

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

JOINT MEETING OF THE EXECUTIVE COMMITTEE

for the
Metropolitan Transit System
San Diego Transit Corporation, and
San Diego Trolley, Inc.

October 23, 2008

Executive Conference Room
9:00 a.m.

ACTION RECOMMENDED

- A. ROLL CALL
- B. APPROVAL OF MINUTES - September 18, 2008 Approve
- C. COMMITTEE DISCUSSION ITEMS
- None.
- D. RECOMMENDED FOR BOARD CONSENT AGENDA
1. MTS: Ticket Vending Machine Reprogramming Approve
Action would forward a recommendation to the Board of Directors to: (1) authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) with the San Diego Association of Governments (SANDAG) for Ticket Vending Machine (TVM) reprogramming; and (2) approve a fund transfer from Capital Improvement Project (CIP) 11166 - CCTV Surveillance Equipment to SANDAG's CIP 1145700 - Fare Technology. Budget Impact - \$127,904 would be transferred from MTS CIP 11166 to SANDAG CIP 1145700.
2. MTS: Increased Authorization for Legal Services - Law Offices of R. Martin Bohl Approve/Ratify
Action would forward a recommendation to the Board of Directors to authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1072.2-07 with the Law Offices of R. Martin Bohl for legal services and ratify prior amendments entered into under the CEO's authority. Budget Impact - Not to exceed \$100,000 for the Law Offices of R. Martin Bohl. The recommended amounts are contained within the fiscal year 2009 budget.

Please turn off cell phones and pagers
during the meeting



Metropolitan Transit System (MTS) is a California public agency and is comprised of San Diego Transit Corporation and San Diego Trolley, Inc. nonprofit public benefit corporations, in cooperation with Chula Vista Transit and National City Transit. MTS is the taxicab administrator for eight cities and the owner of the San Diego and Arizona Eastern Railway Company. MTS member agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

- E. REVIEW OF DRAFT OCTOBER 30, 2008, JOINT BOARD AGENDA
- F. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA Possible Action
Review of SANDAG Transportation Committee Agenda and discussion regarding any items pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant excerpts will be provided during the meeting.
- G. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS
- H. PUBLIC COMMENTS
- I. NEXT MEETING DATE: November 6, 2008
- J. ADJOURNMENT

DRAFT

EXECUTIVE COMMITTEE MEETING FOR THE METROPOLITAN TRANSIT SYSTEM (MTS), SAN DIEGO TRANSIT CORPORATION (SDTC), AND SAN DIEGO TROLLEY, INC. (SDTI)

September 18, 2008

MTS
1255 Imperial Avenue, Suite 1000, San Diego

MINUTES

A. ROLL CALL

Chairman Mathis called the meeting to order at 9:05 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Emery moved approval of the minutes of the August 14, 2008, Executive Committee meeting. Mr. Ewin seconded the motion, and the vote was 5 to 0 in favor.

C. COMMITTEE DISCUSSION ITEMS

The Board convened to Closed Session at 9:06 a.m.

(Taken Out of Order)

2. MTS: Closed Session – Conference with Rail Property Negotiators Pursuant to California Government Code section 54956.8

Property: Assessor Parcel Nos. 461-320-7, 12, 20, 21, and 29, San Diego, California

Agency Negotiators: Tiffany Lorenzen, MTS General Counsel and Tim Allison, Manager of Real Estate Assets

Negotiating Parties: Potential Qualified Developers

Under Negotiation: Price and Terms of Payment

The Board reconvened to Open Session at 10:12 a.m.

Oral Report of Final Actions Taken in Closed Session

Ms. Tiffany Lorenzen, MTS General Counsel, reported the following:

- a. The Committee received a report and gave direction to agency negotiators.

1. MTS: GASB 45 Actuarial Valuation of Postemployment Welfare Benefits (FIN 370)

Ms. Linda Musengo, Finance Manager, advised the Committee that MTS is now subject to new reporting requirements regarding healthcare-cost accrued liabilities. She stated that every government agency is subject to these same requirements. She stated that entities are not required to fund their liability for healthcare costs, but there would be a cash impact if the Board decided to fund part or all of the liability anyway. Ms. Musengo introduced Jim Whelpley of Rael and Letson, an

actuary and benefit consulting firm. He provided Committee members with a list of definitions for Government Accounting Standards Board (GASB) 43 and 45 and a Glossary of Retiree Health Valuation Terms.

Ms. Musengo explained for Mr. Monroe that these new standards are coming about as a result of recent concerns expressed by the Securities and Exchange Commission about the lack of transparency in financial statements for publicly traded companies. She reported that the Financial Accounting Standards Board approved new standards to address that concern. She stated that, over the years, it has been found that the same standards should be followed by public agencies as well. She stated that health care benefits represent the same type of liability as pension fund liabilities.

Mr. Whelpley reviewed the new disclosure requirements mandated under GASB 43 and 45. He pointed out that the benefits could be funded in an irrevocable trust such as the one that CalPers offers. He then explained that California (AB) Bill 2544 mandates that there be parity between the portion of health care benefit covered by the company for current employees compared to the portion covered for retired employees, which will cause costs to increase. He stated that this bill pertains only to those employees in the CalPers plan. He stated that parity would need to be achieved for existing and retired MTS and San Diego Trolley employees, and MTS could do that over a number of years. He also stated that increasing the portion of health care coverage covered by the company may encourage more employees to participate in the health plan when they retire. Mr. Cliff Telfer, Chief Financial Officer, stated that meetings are currently being held to review options for getting employees currently covered by CalPers into a different health care plan.

Mr. Whelpley then provided a projection of retiree counts. He also explained gross versus net cash flow and provided projections of each. He also reviewed funding options. He stated that, if the liability is funded at 100 percent with the California Employees' Retiree Benefit Trust, their projected return of 7.75 percent could be used as a discount rate. He then provided Committee members with the projected annual required contribution under three different funding scenarios. He also presented a graph that illustrated the cost of pay-as-you-go versus full funding. This chart showed that MTS would save money until approximately 2020 with a pay-as-you-go plan. After 2020, the cost would be less if the liability had been funded. Mr. Jablonski pointed out that none of the figures presented take into consideration the loss of the use of about \$2 million a year for 12 years.

Mr. Whelpley stated that the next step is to consider whether or not to fund and at what level or consider changes to cost sharing or the design of the basic benefits. He stated that, with no plan changes, the next actuarial valuation would be as of June 30, 2009. Ms. Musengo stated that actuarial studies are required every two years, but if significant changes are made to the plan, an actuarial study would have to be done when the changes are made.

In response to a comment by Mr. Jablonski, Ms. Musengo stated that the total liability for health benefits would be included in a disclosure note in the financial statement in addition to information about the agency's funding status. Mr. Jablonski stated that this disclosure may make MTS appear less creditworthy. Mr.

Telfer stated that this depends on whether or not other public agencies are funding this particular liability. Mr. Gary Caporicci of Caporicci and Larson, MTS's auditors, reported that very few agencies are funding this liability. He stated that of their 480 clients in California, only 5 are funding. Mr. Caporicci reiterated that there are no penalties for not funding this liability; it is strictly a transparency issue.

Mr. Emery pointed out that MTS is currently experiencing funding shortfalls. Mr. Jablonski stated that because MTS has issued Pension Obligation Bonds, it should be concerned about its credit rating. He pointed out he didn't feel ready to make a decision at this point in time. He added that if MTS avoids the changes mandated by AB 2544, its annual required contribution would be less. Mr. Jablonski stated that because of quorum issues, this item will be brought to the October 16, 2008, Board meeting rather than the September meeting.

Action Taken

Mr. Monroe moved to receive a report for information. Mr. Rindone seconded the motion, and the vote was 6 to 0 in favor

D. RECOMMENDED BY THE EXECUTIVE COMMITTEE FOR THE BOARD CONSENT AGENDA

1. SDTI: SD 100 Light Rail Vehicle Repairs Sole-Source Contract Award (OPS 970.6)

That the Board of Directors (1) find that there is only a single source of procurement for repairs to Siemens Transportation Systems, Inc. (Siemens) SD 100 Light Rail Vehicle (LRV) No. 2052; (2) find that Siemens is the sole-source provider for the structural repair service for SDTI LRV No. 2052; and (3) under the provisions of MTS Board Policy No. 52 (4E), authorize the CEO to award a sole-source, fixed-price contract to Siemens to repair SDTI LRV No. 2052.

Chairman Mathis provided an overview of the accident that caused this damage. Mr. Jablonski stated that insurance will cover the cost.

Action Taken

Mr. Emery moved to approve placing Agenda Item D1 on the Consent portion of the September 25, 2008, Board agenda. Mr. Rindone seconded the motion, and the vote was 6 to 0 in favor.

E. REVIEW OF DRAFT AUGUST 21, 2008, BOARD AGENDA

Recommended Consent Items

There were no additional Consent Items to discuss.

Recommended Board Discussion Items

There was no discussion of recommended Discussion Items.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

Ms. Sharon Cooney, Director of Government Affairs and Community Relations, reported on two items on the Transportation Committee agenda for Friday, September 19, 2008.

Coordinated Plan: Ms. Cooney reported that the Coordinated Plan being presented is the Plan SANDAG developed with MTS input. She stated that staff is in agreement with the Plan.

Senior Minigrant Program: Ms. Cooney reminded Committee members that MTS (including existing service) was found to be eligible for this program during a Transportation Committee meeting on March 28, 2008. She stated that MTS, with the help of SANDAG staff, prepared applications to compete for the \$1.1 million designated under TransNet II for this program. She stated that since the submittal of that application, the Selection Committee and the Independent Taxpayer Oversight Committee have ruled that MTS is not eligible for these funds. She reported that the Selection Committee decided that the funding is only for service that is exclusively for seniors. She added that this is a 40-year program, and a policy decision needs to be made regarding eligibility for the program. She stated that MTS needs to make it known that its service should be eligible. Ms. Cooney pointed out that the MTS routes referenced in the application make 71,000 senior trips annually. She stated that she felt that SANDAG's Coordinated Plan demonstrates that MTS should be eligible based on existing ridership.

Mr. Monroe stated that the criteria used to determine eligibility were that funding should be for new routes only that are exclusively for seniors. He stated that MTS needs to fight for eligibility for the years ahead. He stated that if these criteria are spelled out in TransNet II, that language could be changed by the SANDAG Board of Directors. Ms. Cooney stated that she didn't think there was specific language in TransNet II regarding this issue. Chairman Mathis stated that he didn't think the criteria were consistent with the intent of TransNet II. Mr. Jablonski stated that MTS is trying to create new funding opportunities. He stated that this program funds new service while MTS is faced with cutting existing service. He reminded the Committee that these criteria were decided upon after the Transportation Committee meeting during which MTS was determined to be eligible. Mr. Emery requested a copy of the minutes from that March Transportation Committee.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Change in Meeting Time for October 2, 2008, Executive Committee meeting: Mr. Rindone requested that the next Executive Committee meeting be held at 8:00 a.m.

SAFETEA-LU: Mr. Monroe reported that it appears that the next transportation funding bill may be incorporated into the green house gases/energy bill.

LOSSAN: Mr. Rindone reported that he attended a LOSSAN meeting on September 5. He stated that LOSSAN continues to support the concept of double tracking in the LOSSAN Corridor. He stated that this is the ultimate solution as evidenced by the recent head-on collision of two trains in the Los Angeles area. He stated that it is very difficult to find funding, but that LOSSAN continues to work toward that goal. Mr. Roberts reported that the high speed rail proposal will support the concept of double tracking. Mr. Jablonski stated that Positive Train Control could have prevented the head-on accident because any

train that runs a red light would be automatically shut down under this system. He stated that this type of system costs about \$1 million per mile of track to install.

