



**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
BRAD OVITT, CHAIRPERSON
MATT DOMEN
PAUL JABLONSKI

OFFICERS
PAUL JABLONSKI, PRESIDENT
MATT DOMEN, SECRETARY
ERIN DUNN, TREASURER

LEGAL COUNSEL
KAREN LANDERS

AGENDA

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

October 22, 2013

9:00 a.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 (ALDs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

**ACTION
RECOMMENDED**

1. Approval of the Minutes of July 16, 2013 Approve
Action would approve the SD&AE Railway Company Minutes of July 16, 2013.
2. Statement of Railway Finances (Erin Dunn) Receive
Action would receive a report for information.
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen) Receive
Action would receive a report for information.
4. Report on Pacific Southwest Railway Museum (Diana Hyatt) Receive
Action would receive a report for information.
5. Report on the Desert Line (Chas McHaffie) Receive
Action would receive a report for information.
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued Since July 16, 2013 Receive
Action would receive a report for information.
 - b. License Agreement with Cox Communications, Inc. Approve
Action would approve issuing a license to Cox Communications, Inc. for a proposed underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line in Chula Vista.
 - c. Underground Sewer Main Easement Approve
Action would approve an easement to the City of La Mesa for a proposed underground 8-inch High-Density Polyethylene Pipe (HDPE) trunk sewer pipeline.

7. Approval of the 2014 SD&AE Board of Directors Meeting Schedule (Karen Landers) Approve
Action would approve the 2014 SD&AE Board of Directors meeting schedule.
8. Board Member Communications
9. Public Comments
10. Next Meeting Date
The next meeting of the SD&AE Railway Company Board of Directors is scheduled on January 14, 2014 (Upon approval of AI No. 7)
11. Adjournment

MINUTES

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

July 16, 2013

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 16, 2013, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Brad Ovitt, Matt Domen, and Paul Jablonski. Also in attendance were members from:

San Diego Metropolitan Transit System:

Tim Allison, Karen Landers, Wayne Terry,
Tom Lynch

Pacific Southwest Railway Museum:

Diana Hyatt

Pacific Imperial Railroad, Inc.:

Ernest Dahlman, Chas McHaffie, Sheila LeMire

Burlington Northern Santa Fe:

John Hoegemeier

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the April 16, 2013, SD&AE Railway Board of Directors meeting. Mr. Domen seconded the motion, and it was unanimously approved.

Mr. Ovitt offered his congratulations to Mr. Domen who was promoted from Assistant General Manager to General Manager of SD&IV.

2. Statement of Railway Finances

Tom Lynch, MTS Controller, presented the report for Linda Musengo (who was unable to attend the meeting). The financial statement for the second quarter of 2013 was distributed at the meeting (attached).

Action Taken

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

Karen Landers added that there was also an action to forward a recommendation to the MTS Board of Directors to elect Erin Dunn, MTS Assistant Finance Manager, as Treasurer to replace Linda Musengo (who is retiring). Ms. Landers stated that Ms. Dunn will be assuming the position of MTS Finance Manager. Mr. Lynch reported that Ms. Dunn is a CPA and is very well qualified.

Action Taken

Mr. Domen moved to forward a recommendation to the MTS Board of Directors to elect Erin Dunn as SD&AE Treasurer to replace the position being vacated by Linda Musengo. Mr. Ovitt seconded the motion, and it was unanimously approved.

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

Matt Domen reviewed the report of activities for the second quarter of 2013 (attached to the agenda item).

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the second quarter of 2013 report (attached to the agenda item).

Action Taken

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

5. Report on the Desert Line

A written report (attached) was not submitted in time for the meeting. Chas McHaffie stated that milestones (for the Desert Line) that are timely today include the half-million-dollar fee paid (by PIR) in June (to MTS). The proposals for J. L. Patterson to do bridge inspections have been signed and paid. Watkins Environmental and Watkins Construction have been retained to operate the construction program on the Desert Line.

Mr. McHaffie reported that PIR is in negotiations with Pacific Imperial Railroad de Mexico to consolidate the operating lease with Mexican business authorities. Mr. McHaffie will report back at the next meeting regarding the success of that endeavor.

Ms. Landers stated that PIR's report must be submitted prior to the meeting. She reiterated that the meeting schedule and due dates are preset, and reports should be submitted without prompting. Ms. Landers added that she does not want to have to make this request at every meeting and expects these reports well in advance of the meetings. Mr. McHaffie agreed and stated that he would send the updated report to the clerk via e-mail right after the meeting.

Mr. Jablonski asked about the schedule for Desert Line rehabilitation. Mr. McHaffie responded that weed clearing will begin next week, and payment will be made this week to Watkins Construction. Tim Allison added that he has not received any right of entry permit requests from Watkins Construction. Mr. Allison stated that last week, he prompted Damon Barone (Chief Operating Officer) of Watkins Construction to get a right of entry application submitted for Watkins to work on the line and that no one other than PIR employees should be out there working without a permit.

