



**SAN DIEGO & ARIZONA
EASTERN RAILWAY
COMPANY**

A NEVADA NONPROFIT
CORPORATION

1255 IMPERIAL AVENUE,
SUITE 1000
SAN DIEGO, CA
92101-7490
(619) 231-1466

BOARD OF DIRECTORS
PAUL JABLONSKI, CHAIRPERSON
MATT DOMEN
BLAKE JONES

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 13, 2015

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.

	<u>ACTION RECOMMENDED</u>
1. <u>Approval of the Minutes of July 14, 2015</u> Action would approve the SD&AE Railway Company Minutes of July 14, 2015.	Approve
2. <u>Statement of Railway Finances (Erin Dunn)</u> Action would receive a report for information.	Receive
3. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)</u> Action would receive a report for information.	Receive
4. <u>Report on Pacific Southwest Railway Museum (Diana Hyatt)</u> Action would receive a report for information.	Receive
5. <u>Report on the Desert Line (Chas McHaffie)</u> Action would receive a report for information.	Receive
6. <u>Real Property Matters (Tim Allison)</u> a. <u>Summary of SD&AE Documents Issued Since April 14, 2015</u> Action would receive a report for information. <ul style="list-style-type: none">• <u>S200-15-625</u>: Right of Entry Permit to Hulcher Services, Inc., for moving GATX cars on the Desert Line.• <u>S200-16-626</u>: Right of Entry Permit to the San Diego County Bicycle Coalition for the annual Bike the Bay bike ride.	Receive
b. DRAINAGE EASEMENT TO CITY OF LA MESA FOR A PORTION OF ALVARADO CREEK	
7. Approval of the 2016 SD&AE Board of Directors Meeting Schedule Action would approve the 2016 SD&AE Board of Directors meeting	
8. Board Member Communications	

9. Public Comments

10. Next Meeting Date: January 19, 2016 Pending Board Approval of
Agenda Item 7

11. Adjournment

San Diego and Arizona Eastern Railway Company

October 13, 2015

Sign-in Sheet (VOLUNTARY)

Name	Company
1. Blake Jones	SDIU/GWRR
2. Matt Poter	SPC ✓
3. Don Jones	TRAINS MAGAZINE
4. Diana Hyatt	PSRM
5. Paul JADCOWSKI	MTS SDARC
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MINUTES

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

July 14, 2015

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 14, 2015, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Blake C. Jones, Matt Domen, and Wayne Terry. Also in attendance were members from:

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Erin Dunn, Traci Wutke
Pacific Southwest Railway Museum:	Diana Hyatt, Michael Edwards
Pacific Imperial Railroad, Inc.:	Don Stoecklein, Arturo Alemany
Corrizo Gorge Railway:	Charles McHaffie
SD Freight Rail Consulting:	John Hoegemeier
Trains Magazine:	Don Jones

1. Approval of Minutes

Mr. Terry moved to approve the Minutes of the April 14, 2014, SD&AE Railway Board of Directors meeting. Mr. Domen seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed the financial statement for the second quarter of 2015 (attached to the agenda item).

Action Taken

Mr. Jones moved to receive the report for information. Mr. Domen 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 2015 (attached to the agenda item).

Action Taken

Mr. Jones 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 third quarter of 2015 report (attached to the agenda item).

Ms. Landers asked that Ms. Hyatt submit a written report regarding the railroad tie and disposal issue that PSRM is dealing with.

Action Taken

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

5. Report on the Desert Line

Chas McHaffie and Arturo Alemany reviewed the third quarter of 2015 report (attached to the agenda item).

Mr. McHaffie notified the committee that Donald Stoecklein has stepped down from PIR and will be working on operations in Coyote Wells.

After Mr. Stoecklein reviewed the report on Coyote Wells, Mr. Domen asked if there was a projected number of trains PIR was going to run. Mr. McHaffie commented that they were building trains up to 100 cars in length, but didn't have a definitive number.

Ms. Landers notified the committee that the new milestones were recommended by the MTS Executive Committee and will be going on front of the board for approval July 16, 2015.

Action Taken

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

6. Real Property MattersA. Summary of SD&AE Documents Issued since April 14, 2015

Since the April 14, 2015, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-15-608: Right of Entry Permit to Black and Veatch Construction, Inc. to construct the SDG&E Substation on the Coronado Branch in the City of Chula Vista.
- S200-15-617: Right of Entry Permit to the U.S. Navy for the 2015 Navy Bridge Run / Walk event.
- S200-15-619: Right of Entry Permit to Portillo Concrete, Inc. to construct the U.S. Fish and Wildlife Service Bayside Birding and Walking Trail in Imperial Beach.
- S200-15-622: Right of Entry Permit to RDS Contracting, Inc. to refurbish the exterior of a warehouse at 1300 Wilson in National City.
- S200-15-623: Right of Entry Permit to the City of National City for graffiti removal along various segments of the South Line in National City.
- S200-15-624: Right of Entry Permit to Shillings Paradise Corporation to construct underground electric facilities in south Lemon Grove along the Orange Line.

