domen reviewed the SD&IV Periodic Report for activities for the first and second quarters of 2020 (attached to the agenda item).

Mr. Terry stated that now that the absolute block is in effect on the Blue Line between San Ysidro Yard and Palomar Siding, he has instructed trolley operations personnel to conduct testing once a month to confirm that all systems are functional.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the report attached to the agenda item.

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Manuel Hernandez reported that in the month of July, BJRR did some work on Tunnel No. 8, which included clearing rocks so there is access (Mr. Hernandez will forward pictures to staff that were taken at the time). FRA Safety Office personnel made a visit regarding processes—especially in Ocotillo and near the Museum. The FRA made some recommendations that BJRR will attend to, and Mr. Hernandez will give staff an update on the status via e-mail.

Mr. Hernandez stated that BJRR received a quote in relation to the cost of installation for equipment at Tunnel No. 4. He added that the cost for improvements on the Mexican side of the border would be around \$10 million (civil work, construction of roads, etc.). The cost on the US side of the border is estimated at approximately \$2 million. Mr. Hernandez will forward a copy of the quote to Ms. Landers.

Mr. Hernandez stated that there was no other activity to report.

Action Taken

Informational item only. No action taken.

6. Real Property Mattersa. Summary of SD&AE Documents Issued Since January 14, 2020

Mr. Allison reported that the following documents were processed since the January 14, 2020, SD&AE Board of Directors meeting.

- S200-20-728: Right of Entry Permit to Swinerton Builders to construct an at-grade crossing on the Coronado Branch at E Street in the City of Chula Vista.
- S200-20-729: Right of Entry Permit to Hal Hays Construction, Inc. to construct a water pipeline at Elm Street in the City of San Diego.
- S200-20-732: Right of Entry Permit to New Way Tree Service to perform landscape maintenance along the Orange Line in the City of La Mesa.
- S200-20-733: Right of Entry Permit to HP Communications, Inc. to construct an underground fiber-optic line at Moss Street in the City of Chula Vista.

- S200-20-741: Right of Entry Permit to SDG&E to construct an underground electric crossing at E Street and an aerial electric crossing south of E Street on the Coronado Branch in the City of Chula Vista.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

There were no Board member communications.

8. Public Comments

Mitch Beauchamp provided public comments (see attachment).

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, October 6, 2020.

10. Adjournment

The open meeting was adjourned at 9:20 a.m.

CLOSED SESSION (TAKEN OUT OF ORDER)

The Board convened to Closed Session at 9:23 a.m. (via Cisco Meet Me conference call)

- 6b. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8
Property: Railroad Easement Over Portions of Assessor's Parcel Numbers (APNs) 618-010-26-01, 31-00, and 32-00; 676 Moss Street, Chula Vista, California
Agency Negotiators: Sharon Cooney, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: SFL – Moss Street, LLC
Under Negotiation: Price and Terms of Payment


Closed Session was adjourned at 9:32 a.m.

Oral Report of Final Action Taken in Closed Session

Karen Landers, General Counsel, reported that the Board received a report and gave direction to negotiators.



 President



 General Counsel

Attachment: Mitch Beauchamp's Public Comments

Thank you for this opportunity to discuss the Desert Line contract. As you know, a group with which I am associated opened the rail line in 2006 and we were able to export from Mexico ri-bar, as well as massive exportation of sand to the Campo facility. Unfortunately, the effort was taken over by a cabal from Las Vegas which not only destroyed the corporate organization but also did similar damage on the Mexican portion of the rail line.

One of the major problems with the operation of the line is the interference by government agencies. The 20-year mess by the PAN administration on the Mexican portion of the line is due to the corruption of Mexican officials to exact tribute to support a bloated, parasitic and redundant organization that was established to manage the assignment of the line from the central government. The recent mis-accounting of the \$20 million grant to upgrade the line is the latest of these fiascos.

The Desert line has been the red-headed stepchild of the MTDB/MTS system. When my group had control of the situation, under a reasonable contract with a minimum fee and percentage, the line was opened and operating. But the imposition of a \$1 million minimum fee was a stupid attempt by the past MTS CEO to show some return for this constant burr in his saddle. Through the reams of litigation and bankruptcies, the present Desert Line contractor is stuck with the reality of now catching up with a \$1 million payment, which it obviously does not have. Extensions of the 1 January due date for the first half-million; and now 1 July for the second half-million, are met with pleadings for extensions and what are obdurately disingenuous justifications. Clearly the contractor has no ability to pay this minimum fee, much less following through with the other pie-in-the-sky demands of the contract, based upon MTS's normal cost estimating under Davis-Bacon criteria. But seeing the potential to lose a million bucks seems like malfeasance by not running out the payment deadline in desperation.