Mr. Jablonski asked for clarification of the priorities of work on the Desert Line. Mr. McHaffie responded that weed abatement is the top priority due to fire risks. Sheila LeMire added that in order to run the ultrasound machines on the line to test the ties and rail, the line must be cleared of brush before repair work can commence. It was noted that PIR is responsible for 70 miles of line, and the Museum is responsible for 6 miles.

Mr. Allison reported that there was a kickoff meeting at Don Stoecklein's office last week with

J. L. Patterson representatives and Damon Barone of Watkins Construction (hereinafter referred to as "contractors"). A baseline schedule will be modified and resubmitted, which will show all of the different work services. The contractors are going to clear the gauge so they can run the ultrasound machine and process the entire line. Mr. Allison stated the contractors have contacted the Federal Railroad Administration (FRA) and California Public Utilities Commission (CPUC) regarding the proposed work so they can get onboard prior to commencement. Mr. Allison added that he feels that J. L. Patterson has a good handle on the duties.

Wayne Terry clarified for Mr. Jablonski that a private contractor is hired to perform the ultrasound on the Desert Line rails. Mr. Allison added that Fred Byle, MTS Superintendent of Wayside Maintenance, is available as a resource.

Mr. Jablonski requested a copy of PIR's schedule for work on the Desert Line. Mr. McHaffie clarified for Mr. Ovitt that the schedule for brush clearing begins next week (a right of entry permit will be required).

Action Taken

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

6. Real Property Matters

6a. Summary of SD&AE Documents Issued Since April 16, 2013

Since the April 16, 2013, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-559: Right of Entry Permit to SDG&E for a transformer removal at the Lemon Grove Depot in the City of Lemon Grove.
- S200-13-562: Right of Entry Permit to Navy Region Southwest for the Bay Bridge Run/Walk.
- S200-13-563: Easement to SDG&E for power service to a new traction power substation at Seaward Avenue in the City of San Diego.
- S200-13-564: Easement to SDG&E for power service to a new traction power substation at 27th Street in the City of San Diego.
- S200-13-565: Easement to SDG&E for power service to a new traction power substation at Market Creek Plaza in the City of San Diego.
- S200-13-567: Easement to SDG&E for power service to a new traction power substation at 13th Street in the City of San Diego.
- S200-13-568: Right of Entry Permit to PAR Electrical Contractors Inc. for electric facilities removal at 24th Street in the City of San Diego.
- S200-13-569: Right of Entry Permit to the City of La Mesa for the La Mesa Flag Day Parade.

- S200-13-570: Right of Entry Permit to COMM22 Family Housing L.P. to construct residential housing at 24th Street in the City of San Diego.
- S200-13-571: Easement to SDG&E for power service to a new traction power substation at Palm Avenue in the City of San Diego.
- S200-13-572: Right of Entry Permit to Flatiron West, Inc. to construct the Blue Line Low-Floor Station Improvements project.
- S200-13-577: Right of Entry Permit to Aguirre Engineering for general land surveying on SD&AE right-of-way.
- S200-13-578: Right of Entry Permit to the San Diego County Bicycle Coalition for the Bike the Bay fun bike ride.
- S200-13-579: Right of Entry Permit to SDG&E for pole removal and overhead wire transfer at Moss Street in the City of Chula Vista.

Action Taken

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

6b. Easements for an At-Grade Crossing at the U.S./Mexico Border in San Ysidro

Tim Allison showed an overhead of the proposed easement to the Department of Homeland Security (DHS) for a commonly used access road (by DHS and the U.S. Border Patrol) at the south line on the San Ysidro border known as the Durand Gate. Mr. Allison explained that the Board previously authorized two similar easements on the Desert Line to access the border fence. He reviewed the overhead and explained the layout of the area.

Mr. Allison explained that the San Diego Association of Governments (SANDAG) is requesting a quit claim deed from the U.S. Government for property near Beyer in relation to the San Ysidro Intermodal Yard Expansion Project. DHS wants to make sure that this easement is in place. Mr. Allison and Ms. Landers have been working on the language for the indemnification to address the U.S. Government's issues.

Mr. Allison clarified for Mr. Jablonski that this request will be in addition to the other two easements. Ms. Landers clarified that this request is tied up with the San Ysidro Intermodal Yard Project, which may not be able to move forward unless some of the issues are resolved.

Discussion ensued regarding the layout of the easement. Mr. Ovitt clarified that although the easement has been accessed for years, we will now get compensation for its use. Ms. Landers added that it's the indemnification that will have the most value as the easement fees are fairly nominal. Ms. Landers stated that she recommends being cooperative in granting the easement agreement.

Mr. Domen stated that the Baja Railroad is going to replace the rail between the border fences. He reported that the Border Patrol cemented over the rails years ago without permission, and now it needs to be repaired. Mr. Domen asked who will pay for that expense. Mr. Jablonski stated that the Border Patrol should be required to make a legitimate track crossing. Mr. Allison agreed, and conversation continued about needed improvements to the easement.

Ms. Landers added that the time is now to have this discussion (before granting the easement). It was agreed that terms would be included in the language requiring repairs if there is any damage to the easement. Ms. Landers explained that the U.S. Government says it can't agree to a contract that's not already appropriated by Congress and states that you have to file a federal tort claim for liability claims outside of its contract.