B. License for Private Crossings – D and E Streets in Chula Vista on the Coronado Branch

Tim Allison submitted and reviewed an informational report regarding a license for private crossings – D and E Street in Chula Vista on the Coronado Branch (attached to the agenda item).

Action Taken

Mr. Jones moved to approve issuing a license to City of Chula Vista Property, LLC for two proposed private at-grade crossings across SD&AE tracks located between D and E Streets west of Bay Boulevard in Chula Vista, CA. Mr. Domen seconded the motion, and it was unanimously approved.

C. Easement for Underground Gas Pipeline Crossing

Tim Allison submitted and reviewed an informational report regarding an easement for an underground gas pipeline crossing (attached to the agenda item). Ms. Landers commented that this is the typical case where eminent domain could be used against SD&AE.

Action Taken

Mr. Domen moved to approve issuing an easement to San Diego Gas & Electric Co. (SDG&E) for an underground gas pipeline crossing the SD&AE right of way at 65th Street in the City of San Diego. Mr. Jones seconded the motion, and it was unanimously approved.

7. Board Member Communications

None.

8. Public Comments

None.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on October 13, 2015.

10. Adjournment

The meeting was adjourned at 9:22 a.m.

President



General Counsel



Agenda

Item No. 2

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

October 13, 2015

SUBJECT: STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the quarter ending September 30, 2015.

Budget Impact

None

DISCUSSION:

Attached are the financial results for the first quarter of fiscal year (FY) 2016, which includes the periods ended September 30, 2015 and 2014.

The current year-to-date revenues are \$242,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget. This is partially reduced by Right of Entry Permit revenue under budget by \$7,000. Income has increased by \$9,000 compared to the same period last year, primarily due to the uncollectable Port of San Diego invoices totaling \$14,000 that were written off in FY 2014.

Expenses are \$20,000 favorable to budget primarily due to favorable variances in Personnel Costs and Outside Services. Expenses have decreased by \$24,000 compared to last year, again due to a decrease in Personnel Costs and Outside Services.

The Net Income for the first quarter of FY 2016 was \$255,000 compared to net income of \$222,000 for the same period in FY 2015.

Attachments: SD&AE Operating Statement 1st Quarter FY 2016

SD&AE Operating Statement FY2016-15

	FY 2016			FY 2015	
	Q1 Actual	Q1 Budget	Q1 Variance	Q1 Actual	Variance
Revenues					
Right of Entry Permits	\$ 750	\$ 7,500	\$ (6,750)	\$ (11,600)	\$ 12,350
Lease Income	16,529	17,499	(970)	18,881	(2,352)
Desert Line Lease Revenue	250,000	-	250,000	250,000	-
Operator Income - SD&IV 1% Freight Fee	8,500	8,751	(251)	9,000	(500)
Total Revenue	275,779	33,750	242,029	266,281	9,498
Expenses					
Personnel Costs	16,642	24,127	7,485	32,925	\$ 16,283
Outside Services	422	12,568	12,146	8,050	\$ 7,628
Risk Management	3,347	4,002	655	3,480	\$ 133
Misc. Operating Expenses	250	126	(124)	284	\$ 34
Total Expense	20,661	40,823	20,162	44,739	24,078
Net Income/(Loss)	<u>\$ 255,118</u>	<u>\$ (7,073)</u>	<u>\$ 262,191</u>	<u>\$ 221,542</u>	<u>\$ 33,576</u>

Reserve Balance 2015	\$ 1,553,135
Allocated Interest Earnings - Estimated	1,250
Operating Profit/(Loss) - Quarter 1	255,118
Reserve Balance 2016 Quarter 1	\$ 1,809,503

Agenda Item No. 3

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

October 13, 2015

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 2015



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

October 6 , 2015

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 2015 are listed as follows:

1. Labor

At the end of September 30, 2015 the San Diego & Imperial Railroad had 9 employees:

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

2. Marketing

Volume in the 3rd Quarter increased 19% as compared to 2014. Bridge traffic into Mexico had a 7% increase, primarily driven by strong levels of ag products

and LPG. Traffic terminating or originating on the SDIY was up nearly 60% versus last year. Increase is due primarily to the addition of a new ethanol transload operation in San Ysidro.

3. Reportable Injuries/Environmental

Days through year to date, September 30, 2015, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6753

4. Summary of Freight

	2015	2014	2013
Total rail carloads that moved by SDIY Rail Service in the quarter.	1086	912	1219
Total railroad carloads Terminating/Originating Mexico in the quarter.	756	705	985
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	330	207	234
Total customers directly served by SDIY in the quarter	10	10	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	3258	2736	3657

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

October 13, 2015

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



Pacific Southwest Railway Museum

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

October 6, 2015

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

Re: Third Quarter 2015

Dear SD&AE Board:

During the third quarter of 2015, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 13 passenger trains carrying 658 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for third quarter, 2015 was \$14,160. Our check for \$283 will follow under separate cover. By comparison, PSRM carried 1,031 passengers during the third quarter of 2014 and total income from SD&AE property was \$26,538.

