



**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
WAYNE TERRY, CHAIRPERSON
MATT DOMEN
JARED GOOCH

OFFICERS
SHARON COONEY, 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

July 13, 2021

9:00 a.m.

****Meeting will be held via Zoom****

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.

*Virtual meeting instructions can be accessed by clicking on "Additional Materials" at the following link: <https://www.sdmts.com/about-mts-meetings-and-agendas/sdae>.
Click the following link to access the meeting:
<https://us02web.zoom.us/j/83777653100>.

ACTION RECOMMENDED

1. Approval of the Minutes of February 25, 2021
Action would approve the SD&AE Railway Company Minutes of February 25, 2021. Approve
2. Statement of Railway Finances (Erin Dunn)
Action would receive a financial report for the period ending June 30, 2021. 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 (Karen Landers)
Action would receive a report on the status of the Desert Line Lease and Operating Agreement. Informational
6. Summary of SD&AE Documents Issued Since February 25, 2021 (Tim Allison)
Action would receive a report for information. Informational
7. Election to Fill Vacant Board Member Position (Karen Landers)
Action would forward a recommendation to the MTS Board of Directors to elect David Franklin, Jr. with Genesee and Wyoming as an SD&AE Board member to replace Jared Gooch. Approve
8. Board Member Communications
9. Public Comments
10. Next Meeting Date: October 5, 2021

DRAFT MINUTES

BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY (Virtual WebEx Meeting)

Thursday, February 25, 2021

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on Thursday, February 25, 2021, at 9:00 a.m.

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

San Diego Metropolitan Transit System:	Tim Allison, Erin Dunn, Jill Craver
Pacific Southwest Railway Museum:	Diana Hyatt
Baja California Railroad (BJRR):	Manuel Hernandez
Other:	Sheila LeMire

1. Approval of Minutes

Mr. Gooch moved to approve the Minutes of the July 28, 2020, SD&AE Railway Board of Directors meeting. Mr. Terry seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Ms. Dunn reviewed Statement of Railway Finances period ending December 31, 2020 (attached to the agenda item).

Action Taken

Informational item only. No action taken.

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

Mr. Gooch reviewed the SD&IV Periodic Report for activities for the 4th quarter of 2020 (attached to the agenda item).

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Ms. Hyatt reviewed the Pacific Southwest Railway Museum (PSRM) report for the third and fourth quarters of 2020 (attached to the agenda item).

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Manuel Hernandez gave a verbal report. He stated that there were no accidents and no car crossings.

Action Taken

Informational item only. No action taken.

6. Real Property MattersSummary of SD&AE Documents Issued Since July 28, 2020

Mr. Allison stated that 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.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

Mr. Terry reported that after Paul Jablonski passed away last year, Sharon Cooney was named as MTS Chief Executive Officer and she therefore assumed the role of SD&AE President and Chair. At its February 11, 2021, meeting, the MTS Board of Directors appointed Mr. Terry as the primary SD&AE Board Chairperson and Ms. Cooney as the SD&AE President and the alternate Chair.

8. Public Comments

There were no public comments.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, April 6, 2021.

10. Adjournment

The meeting was adjourned at 9:12 a.m.

Chairperson

General Counsel

Agenda Item No. 2

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

July 13, 2021

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the period ending June 30, 2021.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's preliminary financial results for the fiscal year ending June 30, 2021. Staff has just started the fiscal year-end close process and will present final year-end numbers at the October 2021 Board meeting.

As of June 30, 2021, revenue is \$3,000 under the current year budget and down \$485,000 from the fiscal year ending June 30, 2020, primarily due to \$500,000 in Desert Line Lease revenue recognized in the previous fiscal year.

Expenses are \$32,000 favorable to budget primarily due to a positive variance in both Outside Services and Risk Management Costs. Compared to the fiscal year ending June 30, 2020, expenses are up \$24,000 primarily due to an increase in Outside Services.

The preliminary Net Income as of June 30, 2021, was \$48,000.

Attachment: SD&AE Operating Statement for period ending June 30, 2021

SD&AE Operating Statement FY2021

	FY 2021							FY 2020	
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual	YTD Budget	Variance	Actuals	Variance
Revenues									
Right of Entry Permits	8,554	17,846	8,614	17,375	52,390	45,000	7,390	38,958	13,432
Lease Income	16,876	19,193	18,974	27,500	82,543	85,000	(2,457)	78,542	4,000
Desert Line Lease	-	-	-	-	-	-	-	500,000	(500,000)
SD&IV 1% Freight Fee	9,000	9,000	9,000	956	27,956	36,000	(8,044)	30,647	(2,691)
Total Revenues	34,430	46,040	36,588	45,831	162,889	166,000	(3,111)	648,147	(485,258)
Expenses									
Personnel Costs	1,841	9,434	7,995	3,662	22,931	25,000	2,069	41,392	18,461
Outside Services	8,984	8,500	11,304	10,992	39,780	50,000	10,220	5,306	(34,474)
Risk Management	9,300	5,026	9,563	8,030	31,919	50,156	18,237	22,661	(9,258)
Misc. Operating Exp	2,966	16,649	-	288	19,902	21,200	1,298	21,464	1,562
Total Expenses	23,090	39,610	28,862	22,971	114,532	146,356	31,824	90,823	(23,709)
Net Income/(Loss)	11,340	6,430	7,726	22,860	48,357	19,644	28,713	557,324	(508,967)