California Budget: Ms. Cooney provided an overview of the state budget, which proposes \$406 million for State Transit Assistance (STA) funding. She reported that the Governor has said that he will veto the budget, but the legislature may be able to override the veto. She added that the Governor has Trailer Bills on his desk that he could use to "blue pencil" this item back to \$306 million. She stated that \$306 million is what MTS used to determine its STA funding for the FY 2009 budget.

Cell and Texting Policy: In response to a question from Mr. Monroe, Mr. Jablonski stated that MTS does have a cell phone and texting policy. He stated that this policy has been reissued every six months for the last three years. Mr. Rindone suggested that the full Board be apprised of this fact.

G. PUBLIC COMMENTS

Margo Tanguay: Mr. Tanguay reported on a recent Garrison Keillor program she saw on PBS about New York City subway operators. She stated that it was a tribute to public transportation.

H. NEXT MEETING DATE:

The next meeting is scheduled for Thursday, October 2, 2008, at 8:00 a.m., in the Executive Conference Room.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 11:13 a.m.

Chairman

Attachment: A. Roll Call Sheet
gail.williams/minutes

**EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM**

ROLL CALL

MEETING OF (DATE) 9/18/08

CALL TO ORDER (TIME) 9:05 a.m.

RECESS _____

RECONVENE _____

CLOSED SESSION 9:06 a.m.

RECONVENE 10:12 a.m.

ADJOURN 11:13 a.m.

BOARD MEMBER	(Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
ATKINS	<input checked="" type="checkbox"/> (Young) <input type="checkbox"/>		
EMERY	<input checked="" type="checkbox"/> (Cafagna) <input type="checkbox"/>		
EWIN	<input checked="" type="checkbox"/> (Clabby) <input type="checkbox"/>		10:32 a.m. during AI C1
MATHIS	<input checked="" type="checkbox"/>		
MONROE	<input checked="" type="checkbox"/> (McLean) <input type="checkbox"/>		
RINDONE	<input checked="" type="checkbox"/> (Emery) <input type="checkbox"/>	9:06 a.m. during AI C2	
ROBERTS	<input checked="" type="checkbox"/> (Cox) <input type="checkbox"/>	9:06 a.m. during AI C2	

SIGNED BY OFFICE OF THE CLERK OF THE BOARD

Gail Williams

CONFIRMED BY OFFICE OF THE GENERAL COUNSEL:

[Signature]



Recommended
for Board Consent
on 10/30/08

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda

Item No. D1

JOINT MEETING OF THE EXECUTIVE COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

CIP 11166

October 23, 2008

SUBJECT:

MTS: TICKET VENDING MACHINE REPROGRAMMING

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to:

1. authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) (in substantially the same form as Attachment A) with the San Diego Association of Governments (SANDAG) for Ticket Vending Machine (TVM) reprogramming; and
2. approve a fund transfer from Capital Improvement Project (CIP) 11166 – CCTV Surveillance Equipment to SANDAG's CIP 1145700 – Fare Technology (in substantially the form as shown on Attachment B - Budget Transfer Summary).

Budget Impact

\$127,904 would be transferred from MTS CIP 11166 to SANDAG CIP 1145700.

DISCUSSION:

On June 13, 2008, the SANDAG Transportation Committee approved amendments to the Regional Comprehensive Fare Ordinance. Those changes necessitated reprogramming of the Ticket Vending Machines (TVM). Cubic completed the work to implement the new fare structure in September. The \$127,904 was covered by SANDAG using other funds until such a time when a budget transfer could be completed. Staff has identified federal grant funding that can be used for the Park & Market Station surveillance equipment and is therefore recommending the transfer of \$127,904 from CIP 11166 – CCTV Surveillance Equipment to SANDAG's CIP 1145700 – Fare Technology.



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An MOU between MTS and SANDAG outlining the scope and cost of the project (Attachment A) is attached for information.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

OCT.23-08.D1.TVM REPROGRAM.COONEY.doc

Attachments: A. MOU
B. Budget Transfer Summary

**MEMORANDUM OF UNDERSTANDING
BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS
AND METROPOLITAN TRANSIT SYSTEM
REGARDING FUND TRANSFER FOR TICKET VENDING MACHINE
REPROGRAMMING**

This Memorandum of Understanding ("MOU") is made and entered into effective as of this _____ day of October 2008, by and between the San Diego Association of Governments ("SANDAG") and Metropolitan Transit System ("MTS").

RECITALS

The following recitals are a substantive part of this Agreement:

WHEREAS, at its October 30, 2008, meeting, the MTS Board of Directors approved a fund transfer from MTS Capital Improvement Program (CIP)11166 (CCTV Surveillance Equipment) to SANDAG's CIP 1145700 (Fare Technology) to pay for Ticket Vending Machine reprogramming needed to implement adjustments in the Trolley fare structure; and

WHEREAS, the parties wish to memorialize their agreement in this MOU to carry out the purposes set forth above;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties agree as follows:

SANDAG AGREES:

1. To use the funding to pay Cubic to reprogram the Ticket Vending Machines to implement the Trolley fare adjustments.
2. To use any funds provided by MTS under this MOU exclusively for the project and to return any remaining project funds to MTS upon completion of the project.
3. Neither MTS nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, SANDAG shall fully defend, indemnify and save harmless MTS, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this MOU.

MTS AGREES:

1. To fund the reprogramming of the Ticket Vending Machines.
2. To utilize SANDAG's contractor for this work.
3. To provide staff support on the project at no cost to SANDAG, including, but not limited to, any staff support or cooperation needed to defend any contractor claims that may arise on the project.
4. Neither SANDAG nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU. It is understood and agreed that, pursuant to Government Code Section 895.4, MTS shall fully defend, indemnify and save harmless SANDAG, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this MOU.

THE PARTIES MUTUALLY AGREE:

1. That all obligations of the parties under the terms of this MOU are subject to the appropriation of the required resources by parties and the approval of their respective Boards of Directors.
2. Any notice required or permitted under this MOU may be personally served on the other party, by the party giving notice, or may be served by certified mail, return receipt requested, to the following addresses:

For SANDAG

Attn: Office of General Counsel
401 B Street, Suite 800
San Diego, CA 92101

For MTS

Attn: Office of General Counsel
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

3. That unless it is amended by the parties in writing, this MOU shall terminate on June 30, 2009, or on such earlier or later date as the parties may agree to in writing. This MOU shall continue in effect unless and until a party to the MOU gives 60 (sixty) days' written notice of its desire to withdraw from the MOU. If such notice is given, the MOU shall continue to be binding on those parties who have not formally withdrawn.
4. The indemnification provisions of this MOU shall survive termination of the MOU.
5. This MOU shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this MOU, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.
6. All terms, conditions, and provisions hereof shall inure to and shall bind each of the parties hereto and each of their respective heirs, executors, administrators, successors, and assigns.

7. For purposes of this MOU, the relationship of the parties is that of independent entities and not as agents of each other or as joint venturers or partners. The parties shall maintain sole and exclusive control over their personnel, agents, consultants, and operations.
8. No alteration or variation of the terms of this MOU shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.
9. Nothing in the provisions of this MOU is intended to create duties or obligations to or rights in third parties to this MOU or affect the legal liability of the parties to this MOU.
10. This MOU may be executed in any number of identical counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument when each party has signed one such counterpart.

IN WITNESS WHEREOF, the Parties hereto have executed this MOU effective on the day and year first above written.

SAN DIEGO ASSOCIATION OF GOVERNMENTS

METROPOLITAN TRANSIT SYSTEM

GARY L. GALLEGOS
Executive Director

PAUL C. JABLONSKI
Chief Executive Officer

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Office of General Counsel

Office of General Counsel

OCT23-08.D1.AltA.TVM REPROGRAM.COONEY.doc

BUDGET TRANSFER SUMMARY

CIP NO	PROJECT NAME	BUDGETS		
		Existing	Change	Proposed
11166	MTS CCTV	\$150,000	-\$127,904	\$22,096
1145700	SANDAG – Fare Technology	\$48,025,000	\$127,904	\$48,152,904

OCT23-08.D1.AttB.TVM REPROGRAM.COONEY.doc



**Recommended
for Board Consent
on 10/30/08**

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda

Item No. D2

**JOINT MEETING OF THE EXECUTIVE COMMITTEE
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.**

LEG 491 (PC 50633)

October 23, 2008

SUBJECT:

**MTS: INCREASED AUTHORIZATION FOR LEGAL SERVICES – LAW OFFICES OF
R. MARTIN BOHL**

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors to authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1072.2-07 (in substantially the same form as Attachment A) with the Law Offices of R. Martin Bohl for legal services and ratify prior amendments entered into under the CEO's authority.

Budget Impact

Not to exceed \$100,000 for the Law Offices of R. Martin Bohl. The recommended amounts are contained within the fiscal year 2009 budget.

DISCUSSION:

On January 18, 2007, the Board approved a list of qualified attorneys for joint development projects for use by MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC) (hereinafter referred to as the Agencies) staffs on an as-needed basis. Thereafter, MTS began to contract with approved attorneys for various amounts depending upon current and anticipated needs.

Pursuant to Board Policy No. 52 (Procurement of Goods and Services), the CEO may enter into contracts with service providers for up to \$100,000. The Board must approve all agreements in excess of \$100,000. Mr. Bohl has multiple projects that he is working

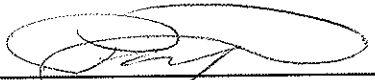


Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

on for the Agencies, and the total cost of his legal services will exceed the CEO's authority.

The Law Offices of R. Martin Bohl is currently under contract with the Agencies for \$100,000. Attorney Marty Bohl has successfully represented the Agencies in a number of joint development projects, including Morena Vista and Grossmont Trolley Station. Pending invoices for recent and current services are anticipated to exceed current contract authority.

The CEO has approved the base contract and initial amendment up to the \$100,000 authority level. Staff is requesting that the Executive Committee forward a recommendation to the Board for approval of MTS Doc. No. G1072.2.07 with the Law Offices of R. Martin Bohl for legal services and ratification of prior contracts/ amendments entered into under the CEO's authority.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, tiffany.lorenzen@sdmts.com

OCT23-08.D2.LEGALSVCSMARTINBOHL.TLOREN.doc

Attachment: A. MTS Doc. No. G1072.2-07

DRAFT

October 30, 2008

MTS Doc. No. G1072.2-07
LEG 490 (PC 50121-53110)

Mr. R. Martin Bohl
Law Offices of R. Martin Bohl
501 West Broadway, Suite 520
San Diego, CA 92101-3544

Dear Mr. Bohl:

Subject: AMENDMENT NO. 2 TO MTS DOC. NO. G1072.0-07: LEGAL SERVICES – GENERAL
LAND USE

This letter will serve as Amendment No. 2 to MTS Doc. No. G1072.0-07. This contract amendment authorizes additional costs not to exceed \$100,000 for professional services. The total value of this contract, including this amendment, is \$200,000. Additional authorization is contingent upon MTS approval.