After discussion regarding the property and the upcoming improvement project, it was agreed that property-line research of the proposed easement area should be conducted to determine ownership, and improvements or damage repair by DHS should be incorporated into the permanent easement agreement. Mr. Allison will schedule a meeting with DHS to address these issues. He added that there will also be an at-grade construction and maintenance agreement.

Action Taken

Mr. Jablonski moved to approve issuing an easement to the U.S. Department of Homeland Security (DHS) for an at-grade crossing over SD&AE tracks located at the U.S./Mexico border in San Ysidro contingent upon resolution of the terms of crossing-improvement criteria. Mr. Domen seconded the motion, and it was unanimously approved.

7. Board Member Communications

There were no Board member communications.

8. Public Comments

- Denis LaSalle – Representative of Consejo De Desarrollo Economico De Tijuana

Mr. LaSalle stated that Donald Stoecklein (of PIR) made a presentation a few weeks ago at Toyota and said that the Desert Line will be operable in January 2014 to move cargo to the maquiladoras. Mr. LaSalle added that businesses in Mexico are interested but won't sign on until the SD&AE Board approves the contract. He added that they are also concerned about the security of the cargo headed for the maquiladoras and the number of milestones required in the contract. He asked for confirmation by the SD&AE Board of the January 2014 start date.

Mr. Jablonski responded that the January 2014 start date is not listed as a milestone in the contract between SD&AE and PIR. He added that PIR can keep its deadlines and milestones, but he is not going to speak for PIR. Mr. Jablonski stated that the SD&AE Board will hold PIR to its contractual schedule. Mr. Jablonski reported that test trains and limited service aren't scheduled to start until around March or April 2014.

Mr. Jablonski explained that from the SD&AE Board's standpoint as owners leasing to PIR, the focus is on the safety of operating the Desert Line, which includes bridge and track inspections, and that security is another issue. Ms. Landers added that PIR is required to have a plan with the Border Patrol and customs and has to meet all of the terms of the contract before operating. Ms. Landers added that if PIR is able to complete the milestones ahead of schedule, there should not be a problem. She clarified that MTS will receive the reports from the construction managers and the inspectors, and if necessary, will conduct additional inspections. Mr. Jablonski added that MTS will review the plans for deficiencies or otherwise accept them as satisfactory if there are no deficiencies.

Ms. Landers clarified for Mr. LaSalle that the miles-per-hour standard for train operations is set by the FRA. Mr. Jablonski added that Class 1 is set at 10 or 15 miles per hour. He stated that he feels that it is not the FRA's long-term intent to have the line operating at that speed. He stated that the Class 1 speed is a reasonable objective initially because the line hasn't been operated in a long time, and a lot has to happen on the Mexico side (to address tunnel damage across the border and other issues).

Mr. LaSalle inquired as to when the damaged tunnel will be repaired. He stated that representatives from ADMICARGA will not invest in repairing the tunnel until a start date is set for operations. Ms. Landers responded that PIR staff reported today that they are beginning work on the Desert Line on the U.S. side next week. Mr. Jablonski added that it will depend upon PIR's completion of milestones in the schedule.

Mr. LaSalle informed the Board that his organization would send a letter to memorialize its safety and security concerns.


9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on October 15, 2013.

10. Adjournment

The meeting was adjourned at 9:37 a.m.



President

General Counsel

Attachments: Statement of Railway Finances (handout at meeting)
PIR's Periodic Report (2nd Quarter)

Handout at meeting

Agenda Item No. 2

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

July 16, 2013

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Board of Directors receive a financial report for four quarters ended June 30, 2013.

Budget Impact

None.

DISCUSSION:

Attached are the unaudited financial results for four quarters of fiscal years 2013 and 2012, which includes the periods ended June 2013 and 2012. These statements are subject to adjustment for depreciation and other revenue or expense items that may occur during the annual financial audit to be completed before the end of December 2013.

The current year-to-date income is \$638,878 favorable to budget due to sale of property resulting in a \$642,214 unbudgeted gain on sale. Revenue for the SD&IV freight fee was not received during the year but has been accrued as a receivable as of June 30, 2013. SD&AE has received \$500,000 from Pacific Imperial Railroad in payment of the first installment under the Desert Line Lease and Operating Agreement dated December 20, 2012. Additional payments in accordance with the lease schedule will be due semiannually until limited operations begin after which payments will be due quarterly. The initial payment will be recognized as of July 1, 2013. Management, in consultation with the auditors, will analyze the lease terms to determine when the lease payments should be recognized; as a result, subsequent adjustment to the June 30, 2013, financial statements may be required.

Income has increased by \$684,129 compared to the same period last year due to the property sale cited above and a significant increase in Right of Entry permits. Finally, SD&AE received \$683 from the Secretary of State related to checks sent to us in 1995 that were never cashed.

Expenses are \$15,051 unfavorable to budget due to increased personnel costs and fees paid to PGH Wong for engineering services, both related to increased Right of Entry

permits activity; and \$4,733 paid to RL Banks for consulting services related to the Desert Line project.

Expenses have increased by \$28,255 over the same period last year due to a \$20,156 increase in personnel costs and a \$29,728 increase in Outside Services as stated above. Net income for FY13 was \$650,560 compared to a net loss of \$(5,313) for the same period in FY 12.