Passenger ridership by comparison to the same quarter in previous years:

- 1,031 passengers during the third quarter of 2014
- 1,254 passengers during the third quarter of 2013
- 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

Passenger ridership has decreased during this period; the above figure reflects nineteen fewer trains from the same quarter in 2014; average ridership figures per train were 50 passengers in 2015 as compared to 32 passengers in 2014. The one train per week summer schedule was extended this year for an additional month and there were no special events during this quarter. Experience seems to dictate that the general public is more apt to visit our museum and living history train excursion when their visit coincides with a special event such as our holiday celebrations.

Sales for fourth quarter events; Pumpkin Trains and North Pole Trains have been open since July 1, 2015. All First Class tickets are now sold out for our North Pole trains. The fourth quarter of the year is historically the best financial quarter for the museum.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs twice-weekly track inspections between MP 59.9 and 66.77. Likewise, our volunteer track crew continues to perform track maintenance tasks, particularly tie replacement on the mainline. Due to the summer heat and other factors, less track work was accomplished during this quarter. However, a truckload of ties are on order and the track crew has several work days planned for the fourth quarter. The railroad has two slow orders left between MP 59.9 and MP 66 and it is the intention of the MOW Department to lift these by early next year.

On Thursday, October 1, 2015 I was pleased to assist PIR and R.L. Banks associates with a speeder tour of Carriso Gorge from Dos Cabezas to Dubbers Spur and return. The railroad appeared to be in good condition since my previous trip at the end of May, 2014. I feel this was a very productive excursion and PSRM looks forward to continuing to work cooperatively with PIR.

As always, members of this board and staff are welcome to visit us at Campo where I would be pleased to provide a personal guided tour.

Sincerely,



Diana Hyatt
President

Agenda Item No. 5

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

October 13, 2015

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

October 13, 2015

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

Pacific Imperial Railroad, Inc.

Third Quarter 2015

CONTENTS

- I. DESERT LINE LEASE - AMENDMENT I**
- II. GATX RAILCARS**
- III. THIRD PARTY LOGISTICS – JAS**
- IV. RL BANKS AND PROGRESS WITH MEXICO**
- V. INTERMODAL STRATEGY**
- VI. RECONSTRUCTION PROGRESS**
- VII. ASPEN ENVIRONMENTAL**
- VIII. REPORTABLE INJURIES / ACCIDENTS /
ENVIRONMENTAL INCIDENTS**
- IX. FREIGHT ACTIVITY**

I. AMENDMENT I TO THE DESERT LINE LEASE AND OPERATING AGREEMENT

On July 16th, MTS and PIR executed the Lease/A-1, which had the effect of restructuring several of the short-term milestones in the lease while leaving the long-term milestones essentially untouched. In the section below, the relevant milestone modifications will be presented in order to have a thorough understanding of PIR's contractual obligations as they relate to the reconstruction process moving forward. Under the new lease, MTS's general council and executives hold the sole discretion to monitor, interpret and enforce the milestone, which are subject to change due to seen and unforeseen events and circumstances outside of PIR's control. The remainder of the milestone modifications relate to the timing and phasing of the reconstruction of the Desert Line and will serve as foundation for reconstruction effort. Unlike the original lease, these milestones outline specific dates as well as specific work to be done according to the Operational Phase Reconstruction Plan Report.

II. GATX RAILCARS

Since before PIR received exclusive rights to the Desert Line, GATX has been storing a large quantity of railcars on the line near Coyote Wells, California. Prior to beginning Phase I of the reconstruction, PIR had to negotiate and coordinate with GATX to move their Railcars off the line which occurred between August 3rd and the 7th. As a result, Phase I reconstruction was temporality delayed until after GATX was able to organize the move. On August 14, PIR received a confirmation letter that the railcars had been moved and no damage had been caused to the line. Although this has adversely effected the start date of PIR's repairs, APC is confident that Phase I initial repairs will be complete in compliance with the Lease.



III. THIRD PARTY LOGISTICS – JAS FORWARDING WORLDWIDE

In order to establish market share of the maquiladora imports and exports, PIR plans to actively pursue strategic discussions with Third Party Logistics Providers (“3PL”) and Intermodal marketing firms in order to build a customer base.

It is important to note that while many different industries use rail intermodal service to some degree, virtually none of them do so as direct railroad customers. The actual railroad intermodal customers are trucking motor carries, third party logistics firms and intermodal marketing companies. 3PLs provide integrated supply chain management solutions, which often incorporate technology and their clients’ systems to offer streamlined freight transportation services. They also provide tracking, data management and billing for every step of the process.

On September 22, 2015,
members of PIR met with Sonny
Covarrubias from JAS Forwarding



Worldwide for the purpose of gaining insight into the breakdown of our logistics chain and pro forma numbers. JAS is a privately owned

international freight forwarder and logistics provider. During its thirty-plus year history, JAS has experienced exponential growth. JAS has built a global network of quality offices that deliver a consistent level of high service and performance to its customers.