If you agree with the above, please sign below and return the document marked "Original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Accepted:

Paul C. Jablonski
Chief Executive Officer

R. Martin Bohl
Law Offices of R. Martin Bohl

Date: _____

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DRAFT

Agenda

JOINT MEETING OF THE BOARD OF DIRECTORS

for the

Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

October 30, 2008

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

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 (ADLs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

**ACTION
RECOMMENDED**

1. Roll Call
2. Approval of Minutes - October 16, 2008
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.

Approve

Please turn off cell phones and pagers
during the meeting



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CONSENT ITEMS

6. MTS: San Diego and Arizona Eastern (SD&AE) Railway Company Quarterly Reports and Ratification of Actions Taken by the ~~SD&AE~~ SD&AE Railway Company Board of Directors at its October 10, 2008, Special Meeting Ratify
Action would: (1) receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports; and (2) ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its Special Meeting on October 10, 2008.
7. MTS: State Transit Assistance (STA) Claims Adopt
Action would adopt Resolution 08-22 approving fiscal year (FY) 2009 STA claims.
8. MTS: Office of Homeland Security Grant Applications Adopt
Action would adopt Resolution No. 08-23 authorizing the CEO to submit applications for fiscal year 2008-2009 California Transit Security Grant Program-State Transit Assistance Agencies funding.
9. MTS: Public Transportation Modernization, Improvement, and Service Enhancement Account Funding Adopt
Action would adopt Resolution No. 08-24 authorizing the CEO to submit applications for fiscal year 2008-2009 California Public Transportation Modernization, Improvement, and Service Enhancement Account--State Transit Assistance Agencies funding.

The Executive Committee will determine if the following items will be on the Board agenda as Consent or Discussion (see Executive Committee items under Section D).

10. MTS: Ticket Vending Machine Reprogramming Approve
Action would: (1) authorize the Chief Executive Officer (CEO) to execute a Memorandum of Understanding (MOU) with the San Diego Association of Governments (SANDAG) for Ticket Vending Machine (TVM) reprogramming; and (2) approve a fund transfer from Capital Improvement Project (CIP) 11166 - CCTV Surveillance Equipment to SANDAG's CIP 1145700 - Fare Technology.
11. MTS: Increased Authorization for Legal Services - Law Offices of R. Martin Bohl Approve/Ratify
Action would authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. G1072.2-07 with the Law Offices of R. Martin Bohl for legal services and ratify prior amendments entered into under the CEO's authority.

CLOSED SESSION

24. None.

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

- | | | |
|-----|---|---------|
| 30. | <u>MTS: Fare Ordinance Changes for January 2009 - First Reading</u>
Action would: (1) read the title of Ordinance No. 4, An Ordinance Establishing a Metropolitan Transit System Fare-Pricing Schedule; (2) waive a further readings of the ordinance; (3) introduce the ordinance for further consideration at the next Board meeting on November 13; and (4) direct publication of an ordinance summary. | Approve |
|-----|---|---------|

REPORT ITEMS

- | | | |
|-----|---|-------------|
| 45. | <u>SDTC: Transit Services Year-End Report</u>
Action would receive a report for information. | Receive |
| 46. | <u>SDTI: Rail Year-End Report</u>
Action would receive a report for information. | Receive |
| 47. | <u>MTS: Route 28 Service on Shelter Island</u>
Action would receive a report for information. | Receive |
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |
| 63. | <u>Board Member Communications</u> | |
| 64. | <u>Additional Public Comments Not on the Agenda</u>
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments. | |
| 65. | <u>Next Meeting Date:</u> November 13, 2008 | |
| 66. | <u>Adjournment</u> | |



Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda

Item No. 6

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

SDAE 710 (PC 50771)

October 30, 2008

**Draft for
Executive Committee
Review Date: 10/23/08**

SUBJECT:

MTS: SAN DIEGO AND ARIZONA EASTERN (SD&AE) RAILWAY COMPANY
QUARTERLY REPORTS AND RATIFICATION OF ACTIONS TAKEN BY THE SD&AE
RAILWAY COMPANY BOARD OF DIRECTORS AT ITS OCTOBER 10, 2008, SPECIAL
MEETING

RECOMMENDATION:

That the Board of Directors:

1. receive the San Diego and Imperial Valley Railroad (SD&IV), Pacific Southwest Railway Museum Association (Museum), and Carrizo Gorge Railway, Inc. (Carrizo) quarterly reports (Attachment A); and
2. ratify actions taken by the San Diego and Arizona Eastern (SD&AE) Railway Company Board of Directors at its Special Meeting on October 10, 2008.

Budget Impact

None.

DISCUSSION:

Quarterly Reports

Pursuant to the Agreement for Operation of Freight Rail Services, SD&IV, Museum, and Carrizo have provided the attached quarterly reports of their operations during the third quarter of calendar year 2008 (Attachment A).

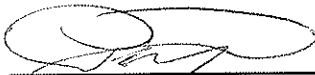


SD&AE Property Matters

Under its adopted policy for dealing with the SD&AE Railway, the MTS Board of Directors must review all property matters acted on by the SD&AE Board. At its meeting of October 10, 2008, the SD&AE Board:

- received a report on the following documents processed by staff:
 - S200-08-352: Right of Entry Permit to Rand Engineering for sewer construction west of SR 125 in the City of La Mesa.
 - S200-08-359: Radio License with the Federal Communications Commission.
 - S200-08-366: Lease to CCRT Properties for parking under the Jackson Drive Bridge (east side) in the City of La Mesa.
 - S200-08-367: License to Marina Gateway Development Corporation for use of the Coronado Branch right-of-way in the City of National City south of Bay Marina Drive.
 - S200-08-368: Easement to the City of La Mesa for a sewer line replacement west of SR 125 in the City of La Mesa.
 - S200-08-371: Right of Entry Permit to Bike the Bay for the Bike to Bay Bikeride.
 - S200-09-372: Right of Entry Permit to Davis / Reed Construction, Inc. for construction of the Marina Gateway Hotel Project in National City on the Coronado Branch.
 - S200-08-373: Easement to SDG&E for a meter box at the Grossmont Station platform in the City of La Mesa.
 - S200-09-376: Right of Entry Permit to HAR Construction for the Bayshore Bikeway Project in the City of San Diego south of the Salt Works on the Coronado Branch.
 - S200-09-377: Right of Entry Permit to Earth Tech for soils investigation adjacent to Building B on Commercial Street in the City of San Diego.
 - S200-09-378: Right of Entry Permit to SDG&E for pole and guy removal near El Cajon Boulevard in the City of El Cajon.
 - S200-09-379: Right of Entry Permit to David Evans and Associates for surveying at the 27th Street and Palm Avenue crossings in the City of San Diego.

- S200-09-380: Right of Entry Permit to Tri-County Drilling for soils investigation adjacent to Building B on Commercial Street in the City of San Diego.
 - S200-09-381: Right of Entry Permit to John Tessitore Construction, Inc. to construct a parking lot under the Jackson Drive Bridge (east side) in the City of La Mesa.
 - S200-09-382: Right of Entry Permit to Penhall Construction to repair the SR 94 Campo Creek Bridge in Campo on the Desert Line.
- approved (1) an addition to the approved license area to JMI Realty for the construction of tiebacks in the railroad right-of-way, and (2) issuance of an easement to JMI Realty for emergency access.
 - approved the 2009 SD&AE Board of Directors meeting schedule.
 - replaced Ray Stephens with Bob Jones as a Board member and (2) added Mark Bader of RailAmerica as Mr. Jones' alternate.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Tiffany Lorenzen, 619.557.4512, tiffany.lorenzen@sdmts.com

OCT30-08.6.SDAE RPTS.TLOREN.doc

Attachment: A. Meeting Agenda & Operators' Quarterly Reports (**Board Only Due to Volume**)



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
Ray Stephens, Chairman
Peter Jespersen
Paul Jablonski

OFFICERS
Paul Jablonski, President
Ray Stephens, Secretary
Alejandro De La Torre,
Treasurer

OF COUNSEL
Tiffany Lorenzen

AGENDA

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

SDAE 710.1

SPECIAL MEETING

October 10, 2008

1:00 p.m.

Executive Committee Room
James R. Mills Building
1255 Imperial Avenue, 10th Floor

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 (ADLs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

RECOMMENDED ACTION

- | | |
|---|-----------------|
| 1. <u>Approval of the Minutes of July 15, 2008, and the August 15, 2008, Special Meeting</u>
Action would approve the SD&AE Railway Company minutes of July 15, 2008, and the August 15, 2008, Special Meeting. | Approve |
| 2. <u>Follow-up on Carrizo Gorge Railway Action from the August 15, 2008, Special Meeting</u>
Action would follow up on the action taken at the August 15, 2008, Special Meeting wherein Carrizo was directed to retain a contractor and submit a schedule to the Board with critical-path specifications for the repair of all priority 2 bridges (including the walkways and ladders at Goat Canyon) identified in the Osmose report on or before October 1, 2008, and to begin work on October 2, 2008, assuming approval of the schedule and repair plans by the SD&AE Board of Directors. | Possible Action |
| 3. <u>Statement of Railway Finances (Linda Musengo)</u>
Action would receive a report for information. | Receive |
| 4. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Jose Ramos)</u>
Action would receive a report for information. | Receive |
| 5. <u>Report on Pacific Southwest Railway Museum (Jim Lundquist)</u>
Action would receive a report for information. | Receive |

- | | | |
|-----|---|-----------------|
| 6. | <u>Report on the Desert Line (Armando Freire)</u>
Action would receive a report for information. | Receive |
| 7. | <u>Real Property Matters (Tim Allison)</u> | |
| a. | <u>Summary of SD&AE Documents Issued Since July 15, 2008</u>
Action would receive a report for information. | Receive |
| b. | <u>Bayshore Bikeway Project – Segment North of The Salt Works</u>
Action would receive a report for information and provide direction to staff. | Possible Action |
| c. | <u>Marriott Ballpark Village Request for Additional License Area and Emergency Access Easement</u>
Action would approve an addition to the approved license area to JMI Realty for the construction of tiebacks in the railroad right-of-way and approve issuance of an easement to JMI Realty for emergency access. | Approve |
| 8. | <u>Approval of the 2009 SD&AE Board of Directors Meeting Schedule (Tiffany Lorenzen)</u>
Action would approve the 2009 SD&AE Board of Directors meeting schedule. | Approve |
| 9. | CLOSED SESSION - Conference with Real Property Negotiators Pursuant to California Government Code section 54956.8
<u>Property:</u> Assessor's Parcel No. 628-120-63, San Diego, California
<u>Agency Negotiators:</u> Tiffany Lorenzen and Tim Allison
<u>Negotiating Parties:</u> Muraoka Enterprises, Inc.
<u>Under Negotiation:</u> Price and Terms of Payment | Possible Action |
| 10. | Old Business | |
| 11. | New Business | |
| 12. | Public Comments | |
| 13. | <u>Next Meeting Date:</u> October 28, 2008, ONLY if there are any carryover items during this meeting.

If there are NO carryover items during this meeting, the next meeting will be January 20, 2009 (assuming approval of Agenda Item No. 8 above). | |
| 14. | Adjournment | |

DRAFT

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

July 15, 2008

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 July 15, 2008, at 8:57 a.m.

The following persons, constituting the Board of Directors, were present: Pete Jespersen, Bob Jones, and Paul Jablonski. Also in attendance were:

MTS staff:	Tiffany Lorenzen, Tim Allison, Linda Musengo
SANDAG staff:	Andrea Groves, Tina Casgar, John Haggerty, Pete d'Ablaing
SD&IV staff:	Jose Ramos
Pacific Southwest Railway Museum:	Jim Lundquist
Carrizo Gorge Railway, Inc. (Carrizo):	Armando Freier, Chas McHaffie
BNSF:	John Hoegemeier
International Border Rail Institute:	Richard Borstadt
City of Lemon Grove:	Barbara Kraber, Carol Dick
Wells Fargo Bank:	Joann Reina
Bureau Veritas:	Sharon Humphreys
Hitzke Development:	Ginger Hitzke
ADMICARGA:	Jorge Octavio Monraz
Kimley-Horn:	Anthony Podegracz
Others:	Robert Millar, Maria Carachure

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the April 29, 2008, SD&AE Railway Board of Directors meeting. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Linda Musengo reviewed the Financial Statement attached to the agenda item. Ms. Musengo reported that this is the first time in years that SD&AE has a positive cash balance due to locating funds that were mistakenly deposited into the wrong account and proceeds from the sale of National City property. Ms. Musengo clarified that on the operating statement for FY 2008, professional services from Kimley-Horn were for engineering services, and fees to Donna Desmond were for a billboard appraisal. She added that the operating statement is currently in draft form until an audit is completed (the auditors are expected at the end of August).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

3. Report on SD&IV Operations

Jose Ramos presented the Periodic Report of the SD&AE Railway Company for activities for the 2nd quarter of calendar year 2008. Mr. Ramos clarified that the capacity of the load for 1 railcar trip is equivalent to that of 3 to 4 truck trips.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

4. Report on Pacific Southwest Railway Museum Operations

Jim Lundquist presented the Second Quarter Report for 2008. Tim Allison informed Mr. Lundquist that a right of entry permit is required at the La Mesa Depot to paint the rail equipment. Mr. Lundquist will follow up with Ms. Lorenzen on whether the Museum sent SD&AE its 2nd quarter revenue check.