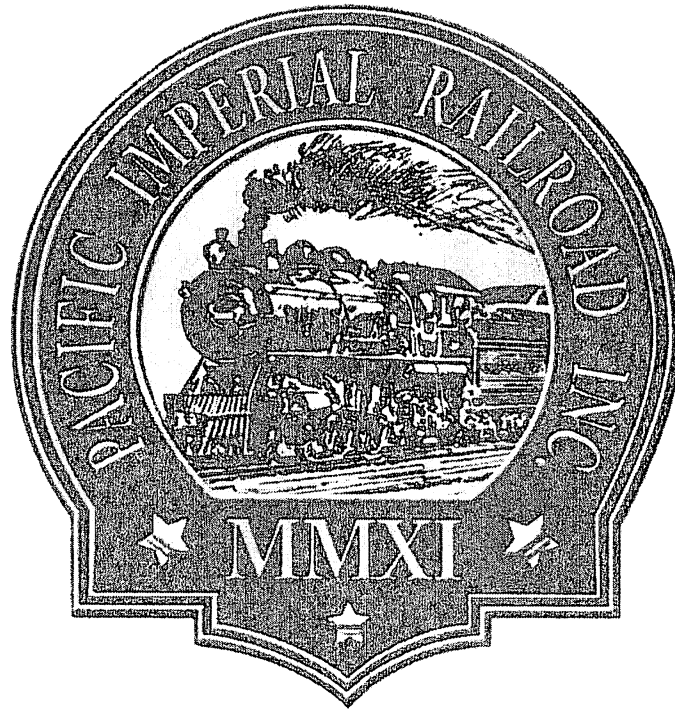
Attachment: SD&AE Operating Statement 4th Quarter FY 13

| | FY 2013 | | | | | FY 2012 | | |
|--------------------------|-----------|-----------|-------------|------------|------------|-----------|----------|------------|
| | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | YTD | Budget | Variance | Q1 - Q4 |
| Right of entry permits | \$ 13,400 | \$ 29,689 | \$ (5,040) | \$ 17,850 | \$ 55,899 | \$ 50,000 | 5,899 | 9,121 |
| Lease income | 19,563 | 16,497 | 22,826 | 14,196 | 73,081 | 80,000 | (6,919) | 78,762 |
| Other income | - | - | 683 | - | 683 | - | 683 | - |
| SD&IV 1% freight fee | - | - | - | 32,000 | 32,000 | 35,000 | (3,000) | 31,866 |
| Gain on sale of property | - | - | - | 642,214 | 642,214 | - | 642,214 | - |
| Total revenue | 32,963 | 46,186 | 18,469 | 706,260 | 803,878 | 165,000 | 638,878 | 119,749 |
| Personnel costs | 25,179 | 30,410 | 21,379 | 27,196 | 104,164 | 91,966 | (12,198) | 84,008 |
| Outside services | - | - | 29,740 | (13) | 29,728 | 20,000 | (9,728) | - |
| Energy costs | - | - | - | - | - | - | - | - |
| Risk management | 5,752 | 5,752 | 3,637 | 3,751 | 18,892 | 22,300 | 3,409 | 23,543 |
| Misc operating expenses | 534 | - | - | - | 534 | 4,000 | 3,466 | 431 |
| Depreciation | - | - | - | - | - | - | - | - |
| Total expense | 31,465 | 36,162 | 54,757 | 30,934 | 153,317 | 138,266 | (15,051) | 107,982 |
| Net income/(loss) | \$ 1,498 | \$ 10,025 | \$ (36,288) | \$ 675,326 | \$ 650,560 | \$ 26,734 | 623,826 | \$ 11,767 |
| | | | | | | | | \$ 638,794 |

Reserve balance 2012 **\$ 916,413**

Estimated interest earnings 1,651
Operating profit/(loss) 650,560
Improvement expense 2013 -

Reserve balance 2013-est **\$ 1,568,624**



PERIODIC REPORT

June 30, 2013

The periodic report to the SD&AE Railway Company is produced quarterly by the Pacific Imperial Railroad 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.

Pacific Imperial Railroad

Second Quarter 2013

CONTENTS

- I. GOVERNMENTAL**
- II. DESERT LINE**
- III. REPORTABLE INJURIES / ACCIDENTS /
ENVIRONMENTAL INCIDENTS**
- IV. MARKETING**
- V. FREIGHT ACTIVITY**
- VI. MTS OPERATING AGREEMENT REQUIREMENTS**

I. GOVERNMENTAL

- a. No developments during this quarter.

II. DESERT LINE STATUS

a. Reconstruction Plan

- i. **Inspections** – PIR received a proposal to provide bridge inspection, Bridge Management Program, Track Inspection and Tunnel Inspection from J.L. Patterson & Associates, Inc. PIR accepted the proposal and is now working with J.L. Patterson to provide initial repairs to the Desert Line to enable operations of freight service.
- ii. **Construction** PIR has executed an agreement with Watkins Environmental, Inc. wherein Watkins Environmental, Inc. shall perform the necessary repairs on the Desert Line, as determined by the J.L. Patterson inspection(s).