Sonny, on behalf of JAS, is excited about PIR's project and is willing to continue to provide assistance during the implementation process. He believes his customers, truckers and the industry as a whole will be enthusiastic to utilize PIR's proposed freight transportation corridor.

IV. RL BANKS AND PROGRESS WITH MEXICO

On June 22, 2015, PIR and BJRR executed a memorandum of Understanding in order to advance both companies' goal of unifying a bi-national rail line. In October, 2015, MTS hired RL Banks & Associates ("RLB") to facilitate further negotiations between PIR and BJRR as a result of the MOU signing. RLB's role was to act as a neutral third-party mediator to provide diverse railroad expertise to both parties specific to the formation of a definitive agreement. During their consultation, RLB met with both parties separately in order to gain a thorough understanding of each

sides' operational plan and business model as well as their perspective on the negotiations.



On October 1st, 2015, RLB and PIR conducted a visual inspection of entire Desert Line via truck and rail. PIR is excited to receive and take into consideration RLB's final recommendation.

V. THE INTERMODAL STRATEGY

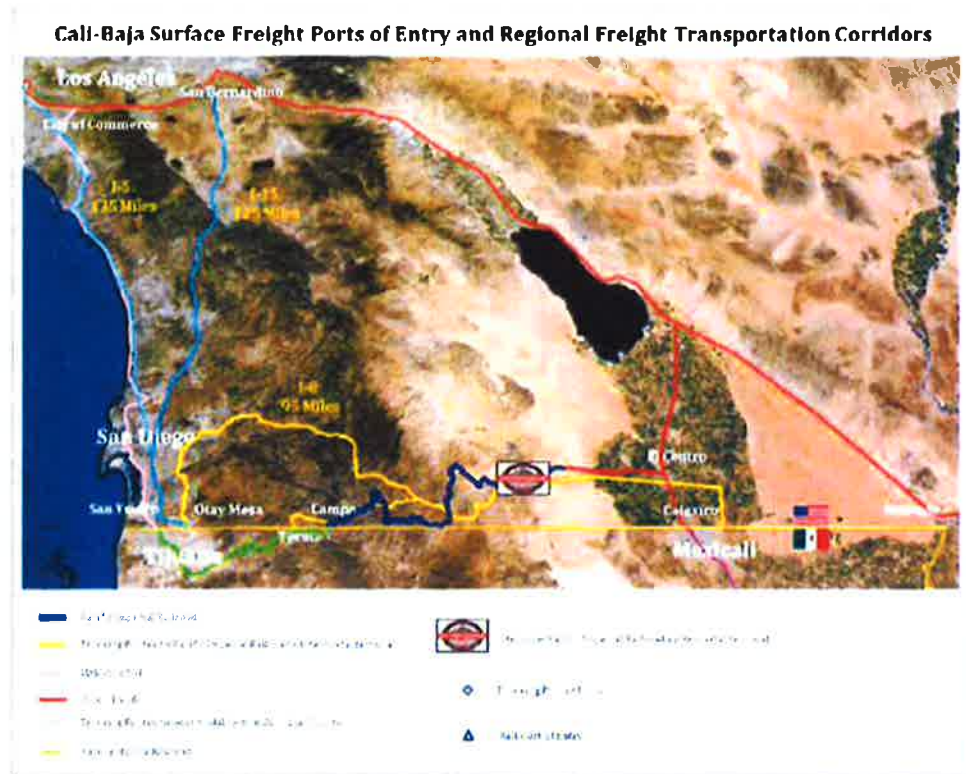
The goal of PIR's strategy is to become operational as quick as possible by constructing an intermodal and interchange facility at Coyote Wells. This will allow PIR to begin generating revenue on this 9.5 miles of track by creating a truck-to-rail interchange

operation. The Intermodal Strategy is to combine the best attributes of multiple modes of transportation in the long haul movement of freight in order to increase flexibility and efficiency in the supply chain as well as decrease cost and reduce negative externalities.

Trucking provides the flexibility and speed for short-distance origin and destination drayage, while rail provides cost savings and efficiency over long-distance line hauls.

The purpose of the intermodal facility will be to provide:

- PIR with the ability to become independently operational by connecting truck to rail while ensuring an interchange facility is ready when BJRR and PIR enter into a definitive agreement.
- The region with an entirely new connection with UP in the east which will increase overall freight capacity for the region and provide PIR with a distinct competitive advantage
- PIR with the financing and investor confidence to complete the rest of the repairs in the most efficient and cost-effective way.