Action Taken

Mr. Jones moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

5. Report on the Desert Line

Armando Freier presented the Periodic Report for the 2nd Quarter of 2008. In regard to marketing, Mr. Freier stated that Carrizo is working to increase business opportunities but does not want to give specifics until the deals are finalized. He clarified the Carrizo is operating all freight in Mexico.

Mr. Jespersen stated that at the last meeting, the Board requested that Carrizo submit a report by May 29 on bridge and tunnel repairs and how they relate to Osmose's report, but the report has not been received. He added that any work to be done by Carrizo should be approved by the Board as it is the property owner. Repairs completed so far suffice for current operations, but will not withstand increased freight activity. Mr. Freier apologized for not being able to dedicate time on this issue, and added that this is the first time he has been involved in this part of Carrizo's management. Mr. Freier stated that he has the requested information and will forward it to General Counsel by Monday.

Mr. Jones stated that the Board has gone over this issue during the last three meetings. Time lines have not been met, and the Board is getting to the point of considering shutting Carrizo down because it is in a very precarious situation as far as safety. At every meeting, there's another reason why Carrizo cannot complete the work, and it's getting to the point where the liability is too great. The bottom line is that Carrizo has not followed through.

Mr. Jablonski stated that the Board needs to determine if bridge 123.89 is safe to run traffic over. It was inspected nine months ago and listed as needing immediate repairs. Mr. Jespersen added that it's a priority 2 meaning it could fail at any time according to Osmose's report, which is why the Board is so concerned. Mr. Jablonski requested he be informed of the report findings on Monday, and the Board should consider a follow-up inspection. Mr. Ramos clarified a question regarding "revenue freight" and "carloads moved" referenced on

page 5-8 of the agenda item. The "revenue freight" amount is an estimate (20% of total carloads), and "carloads moved" is the actual total.

Ms. Lorenzen inquired as to why Carrizo would have any nonrevenue freight vehicles as noted on page 5-8. Ms. Lorenzen clarified that SD&AE is to be paid \$3.00 per car. Mr. Ramos responded that it could represent nonstorage, switching fees, etc. Mr. Freier stated that he did not know the answer but will follow up. Ms. Lorenzen also reiterated that Carrizo is required to provide all FRA and PUC inspection reports. Mr. Freier will fax the FRA report to Ms. Lorenzen.

Mr. Jespersen stated that SD&IV's billing to Carrizo is squared away; however, Carrizo is falling behind financially. In addition, the Desert Line taxes were sent to Carrizo's office via FedEx last month and are still due. Mr. Freier will follow up, and he informed the Board that the new accounts payable staff member is Vanessa Almonte (Valmonte@czry.com).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since April 29, 2008

Since the April 29, 2008, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-08-354: Deposit agreement with the City of National City for the Bay Marina Drive Widening Project in National City.
- S200-08-357: Right of entry permit to Zigman Shields Construction Company for adjacent building construction north of Lemon Grove Avenue in the City of Lemon Grove.
- S200-08-362: Right of entry permit to SC Valley Construction to abandon an underground sewer line at Allison Street in the City of La Mesa.
- S200-08-363: Right of entry permit to the United States Navy Region Southwest to conduct the Bay Bridge Fun Run from San Diego to Coronado.
- S200-08-365: Right of entry permit to the City of La Mesa for its City's Flag Day Parade.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

b. License Agreement with Cox CommunicationsAction Taken

Mr. Jablonski moved to approve issuing a license to Cox Communications to string a fiber-optic cable above the tracks west of Wilson Avenue at West 16th Street in National City. Mr. Jones seconded the motion, and it was unanimously approved.

c. License Agreement with Wells Fargo BankAction Taken

Mr. Jablonski moved to approve a license to Wells Fargo Bank to obtain access to an existing utility pole (within SD&AE right-of-way) to trench, install, and maintain an underground conduit for a Wells Fargo Bank automated teller machine (ATM). The utility pole is located within SD&AE right-of-way on the northwest side of the La Mesa Gateway Commercial Center. Mr. Jones seconded the motion, and it was unanimously approved.

d. The City of Lemon Grove Main Street Promenade Project

Mr. Allison stated that staff is requesting authorization to issue a letter of support for the Main Street Promenade Project to be included in a Smart Growth Incentive Grant Program application by the City of Lemon Grove. He discussed the project's parameters and phases. One particular element will be a pedestrian promenade at Main Street near the transit station. The intent is to incorporate the development with the transit element. Mr. Allison introduced Barbara Kraber, Management Analyst, with the City of Lemon Grove.

Ms. Kraber gave a presentation on the Main Street Promenade Project (PowerPoint attached). She stated that SANDAG is finalizing the criteria and guidelines for the Smart Growth Incentive Growth Program. TransNet funds are being set aside on a biannual basis to allow cities to conduct incentive projects near transit stations. Ms. Kraber introduced Carol Dick with the City of Lemon Grove, Ginger Hitske with Hitzke Development, and Mike Burnett, architect with Foundation for Form.

Ms. Dick gave the Board a background of what the City of Lemon Grove has done up to this point. She stated that the realignment drawings are at 60%. There have been discussions with the California Department of Transportation (Caltrans), MTS, SANDAG, and the Public Utilities Commission. The goal is to reduce downtown congestion and create a better pedestrian environment.

Mr. Burnett explained the design plan for mixed-use affordable residential (apartments) and commercial properties within the project.

Mr. Jablonski cautioned project coordinators to be careful when planting adjacent to the tracks in terms of distance and species as there have been problems with branches getting in the way of the tracks. In addition, the trees and shrubs should not block the view of the platform from a security standpoint.

Ms. Kraber clarified that construction is slated for the first phase in March 2009. Mr. Jablonski added that at some point, the transit platform will have to be reconfigured to accommodate low-floor cars. Mr. Allison responded that staff could work with the developer so that the grade change matches the project.

Action Taken

Mr. Jones moved to authorize the issuance of a letter of support to SANDAG for the Main Street Promenade Project to be included in a Smart Growth Incentive Grant Program application by the City of Lemon Grove. Mr. Jespersen seconded the motion, and it was unanimously approved.

7. Trade Corridor Improvement Funds for SD&AE Main Line Track and San Ysidro Freight Yard

Tina Casgar of SANDAG gave a presentation on the Trade Corridor Improvement Funds for SD&AE Main Line Track and San Ysidro Freight Yard Project (see PowerPoint attached). Ms. Casgar explained the funding obtained and how it will be spent. Discussion ensued regarding drainage, silt, tracks, freight activity, FRA waiver, environmental aspects, and other elements of the project.

Mr. Jones stated that he has a lot of questions and does not have a clear picture of what will be done to the interior portion of the San Ysidro Freight Yard; i.e., types of switches, solar energy possibilities, automated electronics, and other opportunities for efficiency, safety, and saving money. He asked if more detail will be given including the costs. Mr. Jones wants to make sure we communicate what we want and need and do what is right. He added that we have not tapped into the potential for business with Mexico, which will be an integral part of the functionality of the San Ysidro Freight Yard.

Mr. Jablonski stated that the project will be an interactive process between all of the parties involved. Ultimately decisions will be made on issues such as drainage. He added that today's plan is only conceptual.

Chas McHaffie of Carrizo stated that in regard to operations in Mexico, Carrizo has been concentrating on improving the track and facilities in Mexico on the Mexican line. Carrizo has not concentrated on the Desert Line. Most of the money received in freight is going into Mexican operations. Contract renegotiations with AMICARGA are with the Governor of Mexico for signature. After the contract is finalized, Carrizo will be able to focus on the Desert Line. The reason Carrizo is working in Mexico is because 90% of its income comes from BNSF on the Pacific Corridor.

John Haggerty of SANDAG stated that SD&IV and SD&AE are a part of the project development team. Currently, the major elements are being addressed, and all comments will be considered in the design. For the main line improvements, advanced technology will be considered. Mr. Haggerty stated that the team will present updates to the Board as the project progresses. He will add Mark Bader, Regional Engineer with RailAmerica, when disbursing information.

Actions Taken

1. Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

2. Mr. Jones moved to approve the conceptual plan for improvements to the San Ysidro Freight Yard. Mr. Jablonski seconded the motion, and it was unanimously approved.

8. Agreement for Operation of Passenger Excursion Services and for Custody of Control of a Portion of San Diego and Arizona Eastern (SD&AE) Railway Company Right-of-Way as Between SD&AE and the Pacific Southwest Railway Museum

Ms. Lorenzen reported that today's request is to authorize Mr. Jablonski to execute a new agreement with the Museum. Ms. Lorenzen received the financial information requested from the Museum and prepared an accounting of the revenues that the Museum has collected over the last three years in addition to anticipated revenue for 2008. Ms. Lorenzen recommended increasing the current operating fee of 1% to 2%. There have not been any increases in the Museum's percentage of operating fee since the initial contract in 1985. Current revenues show an approximate increase from \$2,000 to \$4,000 per year. Mr. Lorenzen explained that the proposed contract is for a five-year term retroactive from December 13, 2007, when the previous contract expired. The Museum would have two quarterly retroactive payments at 1%. Based on the first two quarters of estimated revenue and ridership, the estimated 1% fee for 2008 is \$1,959—so that amount doubled is what SD&AE would receive for 2008. A forecast was completed based on the Museum's income for the first two quarters.

Mr. Lundquist stated that ridership is down by at least 50% and could be greater than that if the current economic trend continues. He asked if the Museum could forego the 2% increase for the retroactive payments before July 1, 2008.

Action Taken

Mr. Jablonski moved to forward a recommendation to the MTS Board of Directors to authorize the execution of a new agreement with the Museum. The Museum's operating fee of 1% will be effective from December 13, 2007, to June 30, 2008, and will increase to 2% effective July 1, 2008. Mr. Jones seconded the motion, and it was unanimously approved.

9. CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8
Property: Bay Marina Drive, City of National City, California, Adjacent to Assessor Parcel No. 559-117-14
Agency Negotiators: Tiffany Lorenzen and Tim Allison
Negotiating Parties: City of National City
Under Negotiation: Price and Terms of Payment

Action Taken

Ms. Lorenzen reported that the Board received a report and gave direction to agency negotiators.

10. Old Business

None.

11. New Business

Mr. Jespersen stated that Cathy Babcock of Sempra has been working with Judy Banister, MTS Right of Way Engineer, regarding the growing problem of homeless encampments on SD&IV and SD&AE right-of-way. A meeting will be scheduled with Fish and Wildlife, SD&IV, and Sempra Energy. Mr. Jespersen will also contact Larry Savoy of San Diego Trolley, Inc. Security because of the lawsuit settlement with the homeless in Fresno regarding the award of \$2.5 million for their belongings.

Mr. Allison reported that Pierre Saladin, MTS Right of Way Agent, has been making sure that signs are in place south of the section of the channel in National City. He added that several people have made contact regarding the encampment issues in that area. Mr. Allison discussed measures taken to monitor this situation. He added that no one should enter these areas without Code Enforcement staff, and Mr. Saladin is the contact to coordinate these efforts.