Reserve Balance July 1, 2020	\$448,711
Allocated Interest Earnings - Estimated	10,000
Operating Profit/(Loss) - YTD	48,357
Gain on Sale of Property	188,950
Estimated Reserve Balance as of June 30, 2021	\$696,017

Agenda Item No. 3

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

July 13, 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 2nd Quarter of 2021



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

July 1, 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 2nd Quarter of 2021 are listed as follows:

1. Labor

At the end of June 30, 2021, 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 2nd Quarter had a 53% increase as compared to the same quarter in 2020. Traffic terminating on SDIY remained consistent year over year. Bridge traffic into Mexico increased approximately 98%. Production has come back strong from COVID impact last year. Consistent shipments of LPG, agriculture products and steel.

3. Reportable Injuries/Environmental

Days through year to date, June 30, 2021, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: **8682**

4. Summary of Freight

	2021	2020	2019
Total rail carloads that moved by SDIY Rail Service in the quarter.	1099	718	1011
Total railroad carloads Terminating/Originating Mexico in the quarter.	766	387	551
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	333	331	460
Total customers directly served by SDIY in the quarter	9	9	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	3297	2154	3033

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

July 13, 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 Second Quarter Report



Pacific Southwest Railway Museum

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

July 7, 2021

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

Re: First & Second Quarters, 2021

Dear SD&AE Board:

PSRM began the new year closed to the public but was able to re-open, as an outdoor venue on Saturday, February 6, 2021 after being closed since December 6, 2020. PSRM has been open every weekend since that first weekend of February. PSRM has been following the Covid protocols from the CDC, FRA, TSA, State of California and County of San Diego with varying degrees of limitations throughout our operations. It is refreshing to be able to operate as a business once again and reap the benefits of a repealed color tier system. During the first and second quarters of 2021, the Pacific Southwest Railway Museum operated 143 Golden State Trains and 12 Bunny Trains carrying a total of 3,342 passengers. The museum has been open 42 days during these two quarters. There were no FRA reportable accidents or injuries during the first and second quarters of 2021. Earned revenue from SD&AE property was \$58,382.97; our check for \$1,167.66 is enclosed.

PSRM continues to perform all necessary and mandated signal, track and bridge maintenance. In addition to the monthly, quarterly and annual signal inspections, the ten year inspection was recently completed. Electric bills for both signalized crossings are kept current and all maintenance and expenses are solely at PSRM expense. Our Maintenance of Way department continues to perform track maintenance along the Right-of-Way. Additionally, the ROW was recently sprayed from MP 65 to MP 61.7 and another application with pre-emergent is scheduled for the fall. The annual bridge inspection was performed on the bridge at MP 65.3 and bridge inspections and load ratings were performed on two other bridges: the one crossing Highway 94 at MP 60.93 and the bridge at Division, MP 61.1. Once the report is complete, it can be forwarded along if the board desires a copy.

On the other side of the international border, PSRM has been busy hiring a Civil Engineering firm specializing in geotechnical engineering to evaluate and produce a scope of work to remediate the sliding issues at the deep cut formerly known as tunnel 3. Forming political alliances there has been stalled since last month's comprehensive election. However, it is our intent to work diligently towards re-opening the Mexican portion of this railroad and making Campo once again, accessible by rail and connected to the greater national network.

This year more than ever, it is a pleasure to be allowed the opportunity to continue our living history interpretation of railroading in the Pacific Southwest region and an honor to be the caretakers and interpreters of the San Diego & Arizona Railway and its predecessor the San Diego & Arizona Eastern Railway. The invitation is always open to members of this board and their staff, as well as MTS board members to visit us at Campo.

Sincerely,

A handwritten signature in blue ink that reads "Diana Hyatt". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Diana Hyatt
President

Enc.

Agenda Item No. 5

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

July 13, 2021

SUBJECT:

DESERT LINE STATUS UPDATE

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a report on the status of the Desert Line Lease and Operating Agreement.

Budget Impact

None. Revenue from the Desert Line Lease and Operating Agreement is not included in SD&AE budgets unless and until it is received. Therefore, termination of the agreement will not impact the Fiscal Year 2022 Budget.

