



**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

July 14, 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.

**ACTION
RECOMMENDED**

1. Approval of the Minutes of April 14, 2015
Action would approve the SD&AE Railway Company Minutes of January 27, 2015. Approve
2. Statement of Railway Finances (Erin Dunn)
Action would receive a report for information. Receive
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)
Action would receive a report for information. Receive
4. Report on Pacific Southwest Railway Museum (Diana Hyatt)
Action would receive a report for information. Receive
5. Report on the Desert Line (Chas McHaffie)
Action would receive a report for information. Receive
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued Since April 14, 2015
Action would receive a report for information. Receive
7. Board Member Communications
8. Public Comments
9. Next Meeting Date: October 13, 2015
10. Adjournment

DRAFT MINUTES

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

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

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

San Diego Metropolitan Transit System:

Tim Allison, Karen Landers, Wayne Terry,
Larry Marinesi, Traci Wutke

Pacific Southwest Railway Museum:

Diana Hyatt

Pacific Imperial Railroad, Inc.:

Don Stoecklein, Arturo Alemany, Charles
McHaffie

1. Approval of Minutes

Mr. Jones moved to approve the Minutes of the January 27, 2015, SD&AE Railway Board of Directors meeting. Mr. Domen seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Larry Marinesi reviewed the financial statement for the first quarter of 2015 (attached to the agenda item).

Action Taken

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

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

Mr. Domen reviewed the report of activities for the first quarter of 2015 (attached to the agenda item).

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the first quarter of 2015 report (attached to the agenda item). Mr. Jablonski asked Ms. Hyatt if the track had been inspected following the derailment at PSRM. Ms. Hyatt responded that the track has been inspected and meets standards.

Mr. Jablonski asked that, in regards to the request for donated cars, Ms. Hyatt write a formal letter outlining her request and address it to Mr. Wayne Terry. Mr. Jablonski asked that the letter state PSRM's intentions for shipping the donated cars.

Action Taken

Mr. Jablonski 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 reviewed the first quarter of 2015 report (attached to the agenda item). Mr. McHaffie introduced a new PIR board member, Mr. Arturo Alemany. Mr. McHaffie notified the Board of a small oil spill near Goat Canyon. Mr. McHaffie had just received the information and had few details. He believes it is the result of vandalism.

Mr. Jablonski asked about the disposition of these particular cars that may have been vandalized. Mr. McHaffie stated that they are to be scrapped and are in the process of obtaining a permit for removal.

Chas McHaffie updated the Board regarding a tour conducted of tunnel three in Mexico. There have been significant improvements made to tunnel three and it may be ready for operation in 30 days. Mr. Jablonski asked if PSRM would be resuming service once tunnel three is reopened. Ms. Hyatt responded that PSRM would be resuming service.

Action Taken

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

6. Real Property Matters

Since the January 27, 2015, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-15-607: Right of Entry Permit to the Fishel Company to construct underground fiber optics north of Palomar Street on the Coronado Branch in Chula Vista.
- S200-15-613: Property Access Agreement with the U.S. Fish and Wildlife Service for access to the Coronado Branch near Gunpowder Point for environmental testing.
- S200-15-614: License Agreement to the U.S. Fish and Wildlife Service for a birding and walking trail near Imperial Beach on the Coronado Branch.
- S200-15-615: Right of Entry Permit to O'Donnell Construction, Inc. to retrofit the Old Highway 80 Bridge crossing over the Desert Line near Jacumba.

- S200-15-616: Right of Entry Permit to KTA Construction, Inc. to access and perform maintenance on sewer manholes in Hollister Street, south of Main Street in Chula Vista.
- S200-15-618: Right of Entry Permit to Anza-Borrego Desert Natural History Association for a hike along the Desert Line in eastern San Diego County into the Carrizo Gorge.
- S200-15-620: Right of Entry Permit to the City of La Mesa for their Flag Day Parade.

Mr. Jablonski asked if there had been any updates on the I-5 bridge to Chula Vista. Mr. Allison said there hadn't been any progress and that the City of Chula Vista was to provide scoping documents regarding the project. Mr. Allison has not yet heard back from the City of Chula Vista.

7. Board Member Communications

There were no Board member communications.