Mr. Jespersen requested signage noting a 72-hour notice to remove any belongings. He added that it will be cheaper in the long run to coordinate the cleanup with Sempra and Fish and Wildlife, which will be an ongoing effort.

13. Public Comments

Jorge Monraz, Director of ADMICARGA – Mr. Monraz stated that ADMICARGA is working with Carrizo on a new agreement or may cancel the contract. He added that ADMICARGA will work with the FRA on freight cargo projects into Mexico, including bridge signals, intermodal service, and capacity improvements using Mexican federal funds, State of Baja funds, and private funds to improve the line south of the border.

14. Next Meeting Date

Tuesday, October 28, 2008, at 9:00 a.m.

15. Adjournment

The meeting was adjourned at 10:56 a.m.

President

Of Counsel

JGarde
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7/11/08

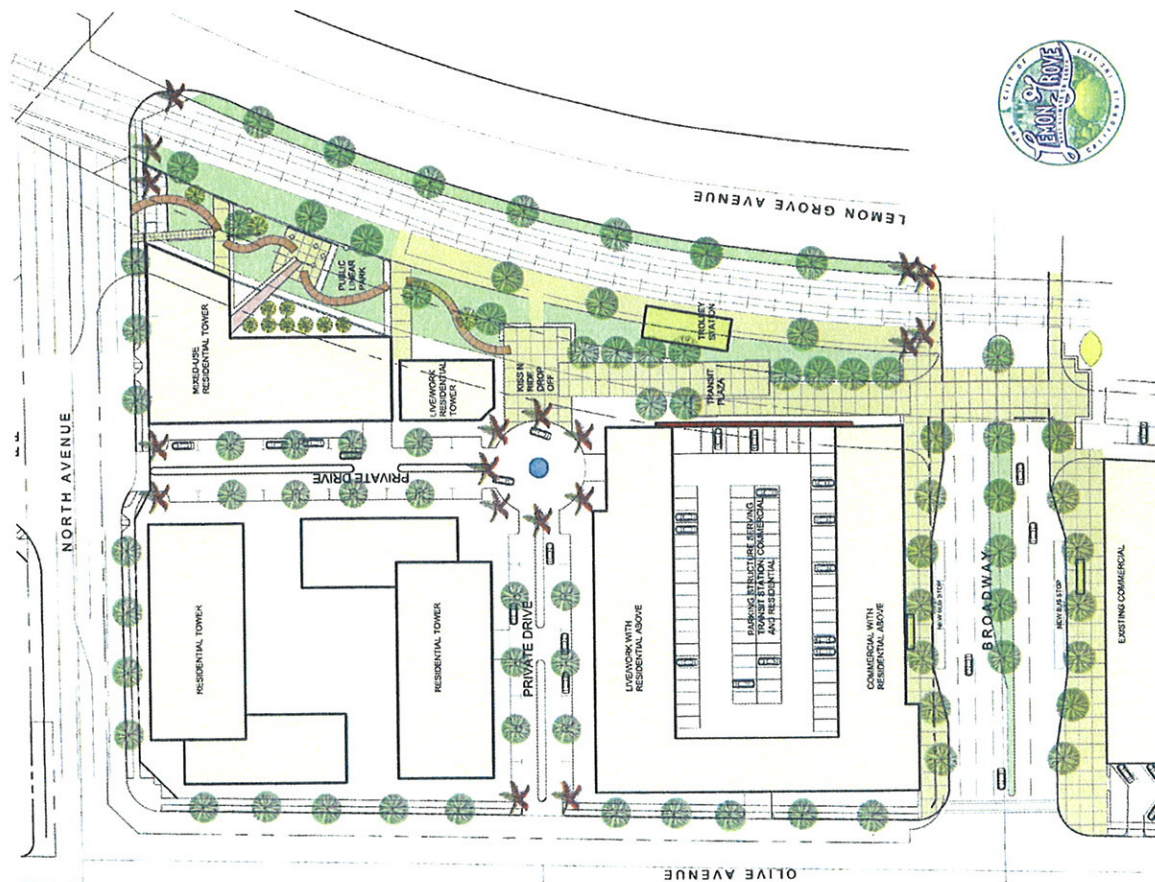
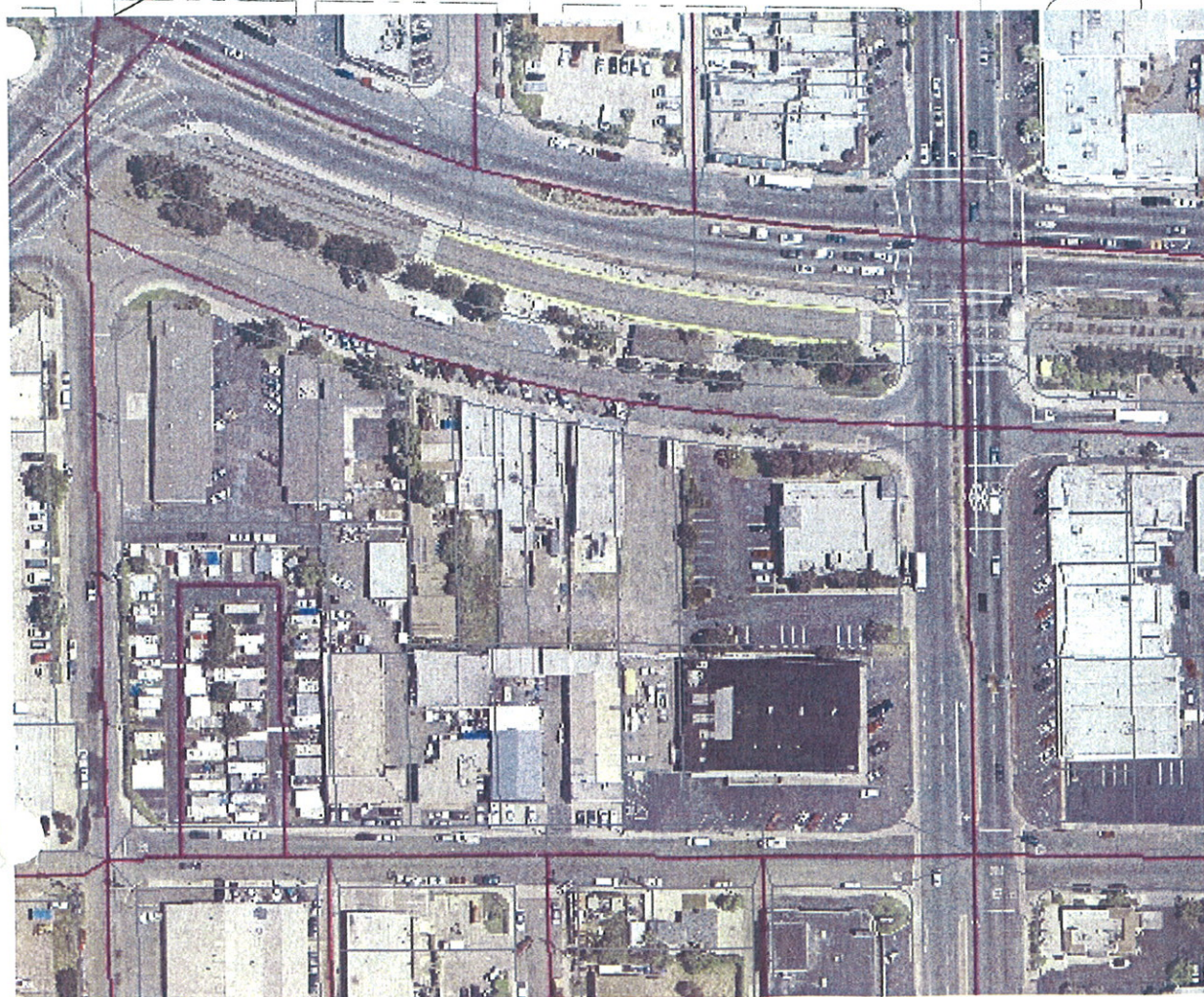
Attachments: City of Lemon Grove PowerPoint
SANDAG Prop 1B Goods Movement Programs PowerPoint



City of Lemon Grove

Request for Letter of Support for Smart Growth Incentive Grant Program Application

Main Street Promenade Project



3 for urban form

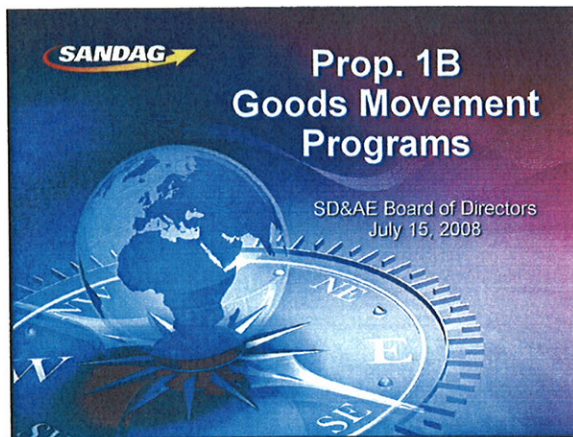


Existing Main Street

Main Street Promenade Concept

Lemon Grove Avenue Realignment





Prop. 1B: Goods Movement Programs

- » Trade Corridors Improvement Fund (TCIF)
 - \$2 Billion statewide
 - Focus on infrastructure improvements on high volume trade corridors
- » Goods Movement Emission Reduction Program (GMERP)
 - \$1 Billion statewide
 - Focus on projects that reduce air pollution related to goods movement

SANDAG 2

TCIF: Background

- » Eligible Projects:
 - Highway and freight rail system improvements to improve access
 - Enhancements to seaport capacity
 - Border access projects to improve freight movements between California and Mexico

SANDAG 3

TCIF: Statewide Approach

- » California Transportation Commission (CTC) to consult:
 - Statewide Goods Movement Action Plan
 - Regional Transportation Plans
 - Statewide Port Master Plan
- » San Diego/Border Region:
 - One of four statewide goods movement corridors

SANDAG 4

TCIF : Statewide Corridors

Priority Regions and Corridors in California

Legend:

- Port of Los Angeles
- Port of Long Beach
- San Francisco Bay Area
- San Diego Bay Area
- San Jose Bay Area
- Sacramento-San Joaquin River Delta
- Central Valley
- Central Coast
- South Coast
- San Diego Bay Area
- San Diego Bay Area
- San Diego Bay Area

San Diego/Border Corridor

The map shows the corridor from San Diego to the Mexican border, highlighting key infrastructure like the Port of San Diego, San Diego International Airport, and the San Diego Bay Area.

SANDAG 5

TCIF: San Diego Regional Approach

- » System Needs Evaluated
 - Focus on:
 - Network integration
 - Multimodal projects
 - Increasing performance and reliability
 - Minimizing environmental and community impacts
 - Fostering California's prosperity
- » SANDAG Board of Directors approved funding strategy for four potential funding scenarios in July 2007

SANDAG 6

Prop. 1B: TCIF Goods Movement Candidate Projects

Projects	Potential Investment Levels				Project Cost
	\$200 M	\$300 M	\$400 M	\$500+ M	
Border/SR 905 ⁽¹⁾	\$75				\$600
New Border Crossing/SR 11 ⁽²⁾	\$75				\$500
Maritime / 32nd Street ⁽³⁾	\$50				\$109
Maritime / National City ⁽³⁾		\$28			\$56
Maritime / 10th Avenue ⁽³⁾		\$33			\$66
South Line Rail ⁽⁴⁾		\$39	\$100	\$11	\$325
Coastal Rail ⁽⁵⁾				\$100	\$1,000
TOTALS	\$200	\$100	\$100	\$111	\$2,656

(1) This funding would complete the project.
 (2) This investment would provide equity and the remainder would be covered by toll revenues.
 (3) Mainline improvements would be provided by the Port of San Diego.
 (4) This project would be combined with COASTER improvements, and the local match would come from TransNet.
 (5) This project would be combined with COASTER improvements, and the local match would come from TransNet.