- b. **Financing Plan** – PIR is continuing its fundraising efforts through the CEO Ernie Dahlman and is considering agreements with other investment bankers.

III. REPORTABLE

INJURIES/ACCIDENTS/ENVIRONMENTAL INCIDENTS

- a. There have not been any reportable accidents.
- b. There have not been any reportable injuries.
- c. There have not been any reportable environmental incidents.

IV. MARKETING

- a. PIR finalized its Marketing Plan by utilizing information gathered in surveys generated from the numerous Maquiladora manufacturers. In May 2013, PIR implemented aspects of the marketing campaign outlined in the Marketing Plan.

V. FREIGHT ACTIVITY

- a. Currently PIR has not commenced revenue generation pending completion of the Inspections and Construction above.

VI. MTS OPERATING AGREEMENT REQUIREMENTS

- a. Pursuant to the Amended and Restated Desert Line Lease and Operating Agreement between PIR, San Diego and Arizona Eastern Railways Company and the San Diego Metropolitan Transit System, the following Performance Milestone Requirements fell within First Quarter:

- i. **Business Plan.** Submittal of Business Plan to SD&AE within 30 days from the effective date of the Agreement; and

- 1. PIR Timely submitted the Business Plan on January 19, 2013

- ii. **Reconstruction Plan.** Desert Line Reconstruction Plan submitted to MTS within 90 days of the effective date of the Agreement.

- 1. PIR Timely submitted the Reconstruction Plan on March 20, 2013.

Agenda Item No. 2

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

October 22, 2013

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the quarter ended September 30, 2013.

Budget Impact

None.

DISCUSSION:

Attached are the financial results for the first quarter of fiscal year 2014, which include the periods ended September 30, 2013, and 2012.

The current year-to-date income is \$250,000 favorable to budget primarily due to the Desert Line lease revenue not being in the original budget. Income has increased by \$253,000 compared to the same period last year—again primarily due to the Desert Line lease. Expenses are \$1,100 unfavorable to budget due to an unfavorable variance in personnel costs offset by favorable risk management costs and the timing of expenses for outside services. Expenses have increased by \$3,400 over the same period last year primarily due to the increase in personnel costs. The net income for the first quarter of FY 14 was \$251,215 compared to net income of \$1,498 for the same period in FY 13.

Attachment: SD&AE Operating Statement 1st Quarter FY 14

SD&AE operating statement FY2014-13

| | Q1 2014 | Budget | Variance | Q1 2013 | Variance |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | | | | | |
| Right of entry permits | \$ 13,250 | \$ 7,500 | 5,750 | 13,400 | (150) |
| Lease income | 13,081 | 20,001 | (6,920) | 19,563 | (6,482) |
| Desert Line Lease Revenue | 250,000 | - | 250,000 | - | 250,000 |
| SD&IV 1% freight fee | 9,704 | 8,751 | 953 | - | 9,704 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenue | 286,035 | 36,252 | 249,783 | 32,963 | 253,072 |
| Expense | | | | | |
| Personnel costs | 30,685 | 21,715 | (8,970) | 25,179 | (5,506) |
| Outside services | 515 | 5,042 | 4,527 | - | (515) |
| Energy costs | | | - | - | - |
| Risk management | 3,336 | 6,825 | 3,489 | 5,752 | 2,416 |
| Misc operating expenses | 284 | 126 | (158) | 534 | 250 |
| Depreciation | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expense | 34,820 | 33,708 | (1,112) | 31,465 | (3,355) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net income/(loss) | <u>\$ 251,215</u> | <u>\$ 2,544</u> | <u>248,671</u> | <u>\$ 1,498</u> | <u>249,717</u> |

| | |
|-----------------------------|---------------------|
| Reserve balance 2013 | \$ 1,505,741 |
|-----------------------------|---------------------|

| | |
|---|---------|
| Allocated interest earnings - estimated | 1,000 |
| Operating profit/(loss) | 251,215 |

| | |
|---------------------------------------|---------------------|
| Reserve balance 2014-estimated | \$ 1,757,956 |
|---------------------------------------|---------------------|

Agenda Item No. 3

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

October 22, 2013

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 2013



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

October 3, 2013

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 2013 are listed as follows:

1. Labor

At the end of September 30, 2013 the San Diego & Imperial Railroad had 9 employees:

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

2. Marketing

Volume in the 2nd Quarter declined 7% as compared to 2012. Bridge traffic had a 9% decrease, primarily driven by a decrease in LPG traffic to ConocoPhillips and Texas Gas and Oil. Traffic terminating or originating on the SDIY was virtually flat compared to this time last year.