8. Public Comments

There were no public comments.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on July 14, 2015.

10. Adjournment

The meeting was adjourned at 9:19 a.m.

President

General Counsel



1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda

Item No. 2

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

July 14, 2015

SUBJECT: STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

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

Budget Impact

None

DISCUSSION:

Attached are the estimated, unaudited financial results for fiscal year (FY) 2015, which includes the periods ended June 30, 2015 and 2014. These statements are preliminary amounts, and are subject to adjustments that are deemed necessary during the financial audit. The final results will be available at the conclusion of the audit, no later than March 2016.

The current year-to-date revenues are \$1,023,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget, as well as an increase in Lease income. Revenues have decreased by \$92,000 compared to last fiscal year, primarily due to the decrease in Right of Entry Permit income.

Total expenses for the year are estimated to be in line with both the budget and last year's expenses.

The estimated Net Income for the fiscal year ending June 30, 2015 is \$973,531 compared to Net Income of \$1,065,342 in FY14.

The \$1,000,000 in Desert Line lease revenue funds have been programmed to fund Grade Crossing Replacements on the Orange Line, which is right-of-way owned by SD&AE.

Attachments: SD&AE Operating Statement Fiscal Year 2015

SD&AE Operating Statement FY2015-14

	FY 2015							FY 2014	
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD - Actual	YTD Budget	YTD Variance	Q1 - Q4 Actual	Variance
Revenues									
Right of Entry Permits	\$ (11,600)	\$ 20,506	\$ 3,750	\$ 5,550	\$ 18,206	\$ 30,000	\$ (11,794)	\$ 115,768	\$ (97,562)
Lease Income	18,881	17,623	22,236	26,394	85,334	58,275	27,059	75,185	10,149
Desert Line Lease Revenue	250,000	250,000	250,000	250,000	1,000,000	-	1,000,000	1,000,000	0
Operator Income - SD&IV 1% Freight Fee	9,000	9,000	2,225	8,500	28,725	11,725	17,000	58,902	(30,177)
Other Income	-	-	25,500	-	25,500	35,000	(9,500)	-	25,500
Total Revenue	266,281	297,129	303,711	290,644	1,157,765	135,000	1,022,765	1,249,855	(92,090)
Expenses									
Personnel Costs	32,925	28,889	23,818	16,961	102,593	92,719	(9,874)	127,116	24,523
Outside Services	8,050	25,998	3,864	28,434	66,346	70,000	3,654	41,468	(24,876)
Risk Management	3,480	3,895	3,850	3,761	14,986	16,000	1,014	15,195	209
Misc. Operating Expenses	284	-	25	-	309	500	191	734	425
Total Expense	44,739	58,782	31,557	49,156	184,234	179,219	(5,015)	184,513	279
Net Income/(Loss)	\$ 221,542	\$ 238,347	\$ 272,154	\$ 241,488	\$ 973,531	\$ (44,219)	\$ 1,017,750	\$ 1,065,342	\$ (91,811)
Reserve Balance 2014	\$ 1,576,036								
Allocated Interest Earnings - Estimated	5,000								
Operating Profit/(Loss)	973,531								
Contributed Operating Capital to MTS	(1,000,000)								
Reserve Balance 2015 - Estimated	\$ 1,554,567								

Agenda Item No. 3

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

July 14, 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 2nd Quarter of 2015



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

July 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 2nd Quarter of 2015 are listed as follows:

1. Labor

At the end of June 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 2nd Quarter increased 18% as compared to 2014. Bridge traffic had a 12% decrease, primarily driven by a decrease in LPG going into Mexico. Traffic terminating or originating on the SDIY was up 137% 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, June 30, 2015, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6661

4. Summary of Freight

	2015	2014	2013
Total rail carloads that moved by SDIY Rail Service in the quarter.	1030	922	1554
Total railroad carloads Terminating/Oriinating Mexico in the quarter.	687	777	1316
Total railroad carloads Terminating/Oriinating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	343	145	238
Total customers directly served by SDIY in the quarter	12	9	11
Regional Truck trips that SDIY Railroad Service replaced in the quarter	3090	2766	4662

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

July 14, 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

July 8, 2015

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

Re: Second Quarter 2015

Dear SD&AE Board:

During the second quarter of 2015, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 45 passenger trains carrying 2,197 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2015 was \$51,277. Our check for \$1,025 will follow under separate cover. By comparison, PSRM carried 2,794 passengers during the second quarter of 2014 and total income from SD&AE property was \$44,533.