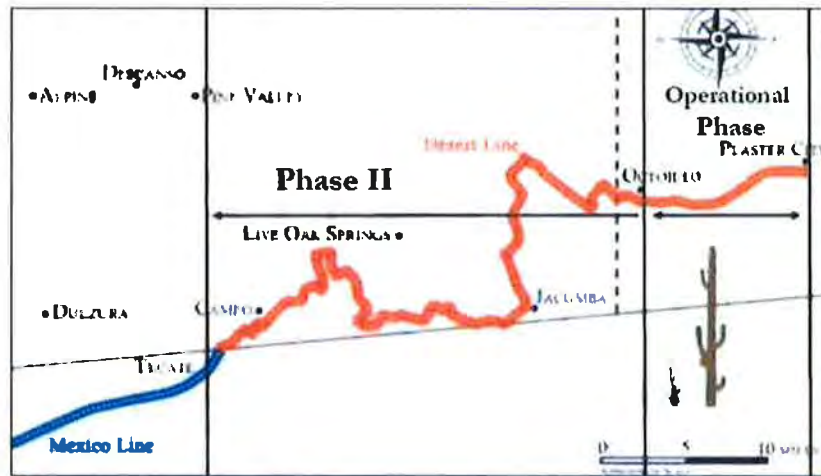
The current economic climate and regional demand for freight and intermodal services have created an excellent opportunity for PIR to successfully implement this strategy into a lucrative business model. The Long Beach/ San Bernardino intermodal market is the second largest market by amount of traffic handled in the United States with no close competitor. According to the Association of American Railroads, in 2014, intermodal was the largest single source of U.S. freight rail revenue. As such, PIR has the opportunity to enter into the second largest intermodal market

at a time when freight traffic and demand has increased consistently over the past 5 years to an all-time high.

- i. **Trucking** – Currently, trucks leaving the Maquiladora companies in Baja Mexico generally have one of two options. First, they can short haul up I-5 to connect with one of the several Intermodal facilities in the LA area in order to connect with one of the major rail carriers such as BNSF or UP. Alternatively, the trucks can long haul directly to their destination in the East. Both options are problematic and costly. The LA, short-haul option allow the trucks to connect with rail, however, I-5 is the most congested highway by hours of delay in California and has several of the worst bottlenecks in the country. This extreme congestion causes undue delays and unnecessary fuel consumption. The long haul option is similarly costly due to the strain on the truck and drivers as well as the high fuel cost. PIR's proposed intermodal will provide a much needed alternative trucking route with distinct advantages over current methods.

By trucking from the Maquiladoras to Coyote Wells, the trucks would be able to connect with UP and the entire Eastern United States while avoiding the congestion and extra distance of either of the other options. The PIR trucking alternative is approximately 70 miles shorter round trip than trucking to City of Commerce in LA and has 10 to 20 times less traffic at any given point. After crossing the border, the PIR trucking route would take trucks east on the 905, then north on the 805 and 15, and finally east on the 8 to Coyote Wells. The shorter length and less congestion on this route makes it a highly desirable and competitive alternative which would allow trucks to make two trips in one day.

- ii. **Reconstruction** – The adjusted milestones have been prioritized to reflect the reconstruction approach based on this operational strategy. Reconstruction will be completed in two stages: the Operational Phase I and Phase II.



The operational phase includes 9.5 miles of track from Coyote Wells (milepost 120.09) to Plaster City (milepost 129.61) and involves repairing 11 bridges as well as the track, ties, and ballast in order to get this portion of the line to a FRA class III standard. This portion of class III track will connect the intermodal facility at Coyote wells with Union Pacific at Seely and allow for high capacity operations. In turn, Phase II will complete repairs on the rest of the line to a class I track to allow for a test train and limited operations per the requirements of the lease.

VI. RECONSTRUCTION PROGRESS

In the past quarter, PIR, along with our third party consultants, has made progress on the Phase 1 repair process. APC, our general contractor, has set up their mobile office and staging area, which is ready to receive the material and equipment. On August 24, 2015, APC and J.L. Patterson completed the final wood inspections for the purpose of compiling a materials inventory. Based on discussions with JLP, it was determined that we needed structure grade I lumber to comply with FRA standards, which APC asserted would take approximately 6 months to order. As such, PIR decided to



explore the option of using pre-cast concrete due to its quick availability. On August 27, 2015, PIR met with APC and Trabis, a Mexican pre-cast concrete company, on site to evaluate the possibility of using concrete for all the Phase I bridges. Unfortunately, once we discussed the idea with JLP, we realized the high overall price and environmental complexity of using concrete outweighed the benefits. We are now in the process of ordering the correct standard material as quickly as possible while proceeding with all necessary environmental compliance issues which still apply to wood reconstruction.

VII. ASPEN ENVIRONMENTAL

Prior to the start of construction and repairs, PIR must actively pursue environmental compliance. In order to mitigate our environmental impact, in September, 2015, we approached Aspen Environmental Group, which is the firm that completed the environmental impact report for the windmill project in Ocotillo, CA. As such, they are experts on the Imperial County area who specialize in the Endangered Species Act, the Clean Water Act as well as CEQA and NEPA. According to Aspen,



Phase 1 will primarily be an issue of attaining the proper permitting while the construction of the intermodal facility will require a more extensive assessment, evaluation and report. Although PIR has the right, as a rail carrier, under the STB's exclusive jurisdiction to obtain exemptions from these laws if needed, we plan to work diligently, with the guidance of Aspen, to mitigate any and all negative impact to the environment. We are currently waiting on their work proposal for Phase I, which will include all applicable environmental licensing.