SANDAG 7

TCIF Project: South Line Rail

» South Line Rail Improvements

- San Ysidro Yard Expansion (two storage tracks, north lead extension)
\$40.460 million
- Mainline Improvements (automatic train stop, bi-directional CTC, reverse gradecrossing approach signaling & crossovers)
\$107.030 million
- Improved trade connectivity with Mexico
- Leverages rail investments from private operators, TransNet, Port of San Diego, Mexico
- Also benefits MTS and Port of San Diego

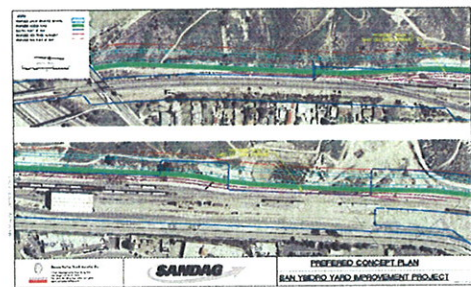
SANDAG 8

Rail Area Map



SANDAG 9

San Ysidro Yard Alternative 13 Map



SANDAG 10

South Line Rail: Project Details

- » Commitments to CTC
 - Double freight trains from 2 to 4 trains/day
 - Grow annual carload capacity from 10,000/year to 19,600/year
 - Increase train speed from 10 to 40 mph
 - Reduce 31,800 truck trips/year
- » Costs/timelines
 - Must have environmental documents completed 2010
 - Must break ground 2013
 - \$25,900M from TCIF for yard improvements; \$98,060M from TCIF for mainline improvements

SANDAG 11

South Line Rail: Project Details (cont)

- » Risks
 - ROW acquisition
 - Drainage/silt issues
 - Project is on CTC formal watch list for 2010 environmental documents
 - Project on CTC informal watch list as a project of interest
 - FRA approvals for joint operations

SANDAG 12

Conclusion

- » This is a great project: "It's ours to lose"
- » We look forward to working with MTS/SD&AE
- » Questions?
- » Contacts
 - Pete D'Ablaing (619-699-1906; pda@sandag.org)
 - John Haggerty (619-699-6937; jhag@sandag.org)
 - Tina Casgar (619-699-1982; cca@sandag.org)

DRAFT

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

Special Meeting

August 15, 2008

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 Friday, August 15, 2008, at 8:34 a.m.

The following persons, constituting the Board of Directors, were present: Pete Jespersen, Bob Jones, and Paul Jablonski. Also in attendance were:

MTS:	Tiffany Lorenzen, Tim Allison
SDTI:	Wayne Terry, Fred Byle
BNSF:	John Hoegemeier
Pacific Southwest Railway Museum:	Jim Lundquist
Carrizo Gorge Railway, Inc. (Carrizo):	Armando Freire, Chas McHaffie
Carrizo Creditor:	R. L. Scheuerman
SDERY:	Dave Slater
East County Dirs.	Gary Sweetwood
GobBC Short Line Tij-Tec Mex	Jorge Octavio Monraz Sustnita
Public:	Lorraine Leighton

1. CARRIZO GORGE RAILWAY

- Current Status of Tunnel and Bridge Repair Plans, Specifications, Time Line, Budget, and Contractor Approval

Mr. Jespersen stated concern regarding Carrizo's lack of progress toward making the necessary repairs addressed in Osmose's July 2007 report despite the Board's repeated requests. Mr. Jablonski cited examples of past commitments made by Carrizo staff but never completed. Mr. Jones added that the Board is very uncomfortable with the lack of action by Carrizo; Carrizo has been warned repeatedly in light of the safety on the line, and Mr. Jones stated that he is prepared to discontinue its operations.

The Board also discussed its concerns regarding the fact that Carrizo's repair priorities are not consistent with those in Osmose's inspection report, and that Carrizo has not followed through with its commitments to repair the line to a level of safety to satisfy the Board. Several repairs that were completed were inadequate in comparison to Osmose's recommendations.

Mr. Freire responded that Carrizo is working on repairs identified by its engineers and is attempting to procure funding for those repairs. Mr. Jones questioned how Carrizo can procure enough funding for future repairs when it cannot pay its contractors for work that has already been completed.

Chas McHaffie stated that anything that Carrizo has done since October has been in conformity and in agreement with SD&AE. His understanding from the Board was that

the current loads were sufficient for public safety. He stated that he would have allocated funding resources if there was an emergency had he been contacted to do so. Mr. Jespersen stated that the SD&AE Board has repeatedly voiced its concern over the conditions of the bridges, tunnels, and tracks back to when Carrizo Gorge first began operating. Mr. Jespersen doesn't understand how Carrizo can make the investment needed to put the line in the proper condition to run freight under its current operations. He added that contracts between Carrizo and AMICARGA and Carrizo and SD&IV are two totally separate subjects.

Mr. Jablonski clarified that it was his recollection that at the last meeting, the Board stated that the bridges and tunnels were adequate for Carrizo's current trainloads, but that Board members were dissatisfied that Carrizo did its own inspection of a bridge and conducted repairs that were different from those recommended by Osmose. No one voiced any dispute regarding Osmose's qualifications.

Fred Byle, San Diego Trolley, Inc. Assistant Superintendent of Maintenance, recommended that Carrizo follow Osmose's recommendations and added that Osmose is the leader in bridge inspections and repairs. Mr. Byle listed additional recommendations regarding repairs.

Discussion ensued regarding ongoing track and tunnel issues, priority 2 repairs, soil stabilization, and financial issues.

Mr. McHaffie offered to put up a \$250,000 bond to start the improvements needed. Mr. Jablonski stated that he would like a firm commitment from Carrizo that the priority 2 repairs identified by Osmose will be made in a time line consistent with immediacy and the other repairs required following that, and the Board will hold Carrizo to that commitment.

Tim Allison stated that the Board has yet to see detailed plans or licensed engineering reports in addition to many other needs in regard to how the work will be conducted. Mr. Allison recommended having licensed engineers and inspectors overseeing all aspects of the work and added that the work done so far is not completed per Osmose's recommendations.

Mr. Freire stated that he will commit to putting the work out for bid and to working with the contractors. He cannot commit to the financing but will get everything else completed by October 1, 2008. Mr. McHaffie stated that he will commit to get the financing needed. He added that Carrizo is addressing the erosion issues and will set up a meeting with Mr. Allison to review the repair plans.

Action Taken

Mr. Jablonski moved to direct Carrizo to retain a contractor and submit a schedule to the Board with critical-path specifications for the repair of all priority 2 bridges (including the walkways and ladders at Goat Canyon) identified in the Osmose report on or before October 1, 2008, and to begin work on October 2, 2008, assuming approval of the schedule and repair plans by the SD&AE Board of Directors. Mr. Jones seconded the motion, and it was unanimously approved.

- Scrapping and Removal of Items from Jacumba Depot

Mr. Jespersen stated concern regarding SD&AE property being scrapped in Jacumba. Mr. Freire stated they are not scrapping anything that is not scrap and will provide Mr. Jespersen with the inventory list that he has (he does not know who wrote the list or when it was written).

- Derailed Tank Cars

Mr. Freire stated that Carrizo has the materials needed, and the cars should be cleared by the end of August. Mr. Jespersen added that the home shop tags need to be signed for the first few that have been repaired.

- Public Comment under No. 1

Brian Martins of EB Property - Mr. Martins stated that: (1) RailAmerica has not made repairs to the line and tunnel as outlined in its contract and is not being held by this Board to the same standards as its subcontractor; and (2) his past efforts to bring freight from the east and south to increase revenue for the subcontractor was obstructed because RailAmerica said there would be no transload facility.

2. PUBLIC COMMENT

Richard Borstadt of International Border Rail Institute – Mr. Borstadt stated there are items that were discovered in the tunnels of the Gorge that are historical artifacts. He would not like to see them get scrapped. He asked to review and retrieve those items, such as star hand drills from the original construction of the tunnel. Mr. Jablonski clarified that he does not want any materials scrapped unless the Board gives specific approval. Ms. Lorenzen added that all materials belong to SD&AE, which is a public agency. SD&AE is obligated by law to dispose of its materials pursuant to the capital asset disposal policy. She added that no other parties should be scrapping any SD&AE property and, in addition, SD&AE is not giving anything away to any organization.

3. NEXT MEETING DATE

Special meeting tentatively scheduled for October 1, 2008 (pending schedule availability). The next regularly scheduled meeting after that is October 28, 2008, at 9:00 a.m.

4. ADJOURNMENT

The meeting was adjourned at 9:28 a.m.

President

Of Counsel

JGardetto/MINUTES-SDAE-SPECIAL MTG 8-15-08..doc

Agenda

Item No. 3

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

SDAE 710.1 (PC 50771)

October 10, 2008

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

The SD&AE operating statement for FY 2008 is attached for information. Linda Musengo will give an update during the meeting.

3-RAILWYFINANCES.doc

Attachment: FY 08 Operating Statement

**SD&AE Operating Statement FY 2009
ESTIMATE**

	Quarter 1
Revenue	
Right of entry permits	\$ 30,178
Lease income	9,820
SD&IV 1% freight fee	-
Joint use fee	-
Carrizo Gorge	213
Sale of real property	-
Other income	-
	<hr/>
Total revenue	40,211
Expense	
Admin wages	18,279
Workers' compensation	498
Professional services	7,196
Outside services	-
Telephone	-
Insurance premium	9,114
Other miscellaneous expense	6,666
Depreciation	-
	<hr/>
Total expense	41,752
Net income/(loss)	<u><u>\$ (1,541)</u></u>

Other miscellaneous expense includes \$6,380.84 billing from Baker & Miller related to petition filing

Reserve balance 2008 - estimated	\$ 841,063
Allocated interest earnings - estimated	595
Operating profit/(loss)	(1,541)
Improvement expense 2009	-
Reserve balance 2009- estimated	\$ 840,117

SD&AE Operating Statement FY 2008

	Q1	Q2	Q3	Q4	YTD
Revenue					
Right of entry permits	\$ 5,000	\$ 8,650	\$ 2,850	19,050	\$ 35,550
Lease income	5,047	8,568	17,587	15,477	46,679
1 SD&IV 1% freight fee	-	38,720	106,331	-	145,051
2 Joint use fee	-	-	89,000	-	89,000
Carrizo Gorge	-	-	1,062	198	1,260
3 Sale of real property	-	-	-	288,693	288,693
Other income	570.00	5,696.36	(741.00)	-	5,525.36
Total revenue	10,617	61,634	216,089	323,418	611,759
Expense					
Admin wages	16,636	15,753	14,471	24,747	71,607
Workers' compensation	1,005	1,005	836	497	3,343
Professional services	3,898	10,631	53,987	10,554	79,070
Outside services	1,250	-	-	4,794	6,044
Telephone	145	-	-	-	145
Insurance premium	10,533	10,373	10,122	8,948	39,976
Other miscellaneous expense	543	845	342	18	1,748
Depreciation	-	-	-	19,496	19,496
Total expense	34,010	38,607	79,758	69,054	221,429
Net income	<u><u>\$(23,393)</u></u>	<u><u>\$ 23,027</u></u>	<u><u>\$ 136,331</u></u>	<u><u>\$ 254,364</u></u>	<u><u>\$ 390,329</u></u>

Reserve balance 2007	\$ 448,354
Allocated interest earnings - estimated	2,380
Operating profit (loss)	390,329
Improvement expense 2008	-
Reserve balance 2008 - estimated	\$ 841,063

1 SD&IV 1% freight fee calendar year 2006 recorded in SD&AE in November 2007	38,719.90
1 SD&IV 1% freight fee calendar year 2005 previously recorded to San Diego Trolley transferred to SD&AE in January 2008	38,244.85
1 SD&IV 1% freight fee calendar year 2001 previously recorded to MTS, transferred to SD&AE in January 2008	30,916.03
1 SD&IV 1% freight fee calendar year 2007	37,170.33
2 SD&IV joint use fee calendar 2001 previously recorded to MTS, transferred to SD&AE in January 2008	89,000.04
3 Sale of National City property less cost of land sold	288,693.00

Agenda

Item No. 4

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

SDAE 710.1 (PC 50771)

October 10, 2008

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 3rd Quarter of 2008



October 2, 2008

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

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 3rd Quarter of 2008 are listed as follows:

1. Labor

At the end of September 30, 2008 the San Diego & Imperial Railroad had 14 employees:

- 1 General Manager
- 1 Trainmaster
- 1 Asst. Trainmaster
- 1 Office Manager
- 1 Manager - Marketing & Sales
- 1 Mechanical Officer
- 2 Maintenance of Way Employees
- 6 Train Service Employees

2. Marketing

In the 3rd Quarter of 2008 versus 2007, US lumber and paper carloads declined. Mexican traffic remained steady, with a slight increase in LPG and grain.