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

2,794 passengers during the second quarter of 2014
1,901 passengers during the second quarter of 2013
2,882 passengers during the second quarter of 2012
2,434 passengers during the second quarter of 2011
1,977 passengers during the second quarter of 2010

Passenger ridership remains steady; the above figure reflects five fewer trains from the same quarter in 2014. On Saturday, June 27th PSRM adjusted to its summer schedule following the Father's Day weekend and will operate one 5:00 pm train on Saturdays through October 3rd.

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. During this quarter our volunteer track crew was able to replace more than sixty ties along the right of way with more rehabilitation planned for the third quarter.

For the past eight years, PSRM has been diligently disposing of old railroad ties that were removed from the mainline by the former contract freight operator, CZRY, and brought to museum property. These ties can be found at the east end of the museum's yard between Track 1 and the SDAE mainline, west of Rose Junction aka Campo Junction. At present, close to forty percent of the ties have been disposed of but hundreds remain. The County Department of Environmental Health is exerting pressure on the museum citing them as hazardous materials and wants to see all the ties removed. Therefore, particularly in light of these ties being the actual property of the SDAE and said ties were removed from the entire Desert Line, not just specific to PSRM's 14 mile passenger agreement, we would like to request financial and/or physical assistance from SDAE for the disposal of the remaining ties.

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,

A handwritten signature in blue ink that reads "Diana Hyatt". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Diana Hyatt
President

Agenda Item No. 5

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

July 14, 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

July 14, 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.

Second Quarter 2015

CONTENTS

- I. CHANGES IN MANAGEMENT**
- II. MOU WITH BJRR**
- III. DESERT LINE AND INTERMODAL**
- IV. REPORTABLE INJURIES / ACCIDENTS /
ENVIRONMENTAL INCIDENTS**
- V. FREIGHT ACTIVITY**
- VI. MTS OPERATING AGREEMENT REQUIREMENTS**

I. CHANGES IN MANAGEMENT

On July 2, 2015 concurrent with the July 1st 500k lease payment, PIR had a change in management. Arturo Alemany is now the sole-director, President and CEO of PIR. As founding principal of Alemany & Associates, Inc., ("A&A") he has more than 25 years of experience as an international business strategist and consultant for Fortune 500 companies throughout the United States, Europe and Latin America. He has consulted in a variety of areas including global business development and operations; real estate; horse racing, satellite video and data transmissions; sports betting and gaming; entertainment; and hospitality and leisure. After leaving college Arturo Alemany worked for the National Railroad Passenger Corporation (AMTRAK) assigned to the West Coast Sales Team in the Los Angeles to San Diego commuter line and was fully vested for ten years. During that time service increased from two trains a day to eight trains a day. At the time of his departure Mr. Alemany was responsible for representing and Promoting Amtrak in the entire San Diego & Orange County regions.

II. MOU WITH BJRR



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. The signing of this agreement took place at the Metropolitan Transit System headquarters in downtown San Diego. Several representatives from public and private entities from both the U.S. and Mexico were present at this historic signing including Karen Landers, MTS General Council and Andrew Erickson, U.S. General Consul of Tijuana. The MOU was signed by Fernando Beltran on behalf of BJRR; as well as by Donald Stoecklein and Arturo Alemany on behalf

of PIR. Although neither of the two railroads are entirely ready for operations, both PIR and BJRR are enthusiastic about continuing to negotiate towards a definitive agreement while repairs are completed on both sides of the border.

III. DESERT LINE

a. Operational Phase Reconstruction Plan

- i. **Reprioritized milestones-** On June 8, 2015, PIR submitted an Operational Phase Reconstruction Plan in order to receive approval from the MTS Board of Directors to reprioritize several of the lease milestones. The Operational Phase of reconstruction reflects PIR's new overall strategy, which was influenced by discussions with JL Patterson. Rather than starting the repairs at Division, CA near the Mexican border and working west, PIR plans to focus the repair effort on the eastern portion of the line between Coyote wells and Plaster City.

ii. **The Intermodal Strategy** – The goal of PIR's new 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. This strategy is self-reliant and cost-effective because it enables PIR to build and deliver 100-car trains to Union Pacific without relying entirely on BJRR to supply the freight or on expensive, full-scale repairs on the rest of the line. As a result of these operations, PIR will be able increase investor confidence and reinvest the revenue back into the line in order to complete phase II of the repairs. 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.