3. Reportable Injuries/Environmental

Days through year to date, Sept 30, 2013, there were no FRA Reportable injuries or environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6024

4. Summary of Freight

| | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|
| Total rail carloads that moved by SDIY Rail Service in the quarter. | 1219 | 1305 | 976 |
| Total railroad carloads Terminating/Originating Mexico in the quarter. | 985 | 1077 | 667 |
| Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter. | 234 | 228 | 309 |
| Total customers directly served by SDIY in the quarter | 10 | 9 | 11 |
| Regional Truck trips that SDIY Railroad Service replaced in the quarter | 3657 | 3915 | 2928 |

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

October 22, 2013

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: Quarterly Report



October 11, 2013

Pacific Southwest Railway Museum

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

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

Re: Third Quarter, 2013

Dear SD&AE Board:

During the third quarter of 2013, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 26 passenger trains carrying 1,254 passengers with no FRA reportable accidents or injuries. This is the first summer season where the museum chose to operate on Saturdays and was closed on Sundays through Labor Day. Total income from SD&AE property for third quarter, 2013 was \$26,538, a check for \$531 will follow under separate cover. By comparison, PSRM carried:

1,012 passengers during the third quarter of 2012
1,294 passengers during the third quarter of 2011
1,468 passengers during the third quarter of 2010

During the third quarter, routine track maintenance continued with weed abatement, the installation of gauge rods, tightening of rail joints and double spiking tie plates in various locations. The wide brick pathway from the Campo Depot to the public restroom building has been completed. Grading of roadways and surrounding property continue. The transfer of the Camp Lockett veterinary hospital barn property east of the Depot has been finalized and the property is now in the name of PSRM. The museum is actively seeking a zoning adjustment to accommodate future expansion plans in which the Campo Depot will become the focal point of the museum's facility.

Sincerely,


Diana Hyatt

Agenda Item No. 5

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

October 22, 2013

SUBJECT:

REPORT ON THE DESERT LINE

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: Quarterly Report



PERIODIC REPORT

September 30, 2013

The periodic report to the SD&AE Railway Company is produced quarterly by the Pacific Imperial Railroad 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.

Pacific Imperial Railroad

Third Quarter 2013

CONTENTS

- I. GOVERNMENTAL**
- II. DESERT LINE**
- III. REPORTABLE INJURIES / ACCIDENTS /
ENVIRONMENTAL INCIDENTS**
- IV. MARKETING**
- V. FREIGHT ACTIVITY**
- VI. MTS OPERATING AGREEMENT REQUIREMENTS**

I. GOVERNMENTAL

- a.** No developments during this quarter.

II. DESERT LINE STATUS

a. Reconstruction Plan

- i. Inspections** – On June 14th, 2013, PIR executed a Services Agreement with J.L. Patterson & Associates, Inc. (JLP). Phase one of JLP's work to be performed under the Services Agreement began on August 19th and continued to progress into the early weeks of September 2013. Balfour Beatty Rail, Inc. (BBR) has been subcontracted by JLP to clear sand, dirt and other debris from the tracks between Division and Campo, California. BBR is a rail infrastructure contractor specializing in construction and maintenance services for the public and private railroad markets and they will be continuing to clear the track throughout September 2013 upon which phase two of JLP's services will begin.
- ii. Track Testing**– JLP subcontracted Holland Company, LP which is an acknowledged leader in the world market for track testing and has been engineering rail solutions since 1935. Holland Company will be conducting the strength testing of the mainline between Division and Plaster City, California. Following the strength testing, an additional subcontractor to JLP, Nordco Rail Services, will be performing rail flaw detection from Division to Plaster City, CA on the mainline tracks. Nordco Rail Services is a field leader in

ultrasonic non-destructive testing equipment (NDT). During the various track clearing and testing phase, JLP will be developing the PIR Bridge Management Plan and will be performing a complete inspection of all 57 bridges and 17 tunnels along the 70 mile Desert Line.

- iii. Construction**– PIR has executed an agreement with Watkins Environmental, Inc. wherein Watkins Environmental, Inc. shall perform the necessary repairs on the Desert Line, as determined by the J.L. Patterson inspection(s) and track testing.

b. Financing Plan

PIR is continuing its fundraising efforts through the CEO Ernie Dahlman and is considering agreements with other investment bankers.

III. REPORTABLE

INJURIES/ACCIDENTS/ENVIRONMENTAL INCIDENTS

- a.** There have not been any reportable accidents.
- b.** There have not been any reportable injuries.
- c.** There have not been any reportable environmental incidents.

IV. MARKETING

- a.** PIR finalized its Marketing Plan by utilizing information gathered in surveys generated from the numerous Maquiladora manufacturers. In May 2013, PIR implemented aspects of the marketing campaign outlined in the Marketing Plan.

V. FREIGHT ACTIVITY

- a. Currently PIR has not commenced revenue generation pending completion of the Inspections and Construction above.

VI. MTS OPERATING AGREEMENT REQUIREMENTS

- a. Pursuant to the Amended and Restated Desert Line Lease and Operating Agreement between PIR, San Diego and Arizona Eastern Railways Company and the San Diego Metropolitan Transit System, the following Performance Milestone Requirements fell within First Quarter:

- i. **Business Plan.** Submittal of Business Plan to SD&AE within 30 days from the effective date of the Agreement; and

- 1. PIR Timely submitted the Business Plan on January 19, 2013

- ii. **Reconstruction Plan.** Desert Line Reconstruction Plan submitted to MTS within 90 days of the effective date of the Agreement.

- 1. PIR Timely submitted the Reconstruction Plan on March 20, 2013.