3. Reportable Injuries/Environmental

Through year to date, September 30, 2008, there were no FRA Reportable injuries on the SDIY Railroad.

Days FRA Injury Free: 6520

Days FRA Incident Free: 8894

4. Summary of Freight

	2008	2007	2006
Total rail carloads that moved by SDIY Rail Service in the quarter.	2,019	2,090	2,314
Total railroad carloads Terminating/Originating Mexico in the quarter.	1,297	1,368	1,328
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	722	722	986
Total customers directly served by SDIY in the quarter	12	12	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	17,202	17,202	32,082

Respectfully,

Pete Jespersen

General Manager

Agenda

Item No. 5

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

SDAE 710.1 (PC 50771)

October 10, 2008

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

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: Third Quarter Report for 2008

Pacific Southwest Railway Museum

4695 Nebo Drive
La Mesa, CA 91941-5259

October 3, 2008

SD&AE Board
C/O MTS
1255 Imperial Av #1000
San Diego, CA 92101

THIRD QUARTER REPORT FOR 2008

Here are the highlights for this quarter:

1. Using all volunteer crews, in the third quarter, we ran 34 passenger trains carrying 943 passengers with no FRA reportable accidents or incidents. Our check for the 3rd quarter 2008 revenue is being sent under separate cover.
2. As the summer weather comes to an end at Campo, our ridership and number of visitors increases. While the high cost of fuel is negatively affecting our ridership and our costs for train operations, we are happy to report that all ten North Pole Limited trains with Santa have been sold out. Also, our Tecate trains are starting to sell better as well.
3. We are installing an alarm system for the Campo Depot. The restroom project is also going full steam ahead, with the goal of completing that project in time for the North Pole Limited trains in November.
4. We note with great sadness that the old SD&AE refer car at Dubbers spur was recently cut up for scrap. While it had suffered extensive fire damage over the years, it did serve as a reminder that this area was used for many years by the SD&A/SD&AE as a maintenance yard for the Carriso Gorge portion of the line. Now that historic fabric

A California Non-Profit, Public Benefit Corporation, IRS Tax # 95-2374478

Owners and operators of the Railroad Museum in Campo,
San Diego & Arizona Railway and the La Mesa Depot Museum

back to the past is gone forever. We suggest that the SD&AE Board direct that CZRy transport the two SD&AE tank cars back where they were located for decades prior to their removal by CZRy – namely at the tunnel 16 spur track and the Coyote Wells siding. Any minimal costs for this effort should be covered by the scrap value received by CZRy for scrapping the SD&AE asset. In this way, the historic items will be returned to their historic places and will make scrapping them in the future less likely.

5. Beginning in January, the Museums new President will be Diana Hyatt. She will serve a two year term. At this time, I am uncertain who will be appointed as the liaison between the Museum and the SD&AE Railway.

Thank you for your continued cooperation.

Sincerely,

Jim Lundquist

President, Pacific Southwest Railway Museum

Agenda

Item No. 6

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

SDAE 710.1 (PC 50771)

October 10, 2008

SUBJECT:

REPORT ON THE DESERT LINE

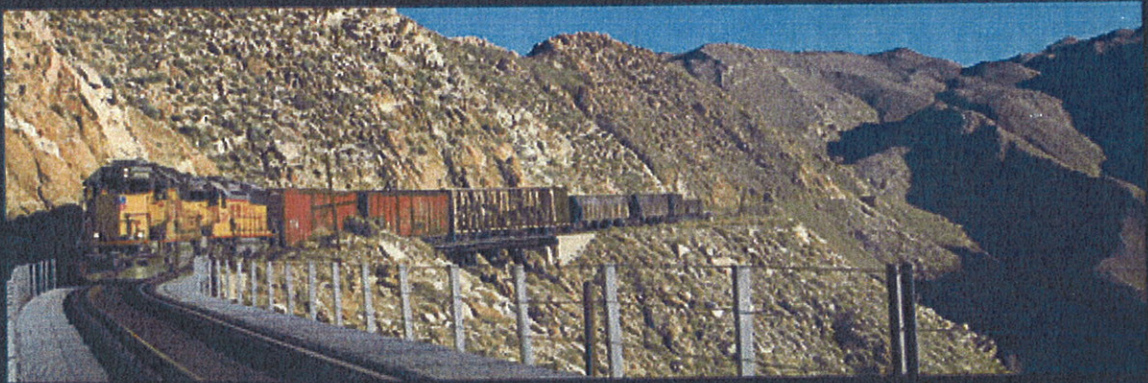
RECOMMENDATION:

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

Budget Impact

None.

Attachment: 3rd Quarter Report for 2008



Carrizo Gorge Railway

Periodic Report

To the San Diego & Arizona eastern Railway Company

Third Quarter 2008

The periodic Report to the SD&AE Railway Company is produced quarterly by the Carrizo Gorge Railway, Inc for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

Cover Carrizo Gorge Railway Accomplishments during third quarter

Third Quarter 2008

Carrizo Gorge Railway, Inc.

CONTENTS

3nd QUARTER 2008 ACTIVITY

Appendix A- MOW Summary

**Appendix B- Desert Line Track Rehabilitation
Offset Financial Summary**

**Appendix C- Deserte Line Freigth Revenues
Financial Summary**

**Third Quarter 2008
Carrizo Gorge Railway, Inc.**

CARRIZO GORGE RAILWAY, INC

2295 Fletcher Parkway, Suite 101, El Cajon Ca 92020

Phone (619) 938-1943

Fax(619) 561-4367

September 30, 2008

Metropolitan Transit Development Board
San Diego & Arizona Eastern Railway Board
1255 Imperial Avenue 10th floor
San Diego, California 92101

Pursuant to reporting agreement, here is the summary of 3rd Quarter activity for 2008

PERIODIC REPORT

I. Labor

As of September 30, 2008, the Carrizo Gorge Railway has **17** employees to cover overall administration of the road and operations in the U.S. on the Desert Line.

- 4 Administration
- 1 Marketing
- 1 Purchasing Agent
- 6 Track Maintenance
- 1 Division Engineer
- 3 Train Crew
- 3 Railroad police
- 1 Railroad police chief

Third Quarter 2008

Carrizo Gorge Railway, Inc

II. Marketing

Carrizo Gorge Railway has continued an aggressive marketing effort attempting to attract new business from various different areas from moving agricultural product from the Imperial Valley to Mexico to connecting with the new efforts being made by the port of Ensenada in moving intermodal traffic to the interior of Mexico and the USA

Carrizo Gorge Railway continues to negotiate new agreements and is aggressively pursuing connecting with existing routes to improve our economic situation

Despite the current economic uncertainty Carrizo Gorge Railway sees a potentially good year ahead.

III. Desert Line

Carrizo Gorge Railway is the rail freight operator on the Desert Line by contractual agreement with Rail America/ SD&IV and with the approval of SD&AE/ MTDB.

During this period we began an evaluation of the line from Division to Plaster City to evaluate what is needed to improve safety, increase speed and improve overall operations once this evaluation is completed we will prepare an action plan that will guide our efforts for the next five years.

During this period we have continued to perform regular track maintenance as well as continue to remove weed to mitigate the fire hazardous during this critical period.

At the August 15, 2008 meeting of the SD&AE Board of Directors, Carrizo Gorge Railway, Inc. was requested to provide a plan for a Bridge Project for the Desert Line of the SD&AE. Pursuant to that request, Carrizo Gorge Railway, Inc. submitted a proposal to the staff of SD&AE proposing to complete all Priority 2 and Priority 3 bridge repairs as outlined based on the recommendation of the "Osmose Report" within a three year time frame. Upon the date of approval of the SD&AE Board of Directors, Carrizo Gorge Railway, Inc. will begin construction efforts within 120 calendar days. This time frame will enable us to assemble the necessary materials, equipment and qualified personnel to begin this extensive capital project. Carrizo Gorge Railway will complete all Priority 2 bridges first followed by the Priority 3 bridges. We look forward to our continued commitment of investment in the Desert Line of the SD&AE which is a critical component of the San Diego/Baja California border region transportation infrastructure.

Third Quarter 2008

Carrizo Gorge Railway, Inc

Carrizo Gorge Railway has temporarily discontinued the sand haul due to the current economics of the construction industry's supply and demand.

There were no weather or geological problems during the third quarter of 2008.

IV. Reportable Injuries / Environmental Incidents

There were no reportable injuries during the third Quarter of 2008.

There were no reportable accident in the third Quarter of 2008.

There were no environmental incidents during the third Quarter of 2008.

V. Freight Activity

From July 01, 2008 to September 30, 2008.

MOW Sand carloads moved on the Desert Line	0
Revenue Sand carloads moved on the Desert Line	0
Revenue Freight carloads moved to/from Seeley Via interchange with UPRR, on the Desert Line	44
Non-Revenue Freight carloads moved from UPRR and USG, on the Desert Line	
Revenue Freight carloads terminating/originating in Mexico to/from San Ysidro via interchange with SD&IV Railroad	1382
Total overall third Quarter 2008 Carloads Moved	1426

Third Quarter 2008

Carrizo Gorge Railway, Inc

VI. Mexican Railroad

Carrizo Gorge Railway, Inc with the assistance of it's subsidiary Ferrocarriles CZRY de Baja California SA de CV provide technical support as well as operate the Tijuana-Tecate line on behalf of ADMICARGA a paraestatal of the State of Baja California, Mexico and the designee of such line.

Carrizo Gorge Railway, Inc provide services to/from Mexico via the San Ysidro port of entry as well as the Tecate/Lindero port of entry

Current negotiations with the government of Baja California on an extension of our operating agreement have concluted and the contract is currently awaiting signature.

CURRENT MEXICO PERSONNEL

2	Manager
1	Administrative Assistance
1	Trainmaster
3	Dispatchers
3	Train Engineers
6	Conductors
1	Mechanic
1	Car Inspector
1	Division Engineer
1	Track Inspector
2	Track Supervisor
10	Track laborer

Respectfully

Armando Freire
Chief Operations Officer
Carrizo Gorge Railway, Inc

Appendix A
M.O.W. SUMMARY

Carrizo Gorge Railway, Inc
DESERT LINE

July – August - September 2008

TRACK

Ties Installed (6" x 8" x 8')	190	each
(7" x 9" x 9")	45	each
90 lb. Rail Change Out	0	ft.
113 lb. rail Change Out	0	ft.
Angle Bar Repair, Broken or Cracked (75lb.)	2	each
(90lb.)	4	each
Repair Open Joints	0	each
Track Regaging	255	each
Separator Rails (4" x 8" x 20")	0	each
Replace Missing Track Bolts	21	each
Rail Anchors Replaces	29	each
Repair Broken angle bars (60 lb.)	0	each
(75 lb.)	0	each
(90 lb.)	0	each
Track Surfaced	150	ft
Track Spikes Used (new)	3	Kegs
Switch Ties Installed	0	each

BRIDGE & TUNNEL

The following bridge is currently under repair.