But this fiasco must stop and this contract ended. It is unfortunate that the prior payments by the contractor have no recourse. But there seems to have been no plan in the first place, just great aspirations.

I ask the present MTS organization to terminate this contract and be prepared to sell the Desert line to a private party, so that the rail line can be opened, and real, 24-hour commerce returned to the region.

The acquisition of the line system from Southern Pacific had the obligation as a common carrier to keep the eastern freight railroad open. MTS has not done this. Having a single Class I carrier serving San Diego is not in the best interests of competition and movement of goods. The vulnerability of the coast rail line has been already seen at Del Mar and San Clemente.

Moreover, this line is a unique, international railroad and involved two nations, it is not some parochial, historic remnant.

R. Mitchel Beauchamp

28 July 2020

Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

February 25, 2021

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the period ending December 31, 2020.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's financial results for the period ending December 31, 2020.

As of December 31, 2020, fiscal year-to-date revenues are in line with the budget, with only a slight favorable variance of \$500.

Expenses are \$54,000 favorable to budget primarily due to a positive variance in both Outside Services and Personnel Costs.

The year-to-date Net Income as of December 31, 2020, was \$18,000.

Attachment: SD&AE Operating Statement for period ending December 31, 2020

SD&AE Operating Statement FY2021

	FY 2021					FY 2020	
	Q1 Actual	Q2 Actual	YTD Actual	YTD Budget	Variance	Q1 - Q2 Actual	Variance
Revenues							
Right of Entry Permits	8,554	\$ 17,846	\$ 26,400	\$ 17,502	\$ 8,898	\$ 20,025	\$ 6,375
Lease Income	16,876	19,193	36,069	42,498	(6,429)	39,516	(3,447)
Desert Line Lease Revenue	-	-	-	-	-	500,000	(500,000)
Operator Income - SD&IV 1% Freight Fee	9,000	9,000	18,000	19,998	(1,998)	20,000	(2,000)
Total Revenues	\$ 34,430	\$ 46,040	\$ 80,470	\$ 79,998	\$ 472	\$ 579,541	\$ (499,071)
Expenses							
Personnel Costs	\$ 1,841	\$ 9,434	\$ 11,275	\$ 23,088	\$ 11,813	\$ 24,125	\$ 12,850
Outside Services	8,984	8,500	17,484	57,764	40,280	-	(17,484)
Risk Management	9,300	5,026	14,326	20,702	6,376	9,248	(5,078)
Misc. Operating Expenses	2,966	16,649	19,614	14,934	(4,680)	21,289	1,675
Total Expenses	\$ 23,090	\$ 39,610	\$ 62,699	\$ 116,488	\$ 53,789	\$ 54,662	\$ (8,037)
Net Income/(Loss)	\$ 11,340	\$ 6,430	\$ 17,770	\$ (36,490)	\$ 54,260	\$ 524,879	\$ (507,109)

Reserve Balance July 1, 2020	\$ 448,711
Allocated Interest Earnings - Estimated	6,500
Operating Profit/(Loss) - YTD	17,770
Estimated Reserve Balance as of December 31, 2020	\$ 472,981

Agenda Item No. 3

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

February 25, 2021

SUBJECT:

REPORT ON SAN DIEGO AND IMPERIAL VALLEY (SD&IV) RAILROAD OPERATIONS

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

An oral report will be given during the meeting.

Attachment: Periodic Report for the 4th Quarter of 2020



SD&AE Board
C/O MTS
1255 Imperial Avenue, Suite 1000
San Diego, California 92101

February 16, 2021

Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company activities of interest for the 4th Quarter of 2020 are listed as follows:

1. Labor

At the end of December 31, 2020, the San Diego & Imperial Railroad had 8 employees:

- 1 General Manager
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Manager
- 1 Maintenance of Way Employee
- 3 Train Service Employees

2. Marketing

Volume in the 4th Quarter had a 6% increase as compared to the same quarter in 2019. Ethanol volumes to the San Ysidro transload remain below last year levels due to the decreased demand for gasoline resulting from the Covid pandemic. Carloads into Mexico increased during the quarter driven primarily from higher volumes of LPG and malt for the Tecate brewery.

3. Reportable Injuries/Environmental

Days through year to date, December 31, 2020, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: **8501**

4. Summary of Freight

	2020	2019	2018
Total rail carloads that moved by SDIY Rail Service in the quarter.	829	782	870
Total railroad carloads Terminating/Originating Mexico in the quarter.	472	371	535
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	357	411	335
Total customers directly served by SDIY in the quarter	10	12	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2487	2346	2610

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

February 25, 2021

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

An oral report will be given during the meeting.