Agenda Item No. 6a

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

October 22, 2013

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 16, 2013

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the July 16, 2013, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-575: Right of Entry Permit to RVM Construction, Inc. to construct an underground sewer pipeline at Moss Street in the City of Chula Vista.
- S200-13-576: Right of Entry Permit to Kimley-Horn Associates, Inc. for engineering investigations to support various San Diego Association of Governments (SANDAG) projects.
- S200-13-580: Right of Entry Permit to J.L. Patterson & Associates, Inc. for engineering support to reconstruct the Desert Line.
- S200-14-581: Right of Entry Permit to Watkins Environmental, Inc. for engineering support to reconstruct the Desert Line.

Agenda Item No. 6b

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

October 22, 2013

SUBJECT:

LICENSE AGREEMENT WITH COX COMMUNICATIONS, INC.

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approve issuing a license to Cox Communications, Inc. for a proposed underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line in Chula Vista.

Budget Impact

If approved, the initial income to SD&AE would be \$1,500 per year. Cox Communications, Inc. would also reimburse MTS for processing fees incurred in preparing and processing the license.

DISCUSSION:

Cox Communications, Inc. is requesting a license for an underground fiber-optics utility crossing under SD&AE tracks located at milepost 9.6 on the Coronado Branch Line. The site is located along the 1100 block of Bay Boulevard just north of Palomar Street in Chula Vista. The underground crossing would serve Cox customers located at 1120, 1124, and 1128 Bay Boulevard, Chula Vista. (See attachment of the proposed project.)

Attachment: Proposed Project

Agenda Item No. 6C

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

October 22, 2013

SUBJECT:

UNDERGROUND SEWER MAIN EASEMENT

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approve an easement to the City of La Mesa for a proposed underground 8-inch High-Density Polyethylene Pipe (HDPE) trunk sewer pipeline.

Budget Impact

If approved, the initial income to SD&AE would be a one-time fee based on an appraisal from an MAI-certified appraiser. The City of La Mesa would also reimburse MTS for processing fees incurred in preparing and processing the easement.

DISCUSSION:

The City of La Mesa requests the issuance of an easement for an underground 8-inch HDPE trunk sewer pipeline that will run parallel with SD&AE tracks for 160.80 feet and connect to an existing sewer main. The location of the 8-inch HDPE pipe would be located along SD&AE tracks at approximate milepost 14.6 between the Amaya Trolley Station and State Route 125 in the City of La Mesa. The 8-inch HDPE pipe would serve as an upgrade to the City of La Mesa's system. An exhibit of the proposed project is attached.