DISCUSSION:

The Desert Line Lease and Operating Agreement (Agreement) between MTS, SD&AE, and Baja California Rail Road (BJRR) requires semi-annual rent payments of \$500,000, which are due on January 1 and July 1 of each year. The last rent payment made by BJRR was received on July 26, 2019. At BJRR's request, MTS agreed to extend the January 1, 2020, payment deadline to January 31, 2020. However, BJRR did not make the payment by the extended deadline.

MTS provided BJRR with additional opportunities to cure this default before June 30, 2020. On July 28, 2020, MTS issued a letter formally terminating the Agreement with BJRR due to BJRR's failure to pay rent. Thereafter, BJRR invoked the dispute resolution procedures under Section 10 of the Agreement. An informal conference between chief executive officers was held on August 14, 2020. On October 6, 2020, MTS triggered the next step in the process: mediation. A mediation session was held on December 7, 2020, which was followed by multiple settlement offers between the parties. Unfortunately, no mutually agreeable resolution could be reached for BJRR to cure its default and stay in good standing under the Agreement. Therefore, after consultation with the MTS Board of Directors, on June 21, 2021, MTS formally terminated the mediation process and reinstated its termination of the Agreement. BJRR is objecting to MTS's termination. Litigation may be necessary to validate MTS's action.

MTS staff's next step is to work to unwind the Agreement, document the condition of the Desert Line, and review options for whether and how to move the Desert Line Project forward.

Agenda Item No. 6

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

July 13, 2021

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE FEBRUARY 25, 2021

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the February 25, 2021, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-21-752: Purchase and Sale Agreement with SLF – Moss Street, LLC, to quitclaim a spur easement at Moss Street in the City of Chula Vista.
- S200-21-754: Easement quitclaim at Moss Street in the City of Chula Vista.
- S200-21-755: Right of Entry Permit to EDM International, Inc. for anchor inspections on behalf of SDG&E at various locations.
- S200-21-756: Right of Entry Permit to Group Delta Consultants to perform soil sampling along the Coronado Branch for the Bayshore Bikeway Segment 5 Project in the City of National City.
- S200-21-757: Right of Entry Permit to VCI Construction to construct underground fiber conduits along Commercial Street at 25th Street in the City of San Diego.
- S200-21-758: Right of Entry Permit to Southwest Pipeline & Trenchless Corp. to rehabilitate existing underground sewer pipelines and manholes at 54th Street in the City of San Diego.
- S200-21-759: Right of Entry Permit to Kimley-Horn and Associates, Inc. to perform visual inspections at 8th Street in the City of National City.
- S200-21-760: Right of Entry Permit to AirX Utility Surveyors, Inc. to perform potholing to locate utilities at 30th Street in the City of San Diego.
- S200-21-762: Right of Entry Permit to Southern California Railway Museum to remove a decommissioned traction power substation at F Street in the City of San Diego.
- S200-21-764: Right of Entry Permit to Casa Familiar, Inc. for a 5k walk event at Smythe Crossing in the City of San Diego.

Agenda Item No. 7

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

July 13, 2021

SUBJECT:

ELECTION TO FILL BOARD MEMBER POSITION

RECOMMENDATION:

That the SD&AE Board of Directors forward a recommendation that the MTS Board of Directors elect David Franklin Jr. with Genesee and Wyoming as an SD&AE Board member to replace Jared Gooch.

Budget Impact

None.

DISCUSSION:

MTS acquired the corporate entity known as SD&AE from Southern Pacific Transportation Company in 1979. SD&AE owns certain rights-of-way, physical assets, operating rights, licenses and agreements. Upon this acquisition, MTS contracted with a private freight operator to provide all freight service on the line. In an "Agreement for Operation of Freight Services and Control through Management of SD&AE" dated March 9, 1984, MTS entered into a fifty (50) year agreement with Genesee & Wyoming, Inc.'s predecessor, RailTex, Inc. Under that agreement, MTS agreed that the SD&AE Board of Directors would consist of one member appointed by MTS and two members who are directors or officers of the operating company.

The current operating company under the MTS-SDAE agreement is Genesee & Wyoming, and their subsidiary short-line railroad San Diego & Imperial Valley Railroad (SDIY).

The current SD&AE Board is made up of:

MTS Board Position: Wayne Terry (primary); Sharon Cooney (alternate)

Operating Co Position #1: Matt Domen. General Manager, SDIY

Operating Co Position #2: Jared Gooch, Director of Marketing, Genesee & Wyoming

Genesee & Wyoming desires to replace the Operating Co Position #2, currently held by Jared Gooch, with David Franklin Jr., Regional Assistant VP with Genesee & Wyoming.

Today's action would be to formally forward a recommendation to the MTS Board of Directors that they appoint David Franklin Jr. to replace Jared Gooch on the SD&AE Board, serving in the operating company's second board position.