VIII. REPORTABLE INJURIES / ACCIDENTS / ENVIRONMENTAL INCIDENTS

- i. There have not been any reportable injuries.
- ii. There have not been any reportable accidents or environmental incidents in the third quarter.

IX. FREIGHT ACTIVITY

- a. Currently, PIR has not commenced revenue generation pending completion of the construction required to move freight on both Baja Rail and the Desert Line as well as the intermodal facility.

Agenda

Item No. 6a

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

October 13, 2015

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 14, 2015

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the July 14, 2015, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-15-625: Right of Entry Permit to Hulcher Services, Inc., for moving GATX cars on the Desert Line.
- S200-16-626: Right of Entry Permit to the San Diego County Bicycle Coalition for the annual Bike the Bay bike ride.

Agenda

Item No. 6b

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

October 13, 2015

SUBJECT:

DRAINAGE EASEMENT TO CITY OF LA MESA FOR A PORTION OF ALVARADO CREEK

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approves issuing an easement to the City of La Mesa for a drainage easement over a portion of the Alvarado Creek in the City of La Mesa, CA.

Budget Impact

Easement granted at no fee to the benefit of SD&AE and MTS.

DISCUSSION:

The City of La Mesa (City) has a project to restore a portion of Alvarado Creek behind 8881 Fletcher Parkway, in the City of La Mesa. The portion of the creek is east of the Grossmont Trolley Station and directly east of an easement previously granted to the City for drainage and channel maintenance as part of the Grossmont Station transit oriented development project. Attached as "Exhibit A" is a rendering of the proposed project.

The City has a requirement to restore part of the creek as part of a negotiated settlement with the San Diego Regional Water Quality Control Board resulting from a penalty from a sewer spill. The SD&AE right of way extends down a portion of the southern embankment of the channel. The City intends restoration activities that impact SD&AE ownership.

As part of this easement the City would assume responsibility for this area and construct a fence separating the operating right of way from the channel improvements. Attached as "Exhibit B" is the draft easement to be granted to the City. No fees are proposed for the easement. The grant will be a benefit to SD&AE as the City will assume the responsibility for the channel. No impacts will be created to Trolley operations.

Attachments: A – Restoration Exhibit
B – Draft Easement

EXHIBIT "A"
SEWER AND STORM DRAIN EASEMENT

THAT PORTION OF THE 60-FOOT WIDE SAN DIEGO & ARIZONA EASTERN (FORMERLY SAN DIEGO CUYAMACA & EASTERN RAILWAY) RIGHT-OF-WAY AS DESCRIBED IN DEED RECORDED AUGUST 20, 1889 AS DEED BOOK 153, PAGE 129 OF DEEDS, IN THE CITY OF LA MESA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LAND PER DEED RECORDED JULY 28, 2000 AS DOCUMENT NO. 2000-0399338 OF OFFICIAL RECORDS, SAID POINT BEING ON THE NORTHERLY LINE OF SAID 60-FOOT RIGHT-OF-WAY AS SHOWN ON RECORD OF SURVEY MAP NO. 16698 FILED AUGUST 25, 2000;

1. THENCE ALONG SAID NORTHERLY LINE NORTH 67°05'52" EAST 886.93 FEET TO THE WESTERLY LINE OF ALVARADO AVENUE;
2. THENCE ALONG THE SOUTHERLY PROLONGATION OF SAID WESTERLY LINE SOUTH 0°15'58" EAST 16.53 FEET;
3. THENCE SOUTH 67°05'52" WEST 886.81 FEET TO THE EASTERLY LINE OF THE SEWER AND STORM DRAIN EASEMENT RECORDED SEPTEMBER 23, 2010 AS DOCUMENT NO. 2010-0506777 OF OFFICIAL RECORDS;
4. THENCE ALONG SAID EASTERLY LINE NORTH 0°39'16" WEST 16.49 FEET TO THE **POINT OF BEGINNING.**

AREA = 13,534 SQ. FT. MORE OR LESS



MICKEY AGUIRRE, PE

6/10/15

DATE



EXHIBIT "B"

ROS 4750



SCALE 1" = 100'



CENTERLINE
WESTBOUND
TRACK

60' SD&AE
RIGHT-OF-WAY

LA MESA COLONY
MAP NO. 876
POR. LOT 192 &
POR. LOT 193
490-270-22
DD1

FLETCHER PARKWAY

LEGEND



SEWER & STORM DRAIN
EASEMENT
AREA = 13,534 SQ. FT.

DD1 DEED REC. 7/28/00 AS
DOC. NO. 2000-0399338 O.R.

E1 SEWER & STORM DRAIN EASEMENT
REC. 9/23/2010 AS
DOC. NO. 2010-0506777 O.R.