Attachment: Proposed Project

ATKINS

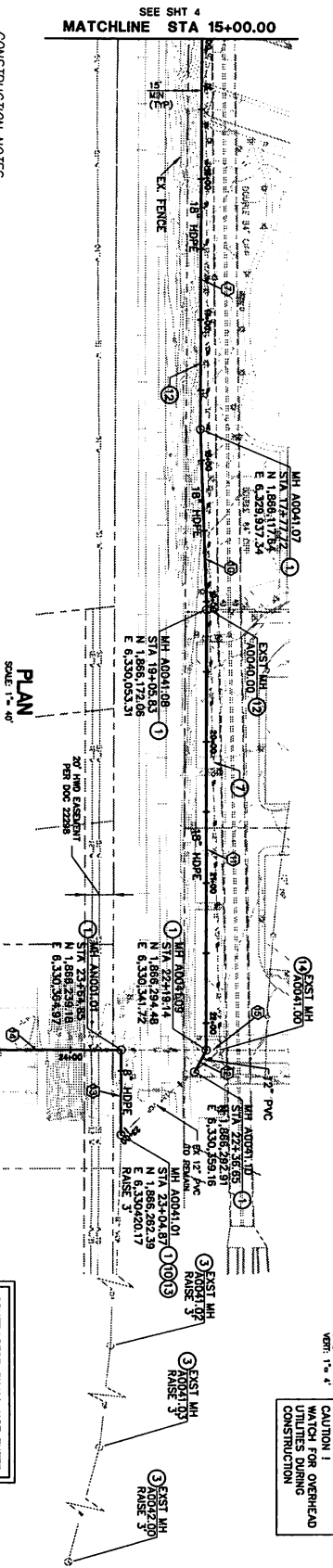
⑭ REMOVE EXISTING MANHOLE

- HTWRIGHT COMPOSITE

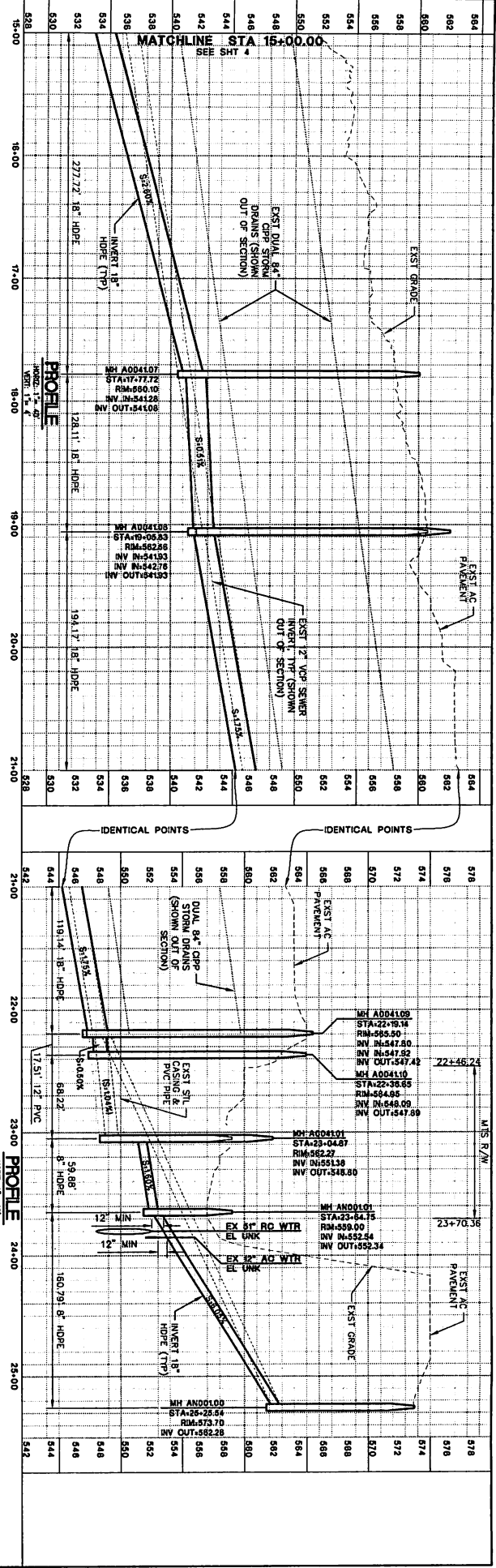
1. ALL EXISTING UTILITIES ARE SHOWN IN THEIR APPROXIMATE LOCATION. SURVEY INFORMATION WAS NOT PROVIDED FOR ALL UTILITIES. CONTRACTOR SHALL VERIFY EXACT DIMENSIONS, CONNECTIONS, AND DEPTHS BEFORE BEGINNING WORK.
2. THE LOCATION OF THE SHOWN SEWER LATERALS IS ONLY APPROXIMATE. THE CONTRACTOR MUST DETERMINE THE EXACT LOCATION PRIOR TO EXCAVATION WORK FOR THE SEWER MAIN.
3. CONTRACTOR SHALL POthOLE WHERE EXTENSION OF SEWER LATERALS CROSSES OTHER UTILITIES TO ASCERTAIN CLEARANCE PRIOR TO EXCAVATION WORK FOR THE SEWER MAIN.
4. CONTRACTOR SHALL REPLACE IN YARD TREES, PLANTINGS, LANDSCAPING, IRRIGATION AND LIGHTS, EXISTING CONCRETE, AND OTHER PAYMENT FEATURES DISTURBED OR DAMAGED DURING CONSTRUCTION. IMPROVEMENTS SHALL BE DOCUMENTED BY PRE AND POST CONSTRUCTION VIDEOS.

[illegible]

CONTRACTOR SHALL NOT ENTER
MIDTB ROW LIMITS AT ANYTIME
DURING CONSTRUCTION



| NO. | Δ /BEARING | RADIUS | LENGTH |
|------|-------------------|--------|--------|
| (7) | N 66°56'52" E | - | 277.72 |
| (9) | N 64°51'35" E | - | 126.11 |
| (11) | N 67°00'05" E | - | 315.31 |
| (12) | S 84°50'22" E | - | 175.51 |
| (13) | S 67°11'41" W | - | 59.86 |
| (14) | S 22°48'19" E | - | 160.79 |
| (15) | N 22°48'19" W | - | 9.81 |



Agenda Item No. 7

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

October 22, 2013

SUBJECT:

APPROVAL OF THE 2014 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE

RECOMMENDATION:

That the SD&AE Board of Directors approve the 2014 SD&AE Board of Directors meeting schedule.

Budget Impact

None.

DISCUSSION:

The SD&AE Board of Directors customarily meets once each quarter to discuss business and receive reports from its contract operators. The following meeting schedule is recommended for 2014:

| | | |
|----------------------------|-----------|-------------------------------|
| Tuesday, January 14, 2014 | 9:00 a.m. | (Fourth Quarter 2013 Reports) |
| Tuesday, April 15, 2014 | 9:00 a.m. | (First Quarter 2014 Reports) |
| Tuesday, July 15, 2014 | 9:00 a.m. | (Second Quarter 2014 Reports) |
| Tuesday, October 21*, 2014 | 9:00 a.m. | (Third Quarter 2014 Reports) |

Upon approval of the above meeting dates, additional information regarding materials due dates and mail-outs are as follows:

Materials Due to Clerk

Friday, January 3, 2014
Friday, April 4, 2014
Thursday, July 3**, 2014
Friday, October 10, 2014

Materials Mailed

Wednesday, January 8, 2014
Wednesday, April 9, 2014
Wednesday, July 9, 2014
Wednesday, October 15, 2014

*To accommodate APTA Annual Conference on 10/12/14-10/15/14

** Due to July 4 holiday