	Osmose report			CZRY	
	Priority	Quantity	Description	Conclude	Notes
66.77	2	4	All Stringers	2	
66.77	3	3	Pile/Post	0	
66.77	3	5	Repair Pile/Post	0	
66.77	3	2	Replace Caps	0	
66.77	3	1	Replace shim	0	
66.77	3	1	Shim Chord	0	
66.77	No report	0	Bridge ties	8	To protect the bridge

Carrizo Gorge Railway, Inc
DESERT LINE
July – August - September 2008

GENERAL RIGHT-OF-WAY
WEED ABATE PROGRAM REPORT

Date of conclude	From MP	To MP	Conclude Miles
Before the new program	67.1	70.5	3.4
Before the new program	71.0	74.0	3.0
Before the new program	74.9	75.8	0.9
Before the new program	76.0	76.5	0.5
Before the new program	80.3	80.4	0.1
Before the new program	81.0	81.5	0.5
Before the new program	82.3	83.7	1.4
8-Sep	83.7	85.0	1.3
5-Sep	85.4	86.1	0.7
4-Sep	87.4	88.4	1.0
3-Sep	88.8	88.9	0.1
2-Sep	90.1	93.5	3.4
Sep/22 to Sep/26	93.5	94.2	0.7
19-Sep	94.2	94.4	0.2
18-Sep	94.4	94.7	0.3
17-Sep	94.7	95.0	0.3
12-Sep	95.0	95.1	0.1
11-Sep	95.4	95.6	0.2
10-Sep	95.6	95.7	0.1
9-Sep	95.7	95.8	0.1
Total Miles			18.3

Appendix A
M.O.W. SUMMARY

Carrizo Gorge Railway, Inc
DESERT LINE

July – August - September 2008

WEED ABATE PROGRAM REPORT

From MP	To MP	Pending Miles
67.0	67.1	0.1
70.5	71.0	0.5
74.0	74.9	0.9
75.8	76.0	0.2
76.5	80.3	3.8
80.4	81.0	0.6
81.5	82.3	0.8
85.0	85.4	0.4
86.1	87.4	1.3
88.4	88.8	0.4
88.9	90.1	1.2
95.1	95.4	0.3
95.8	96.0	0.2
	Total Miles	10.7

Appendix B
OFFSET FINANCIAL SUMMARY

Carrizo Gorge Railway, Inc
DESERT LINE

July – August - September 2008

There was no production or commercial sale of sand from M.O.W. activity on the Desert Line during third Quarter 2008.

Appendix C FINANCIAL SUMMARY

Carrizo Gorge Railway, Inc DESERT LINE

July – August - September 2008

REVENUE FREIGHT HAULED

Railcar loads to/from UP Interchange, Seeley /Plaster City	44
Railcar loads revenue sand from Dixie (Plaster City) to Campo	0
Total	44

Track Use Fees:

Interchange freight to/from UPRR over the Desert Line

SD&AE / MTS 1% payment	\$ 99.00
SD&IV / Rail America payment 6.9	470.70

Revenue Sand from Dixie to Campo

SD&AE / MTS 1% payment	0.00
SD&IV RailAmerica payment (0 cars at \$0.00 each)	0.00



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Agenda

Item No. 7

JOINT MEETING OF THE BOARD OF DIRECTORS
for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

FIN 340.2 (PC 50601)

October 30, 2008

**Draft for
Executive Committee
Review Date: 10/23/08**

SUBJECT:

MTS: STATE TRANSIT ASSISTANCE (STA) CLAIMS

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 08-22 (Attachment A) approving fiscal year (FY) 2009 STA claims.

Budget Impact

This action would result in the receipt of \$14,079,188 in STA funds for MTS-area operators for FY 09 operations and capital improvement projects.

DISCUSSION:

Attachment A reflects the detailed breakdown of the claim.

STA Claims \$14,079,188

Discretionary STA funds are distributed to MTS each year on the basis of population. Formula STA funds are distributed on the basis of revenue generated. Like all of the other funds available for transit in the MTS area, the FY 09 STA funds totaling \$14,079,188 would be pooled to balance the combined budget.



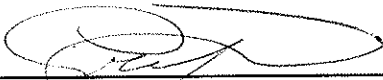
Metropolitan Transit System (MTS) is comprised of the Metropolitan Transit Development Board (MTDB) a California public agency, San Diego Transit Corp., and San Diego Trolley, Inc., in cooperation with Chula Vista Transit and National City Transit. MTS is Taxicab Administrator for eight cities. MTDB is owner of the San Diego and Arizona Eastern Railway Company. MTDB Member Agencies include: City of Chula Vista, City of Coronado, City of El Cajon, City of Imperial Beach, City of La Mesa, City of Lemon Grove, City of National City, City of Poway, City of San Diego, City of Santee, and the County of San Diego.

State law and MTS Policy No. 20 "Allocation of State Transit Assistance Funds" require that priority consideration be given to STA claims for the following purposes:

- to enhance existing public transportation services;
- to meet priority regional, county, or area-wide public transportation needs; and
- to offset reductions in federal operating assistance and unanticipated increases in fuel costs.

Periodic Review of Expenditures

The San Diego Association of Governments (SANDAG) requires each operator to submit at least quarterly operating reports to SANDAG staff for review. These reports allow SANDAG, local jurisdictions, and operators to track STA expenditures during the course of the fiscal year with appropriate budget and operational adjustments made as necessary. In certain instances, it may be necessary to revise the original STA claims.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, nancy.dall@sdmts.com

OCT30-08.7.STA CLAIMS.NDALL.doc

Attachment: A. MTS Resolution No. 08-22

SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 08-22

Resolution Approving the MTS Area FY 09 STA Claim

WHEREAS, California Public Utilities Code Sections 99313.3 and 99313.6 established a State Transit Assistance (STA) fund and grants the Metropolitan Transit System (MTS) authority to allocate monies from this fund; and

WHEREAS, MTS Policy No. 20 established procedures for allocating these STA funds; and

WHEREAS, MTS qualifies for STA monies under the provision of Public Utilities Code Section 99260 et seq.; and

WHEREAS, the sum of the claimant's allocations of STA and Transportation Development Act (TDA) funds do not exceed the amounts they are eligible to receive during the fiscal year; and

WHEREAS, the claimants are receiving the maximum of allowable amounts from the local transportation fund; and

WHEREAS, the San Diego Association of Governments (SANDAG) has determined the claimants have participated in efforts to define transit productivity recommendations and have made a reasonable effort toward implementing these recommendations in FY 09; and

WHEREAS, the claimants are operating in conformance with MTS Policy No. 17, "Transportation Development Act Rules and Regulations;" and

WHEREAS, the claimants' proposed expenditures of STA monies are in conformance with the Regional Transportation Plan and Transportation Improvement Program; and

WHEREAS, priority consideration has been given to claims to offset reductions in federal operating assistance and the unanticipated increase in the cost of fuel to enhance existing public transportation services and to meet high-priority, area-wide public transportation needs; and

WHEREAS, the claims are consistent with the requirements of Public Utilities Code Section 99314.5, California Administrative Code Section 6754, and MTS Policy No. 20; and

WHEREAS, the claimants are not precluded by any contract or administrative code entered into on or after June 28, 1979, from employing part-time drivers or from contracting with common carriers or persons operating under a franchise or license; and

WHEREAS, no full-time employee of the claimants on June 28, 1979, has had his or her employment terminated or regular hours of employment reduced, excluding drivers or contracting with common carriers; NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board does hereby direct and empower MTS staff to prepare and transmit allocation instructions to the County Auditor to disburse to MTS the FY 09 amounts totaling \$14,079,188.

PASSED AND ADOPTED by the Board this _____ day of _____ 2008, by
the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairman
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

OCT30-08.7.STA CLAIM.RESO 08-22.NDALL.doc



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Agenda

Item No. 8

JOINT MEETING OF THE BOARD OF DIRECTORS

AG 210.9 (PC 50102)

for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

October 30, 2008

**Draft for
Executive Committee
Review Date: 10/23/08**

SUBJECT:

MTS: OFFICE OF HOMELAND SECURITY GRANT APPLICATIONS

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 08-23 (Attachment A) authorizing the Chief Executive Officer (CEO) to submit applications for fiscal year 2008-2009 California Transit Security Grant Program—State Transit Assistance Agencies funding.

Budget Impact

None.

DISCUSSION:

Resolution No. 08-23 would authorize filing applications with and requesting reimbursements from the California Office of Homeland Security (OHS) and would satisfy requirements of fiscal year 2008-2009 California Transit Security Grant Program—State Transit Assistance Agencies funding. MTS's allocation for fiscal year 2009 is \$2,779,445.

Paul G. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, nancy.dall@sdmts.com

OCT30-08.8.OHS GRANT APPL.NDALL.doc

Attachment: A. Resolution No. 08-23



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 08-23

Resolution Approving the Submittal of Applications and Requests for
Fiscal Year 2008-2009 California Transit Security Grant Program Funding

WHEREAS, the San Diego Metropolitan Transit System (MTS) is a public entity established under the laws of the State of California for the purpose of providing transportation services in the County of San Diego who desires to apply for and obtain funding for transit security purposes.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board does hereby direct and empower MTS staff to prepare and transmit allocation instructions to the County Auditor to disburse to MTS the state financial assistance provided by the Governor's Office of Homeland Security totaling \$2,779,445.

PASSED AND ADOPTED by the Board this _____ day of _____ 2008, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairman
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System



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

Item No. 9

JOINT MEETING OF THE BOARD OF DIRECTORS

AG 210.9 (PC 50102)

for the
Metropolitan Transit System,
San Diego Transit Corporation, and
San Diego Trolley, Inc.

October 30, 2008

**Draft for
Executive Committee
Review Date: 10/23/08**

SUBJECT:

MTS: PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND
SERVICE ENHANCEMENT ACCOUNT FUNDING

RECOMMENDATION:

That the Board of Directors adopt Resolution No. 08-24 (Attachment A) authorizing the Chief Executive Officer (CEO) to submit applications for fiscal year 2008-2009 California Public Transportation Modernization, Improvement, and Service Enhancement Account—State Transit Assistance Agencies funding.

Budget Impact

None.

DISCUSSION:

Resolution No. 08-24 would authorize filing applications with and requesting reimbursements from the State Controller's Office. MTS's allocation for fiscal year 2009 is \$15,653,734.


Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Nancy Dall, 619.557.4537, nancy.dall@sdmts.com

OCT30-08.9.STA FUNDING.NDALL.doc

Attachment: A. Resolution No. 08-24



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 08-24

Resolution Approving the Submittal of Applications and Requests for Fiscal Year 2008-2009 California
Public Transportation Modernization, Improvement and Service Enhancement Funds

WHEREAS, the San Diego Metropolitan Transit System (MTS) is a public entity established under the laws of the State of California for the purpose of providing transportation services in the County of San Diego who desires to apply for and obtain funding for modernization and enhancement purposes.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board does hereby direct and empower MTS staff to prepare and transmit allocation instructions to the County Auditor to disburse to MTS the state financial assistance provided by the State Controller's Office public transportation modernization, improvement and service enhancement account funds totaling \$15,653,734.

PASSED AND ADOPTED by the Board this _____ day of _____ 2008, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairman
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System