P.O.B. POINT OF BEGINNING

STREET OPENING PER
DEED REC. 2/08/84 AS
DOC. NO. 84-048357 O.R.

16.53'
S 0°15'58" E

ALVARADO AVE.

RECORDING REQUESTED BY:

La Mesa City Clerk
FEE EXEMPT PER
GOVERNMENT CODE SECTION 27383

WHEN RECORDED, RETURN TO:

Mary J. Kennedy, City Clerk
City of La Mesa
8130 Allison Ave.
La Mesa, CA 91942

(Space Above for Recorder's Use Only)

EASEMENT DEED

(Storm drainage channel facilities & appurtenances)
8881 Fletcher Parkway APN: 490-270-22

MTS Document No. _____

THIS EASEMENT AGREEMENT is made and entered into at San Diego, California, as of this ____ day of _____, 2015, by and between the San Diego & Arizona Eastern Railway Company (SD&AE), a Nevada Nonprofit Corporation and wholly owned subsidiary of the San Diego Metropolitan Transit Development Board (herein referred to as "RAILROAD"), and the City of La Mesa (herein referred to as "Grantee"), with respect to the following facts:

RECITALS

- A. Grantee desires to receive, and RAILROAD desires to grant, a certain easement to Grantee for the use of RAILROAD property for the benefit of Grantee, all as more particularly described herein.
- B. This agreement is made pursuant to California Civil Code Section 1468, it being the intention of the parties to this Agreement that the provisions hereof shall bind and benefit each party, the real property owned by party, the successive owners of each parcel of real property described herein, and the successors in interest of each of the parties.

NOW, THEREFORE, the parties hereby agree as follows:

- 1. Grant of Easement. For valuable consideration, receipt of which is hereby acknowledged, RAILROAD hereby grants to Grantee an easement as hereinafter described and as shown on Exhibits "A" and "B", attached hereto and by this reference incorporated herein.
- 2. Description of Easement. The easement granted herein is for the purpose of clearing vegetation, channel construction, planting and maintaining vegetation, and right of ingress and egress for such purposes.
- 3. Use. The easement granted herein includes the following uses by those entitled thereto: construction, operation, maintenance, repair, and replacement of conveyance channel.

4. Exclusiveness of Easement. The easement granted herein is not exclusive.
5. Construction and Maintenance of Easement.
 - a. Grantee agrees to keep RAILROAD property in a good and safe condition, so far as affected by Grantee's use, free from waste, all to the satisfaction of RAILROAD. The installation or construction of any structure or improvement shall be accomplished at such times and in such a manner as not to interfere in any way whatsoever with the operations of RAILROAD, and shall be done subject to the inspection and approval of RAILROAD. In the event RAILROAD shall at any time or times require the removal, reconstruction, alteration, or changes in the location of said structure, or shall at any time or times construct an additional track or tracks, upon receiving written notice from RAILROAD so to do, to forthwith construct and maintain an additional structure or extend or change said structure or immediately remove, reconstruct, alter, or make changes in the location of said structure as may be requested by RAILROAD and in a manner satisfactory to RAILROAD. Grantee shall give RAILROAD five (5) days written notice prior to the commencement of any work of construction or reconstruction, or the restarting after a week or longer delay.
 - b. Grantee agrees to reimburse RAILROAD the cost of any necessary watchmen, flagmen, or inspectors and for performing any work during the installation, maintenance, or removal of said structure.
 - c. No work on RAILROAD property shall be commenced by any contractor for Grantee until such contractor has received a valid "Right of Entry Permit" issued by RAILROAD, together with insurance endorsements reasonably acceptable to RAILROAD.
 - d. Grantee will fully pay for all materials joined or affixed to the property, and pay in full all persons who perform labor upon the property, and will not permit or suffer any mechanics' liens or materialman's liens of any kind or nature to be enforced against the property for any work done or materials furnished thereon at Grantee's insistence or request.
 - e. All plans, specifications, and work plan procedures for any work on RAILROAD property shall be approved by RAILROAD prior to the use or construction thereof.
6. Relocation of Easement. The Grantee shall, after receiving written notice from RAILROAD, in a time and manner mutually agreed upon, remove and relocate the Facilities constructed pursuant to this Easement Agreement if RAILROAD determines that the Facilities interfere with RAILROAD's current or future use of its property. The Facilities may be relocated within RAILROAD's property within an in-kind easement, if it is feasible to do so. The expense of relocating the Facilities shall be borne by Grantee. RAILROAD will give Grantee nine (9) months notice if facilities are required to be relocated.
7. Indemnity. Grantee agrees to release and indemnify RAILROAD from and against all liability, cost, and expense for loss of, or damage to, property and for injury to, or deaths of, persons (including, but not limited to, the property and employees of each of the parties hereto) when arising or resulting from:
 - a. The negligent use of the property by Grantee, its agents, employees, or invitees, or