Top 15 Markets for Intermodal Traffic Handled in the United States in 2013*	
Market	Containers and Trailers
1 Chicago / Elwood / Joliet, IL	5,669,000
2 Long Beach / San Pedro / San Bernardino / City of Industry, CA	4,881,000
3 Atlanta, GA	1,302,000
4 Dallas / Ft Worth / Saginaw, TX	1,268,000
5 Seattle / Bremerton / Tacoma / Everett, WA	1,035,000
6 Little Ferry / North Bergen / South Kearny / Jersey	989,000
7 Memphis, TN / West Memphis, AR	796,000
8 Kansas City, MO / Kansas City, KS	632,000
9 Harrisburg, PA	610,000
10 Stockton, CA	561,000
11 Jacksonville, FL	540,000
12 Norfolk / Portsmouth, VA	507,000
13 Detroit / Pontiac, MI / Toledo, OH	470,000
14 Houston, TX	455,000
15 Columbus / Marion / Marysville, OH	376,000

*Originated and terminated Source: AAR analysis of 2013 STB Waybill Sample

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 all time high.

iii. **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.

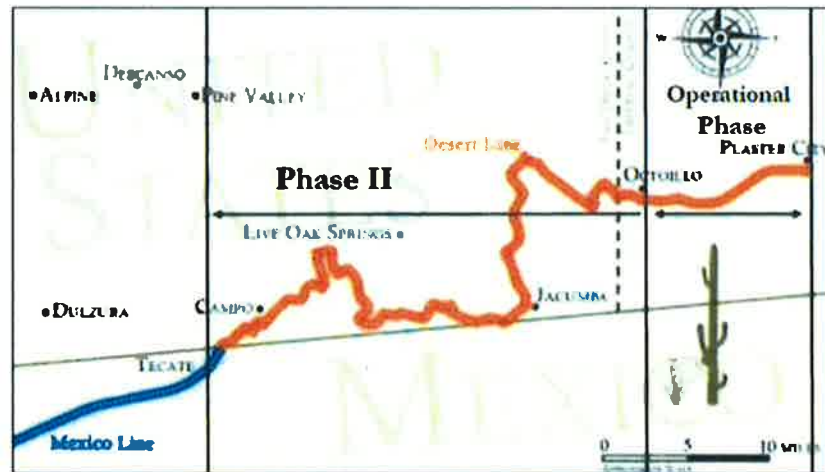


By trucking from the Maquiladoras to Coyote Wells, the trucks would be able to connect with UP and the entire Eastern United States while avoiding the congestion and extra distance of either of the other options. The PIR trucking alternative is approximately 70 miles shorter than trucking to City of 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.

- iv. **Reconstruction** – The proposed adjusted milestones have been prioritized to reflect the new reconstruction approach based on this operational strategy.

Reconstruction will be completed in two stages: the Operational Phase 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.

- v. **MTS Approval-** Karen Landers, General Counsel of MTS, will take the Operational Reconstruction Plan Report to her executive committee for their support on July 9th. In turn, she will then take the executive recommendation before the Board of Directors for approval on July 16th.

b. Commencement of Reconstruction-

- i. Pending the board's approval on July 16, 2015 of the Operational Reconstruction Plan, PIR will execute contracts with American Pacific Constructors, the MTS approved general contractor, and JL Patterson, the civil engineers, in order to get the job finished. The proposed reprioritized milestones asserts that the Operation Phase repairs will be completed on or about March 1, 2016.