Attachment: PSRM Third and Fourth Quarter Report



Pacific Southwest Railway Museum

La Mesa Depot 4695 Nebo Drive La Mesa, CA 91941 619-465-7776

February 16, 2021

SD&AE Board
 c/o Metropolitan Transit System
 1255 Imperial Avenue, Suite 1000
 San Diego, CA 92101

Re: Third & Fourth quarter, 2020

Dear SD&AE Board:

During the third and fourth quarters of 2020 the Pacific Southwest Railway Museum operated 56 Valley Flyers, 43 Pumpkin Express, 21 Golden States and 20 Santa Express trains carrying a total of 2,503 passengers. The museum was open for 26 days or about three months during this period of time. There were no FRA reportable accidents or injuries during the third or fourth quarter, 2020. Earned revenue from SD&AE property was \$22,841; our check for \$456.82 is enclosed.

Passenger ridership during the third and fourth quarters as compared to the past ten years:

<u>YEAR</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2020	250	2,253
2019	1,073	7,559
2018	1,021	7,698
2017	822	7,153
2016	773	6,736
2015	658	7,110
2014	1,031	6,765
2013	1,254	6,535
2012	1,012	6,889
2011	1,294	6,109

PSRM continues to perform FRA mandated signal, track and bridge maintenance. PSRM signal maintainers perform the monthly, quarterly and annual inspections and electric bills for both

signalized crossings are kept current. Our Maintenance of Way department resumed tie renewal and weeding efforts along the mainline around June, 2020 when it became clear that the rains and lack of train operations were allowing nature to get the upper hand. Unfortunately, the Cal Fire convict camp in McCain Valley was permanently closed at the end of 2020 and we will no longer enjoy the assistance of their work crews going forward.

After remaining closed since March 15, 2020, PSRM re-opened the Campo facility to the public on Saturday, September 5, 2020 with all mandated protocols in effect around the facility. As a result of social distancing, our regular train ride can only accommodate a maximum of 60 passengers per train. PSRM was able to continue train operations through the first weekend of December before closing to another governor-mandated lockdown.

As always, it is a pleasure to be allowed the opportunity to interpret southern California railroading in a living history atmosphere. We take our responsibility seriously as caretakers of the Campo Depot and Desert Line and look forward to a prosperous 2021. I would be delighted to arrange a visit for individuals or groups from this board, MTS staff and MTS board members to visit Campo and examine our progress.

Sincerely,

A handwritten signature in cursive script that reads "Diana Hyatt". The signature is written in black ink and is positioned above the printed name and title.

Diana Hyatt
President

Enc.

Agenda Item No. 5

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

February 25, 2021

SUBJECT:

REPORT ON THE DESERT LINE

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: Quarterly report not submitted in time for the mail-out

Agenda Item No. 6

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

February 25, 2021

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 28, 2020

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

Since the July 28, 2020, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-20-736: Right of Entry Permit to SDG&E to construct an underground conduit on the Coronado Branch at E Street in the City of Chula Vista.
- S200-20-740: Right of Entry Permit to HMS Construction, Inc. to construct at-grade crossing improvements at North Spring Street in the City of La Mesa.
- S200-20-742: Right of Entry Permit to AirX Utility Surveyors, Inc. to perform underground field investigations at Iris Avenue in the City of San Diego.
- S200-21-743: Right of Entry Permit to Michael Baker International to perform field investigations at Moss Street in the City of Chula Vista.
- S200-21-744: Right of Entry Permit to Cass Construction, Inc. to construct a water pipeline at 65th Street in the City of San Diego.
- S200-21-745: Right of Entry Permit to Rail Pros, Inc., to perform field investigation in the San Ysidro Yard near Beyer Boulevard in the City of San Diego.
- S200-21-746: Right of Entry Permit to Brad L. Stoner Painter, Inc. to access the right-of-way to paint an adjacent building at Anita Street in the City of Chula Vista.
- S200-21-748: Construction and Maintenance Agreement with the City of La Mesa for the North Spring Street At-Grade Crossing Improvements
- S200-21-749: Right of Entry Permit to Aguirre & Associates to perform surveys in near Central Avenue and San Miguel in the City of Lemon Grove.
- S200-21-753: Right of Entry Permit to Omega Land Surveying, Inc. to perform surveys south of Palm Avenue in the City of San Diego.