- b. The construction, presence, or maintenance of the property, whether or not caused or contributed to by any act or omission of RAILROAD. The term "RAILROAD" as used in this Section 7 shall include the lessor, successors, assigns, and affiliated companies of RAILROAD and any other Railroad Company operating upon RAILROAD's tracks.
8. Breach. Should Grantee fail to keep, observe, and perform any covenant or condition on Grantee's part herein contained, RAILROAD shall give Grantee fifteen (15) days prior written notice to cure such breach. If Grantee does not cure such breach within said period, RAILROAD may cause said breach to be cured and all costs and expenses incurred by RAILROAD to cure such breach shall be paid by Grantee upon written demand of RAILROAD.
9. Entire Agreement. This instrument, the exhibits attached hereto, and the instruments referred to herein, contain the entire agreement between the parties relating to the rights granted herein.
10. Binding Effect. This instrument shall bind and inure to the benefit of the respective heirs, personal representatives, and successors and assigns of the parties hereto.
11. Termination. This Easement shall be effective in perpetuity; provided, however, in the event Grantee shall discontinue the use of the Easement granted hereby and the structure, or Grantee abandons the same, all rights hereby given shall forthwith cease and terminate.

IN WITNESS WHEREOF, the parties hereto have caused this easement to be executed in duplicate the day and year first herein written.

RAILROAD: SAN DIEGO & ARIZONA
EASTERN RAILWAY COMPANY

GRANTEE: CITY OF LA MESA

Paul C. Jablonski Date
President

Gregory P. Humora Date
Directory of Public Works/City Engineer

Attachment(s):
Exhibit "A" – legal description
Exhibit "B" – plat

State of California)
County of San Diego)

On _____ before me, _____ personally
appeared _____, who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.
(SEAL)

Signature

State of California)
County of San Diego)

On _____ before me, _____ personally
appeared _____, who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.
(SEAL)

Signature

ACCEPTANCE FORM

This is to certify that the interest in real property conveyed by the deed or grant dated _____, 2015, from San Diego & Arizona Eastern Railway Company (SD&AE), a Nevada Nonprofit Corporation and wholly owned subsidiary of the San Diego Metropolitan Transit Development Board, owner, to the City of La Mesa, A Municipal Corporation, is hereby accepted by the undersigned officer on behalf of the City Council pursuant to authority conferred by Resolution No. 12466 of the La Mesa City Council adopted on January 8, 1974 and the grantee consents to recordation thereof by its duly authorized officer.

Dated

Gregory P. Humora
Director of Public Works / City Engineer

Easement Deed for drainage facilities
APN: 490-270-22



RIPARIAN RESTORATION

WETLAND RESTORATION

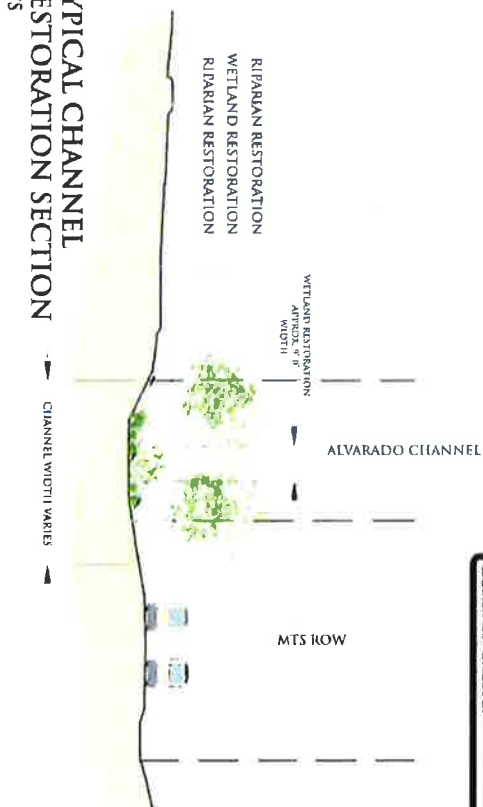
PLAN - 1" = 30'

Proposed Fence

Existing Fence

EXISTING SITE PHOTOS

TYPICAL CHANNEL RESTORATION SECTION



ALVARADO CHANNEL RESTORATION

09.10.13

Agenda Item No. 7

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

October 13, 2015

SUBJECT:

APPROVAL OF THE 2016 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE

RECOMMENDATION:

That the SD&AE Board of Directors approve the 2016 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 2016:

Tuesday, January 19, 2016	9:00 a.m.	(Fourth Quarter 2015 Reports)
Tuesday, April 12, 2016	9:00 a.m.	(First Quarter 2016 Reports)
Tuesday, July 19, 2016	9:00 a.m.	(Second Quarter 2016 Reports)
Tuesday, October 11, 2016	9:00 a.m.	(Third Quarter 2016 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 8, 2016
Friday, April 1, 2016
Thursday, July 7, 2016
Friday, September 30, 2016

Materials Mailed

Wednesday, January 13, 2016
Wednesday, April 6, 2016
Wednesday, July 13, 2016
Wednesday, October 5, 2016