IV. REPORTABLE

INJURIES/ACCIDENTS/ENVIRONMENTAL INCIDENTS

- i. There have not been any reportable injuries.
- ii. There have not been any reportable accidents; however during early March of 2015, PIR submitted a response to an inquiry in regards to a train car which had been released by vandals and had jumped the track. A copy of the correspondence and photos is attached.
- iii. **ENVIRONMENTAL INCIDENT** – CGS Incorporated was contacted by PIR on Monday, April 20, 2015 by Mr. Steve Clark, California Environmental Company (CEC), about a spill that was reported under a small trestle bridge approximately ¾ of mile west of the Plaster City gypsum plant. After receiving approval and permission to access the site by Mr. Stoecklein, CGS obtained all necessary equipment and staff and mobilized to the site on Wednesday, April 22, 2015. A visual assessment was made as to the extent of the contamination and source of the spill. It was noted that the leak was coming from a locomotive engine that was parked over a small trestle

bridge approximately 30'-40' in length. The source of the leak was identified as a leaking valve from a petroleum oil tank mounted on the undercarriage of the locomotive/engine. CGS attempted to stop the leak by tightening the valve but was unsuccessful due to the location and leverage required to get any significant torque on the valve nut. CGS personnel hung a 5-gallon bucket under the valve and duct taped the handle a best they could to capture any more leaking petroleum. Once the source of the leak was controlled, CGS staff began to remove the petroleum-impacted soil from the sidewalls and bottom of the affected area. Once the petroleum contaminated soil was removed, CGS backfilled the excavation with soil from the surrounding area. All soil was loaded into 55-gallon metal drums and transported to a landfill for proper disposal.

V. 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.

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, PIR was required to make a \$500,000 payment during the Second Quarter of 2015, which payment was made in early July 2015. The following milestones are based on the proposed changes to the lease which will go before the MTS Board on July, 16 2015. As of the date of this report, they have not been officially approved.

i. Initial Repairs and Test Train - According to the proposed reprioritized milestones, initial repairs for the operational phase shall be completed March 1, 2016 and test train operations shall commence on or before April 1, 2016. For phase II, initial repairs shall be complete by April 15, 2017 and test train operations shall commence on or before May 15, 2017.

ii. Limited Operations - Limited Operations shall consist of operating over the Desert Line, at a time in which repairs and/or maintenance shall be consistent to meet

applicable FRA track safety standards, and PIR shall commence part time (at least three trains a week) freight service on the Desert Line sufficient to insure an uninterrupted and efficient flow of freight shipments in an economically viable transportation mode, subject to normal closures due to renovation, repairs and maintenance. Operational phase limited operations between MP 120.09 and MP 129.61 shall commence not later than December 31, 2016. Phase II limited operations between MP 59.60 and MP 120.09 shall commence no later than August 15, 2017.

iii. Rent/Lease Payment: PIR shall pay SD&AE semi-annually, a lump sum payment of \$500,000.

1. The July 1, 2015 \$500,000 payment was made to SD&AE.

Agenda

Item No. 6a

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

July 14, 2015

SUBJECT:

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

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

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.

Agenda

Item No. 6b

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

July 14, 2015

SUBJECT:

LICENSE FOR PRIVATE CROSSINGS – D AND E STREETS IN CHULA VISTA ON
THE CORONADO BRANCH

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approves 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.

Budget Impact

License fees would be yearly income to SD&AE

DISCUSSION:

A private developer has purchased a landlocked remnant parcel from the City of Chula Vista west of the southbound I-5 off-ramp to E Street in Chula Vista. The developer is City of Chula Vista Property, LLC. Attachment A is a letter dated June 8, 2015, received outlining their proposal for a primary and emergency private at-grade crossing.

The project is early in its development and specific details are yet to be worked out. However, the locations of the crossings as requested in the letter are fairly close to the final locations. The reason for the early request is that the developer is still coordinating the access road locations and design with the City of Chula Vista and the Port of San Diego based on the Bayfront Master Plan.

Attachments: Letter Dated June 8, 2015



Creating Value. Building Quality.

June 08, 2015

Mr. Tim Allison
Manager of Real Estate Assets
Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

Reference: Request for Private Entity SD&AE Rail (Chula Vista, CA) Crossing License

Dear Mr. Allison:

I am writing to request that the board of the San Diego & Arizona Eastern Railroad consider granting a crossing license to City of Chula Vista Property, LLC (LDA subsidiary) for its proposed development in the city of Chula Vista. The requested crossing license is needed to provide primary and emergency access to the site located on Chula Vista's Bayfront.

The parcels (APNs 565-310-25 & 565-310-09) are landlocked and have no legal access due to the relocation of the I-5 southbound off ramp at E Street and the closure of Bay Boulevard from E to D Streets. Land Developers & Associates (LDA) doing business as City of Chula Vista Property, LLC, has recently finalized its purchase of the parcels and is proposing to construct two (2) select service hotels at the location. In order to provide adequate and required access necessary to construct and operate the development we must obtain a legal and long term right to cross the existing rail line.

The subject track segment is located on the west side of Interstate 5 stretching from E Street on the south to D Street on the north and is depicted in the attached map. Specifically, we are asking that the SD&AE Board of Directors approve two separate crossings (indicated on attached map) that would accommodate both the primary ingress and egress to the site and an emergency access point that would be controlled by a lock box and accessible to public safety equipment and personnel.

The exact locations of the access points have yet to be determined and will be based on the results of ongoing discussions with the city of Chula Vista and the Unified Port District regarding public road and circulation planning within the Chula Vista Bayfront master planning area. It is our hope that your Board can approve the issuance of the license agreements and that the details

of the locations and the specifications of each crossing can be worked out with MTS once the connecting road locations have been finalized.

Mr. Tim Allison

June 09, 2015

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We ask that the SD&AE Board of Directors consider our request at the earliest possible opportunity. I understand that the Board will meet during the month of July. Please inform me as to what additional information may be required to process our request to meet the July meeting deadline. I can be reached at 619-955-5177 or via email @ steve@prmconsult.com.

Thank you for your consideration and I look forward to working with you to process this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Steve Castaneda", with a stylized, flowing script.

Steve Castaneda for

Land Developers & Associates dba City of Chula Vista Property, LLC

Attachment: LDA Chula Vista Site Plan (February 5, 2015)

Agenda

Item No. **6c**

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

July 14, 2015

SUBJECT:

EASEMENT FOR UNDERGROUND GAS PIPELINE CROSSING

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approves 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.

Budget Impact

Staff fees will be deposited to MTS and the market-rate value of the easement will be deposited to SD&AE.

DISCUSSION:

Southern California Gas through SDG&E is upgrading its gas pipeline system in San Diego. As part of the upgrade, SDG&E is proposing a new underground gas pipeline crossing the SD&AE right of way just east of 65th Street in the Encanto neighborhood of the City of San Diego. The pipeline design is not finished yet to show the final details of the crossing. However, as in other crossings, all MTS standards will be met including AREMA pipeline design criteria.

The crossing is requested to be twenty feet wide. See Attachment A for the easement plat and legal description. An appraisal is pending to determine the fair market value of the rights requested.

Attachments: Crossing Plat and Legal

EXHIBIT "A"
LEGAL DESCRIPTION

All that certain real property situated in the City of San Diego, County of San Diego, State of California, described as follows:

Parcel 1:

A right-of-way 100.00 foot in width, as described in Deeds to the San Diego Cuyamaca Eastern Railway Company recorded August 20, 1889 in Book 150 of Deeds, Page 470 and 471 and Deed recorded March 28, 1892 in Book 196 of Deeds, Page 27, over, in and across Lots 12, 13 and 16 of the Rancho Mission of San Diego, in the City of San Diego, County of San Diego, State of California, according to the partition Map dated January 7th, 1885, thereof on file in the office of the County Clerk of said San Diego County, being a strip 50.00 feet in width on each side of and parallel with the center line of the location of said railway.

Except therefrom that portion of said land conveyed to the City of San Diego, as set forth and described in that Final Order of Condemnation recorded March 1, 1960 as Instrument No. 1960-42714 of Official Records.

EXHIBIT "B"
LEGAL DESCRIPTION

All that portion of the land described in the attached Exhibit "A" being a right-of-way 100.00 foot in width, as described in Deeds to the San Diego Cuyamaca Eastern Railway Company recorded August 20, 1889 in Book 150 of Deeds, Page 470 and 471 and Deed recorded March 28, 1892 in Book 196 of Deeds, Page 27, over, in and across Lots 12, 13 and 16 of the Rancho Mission of San Diego, in the City of San Diego, County of San Diego, State of California, according to the partition Map dated January 7th, 1885, thereof on file in the office of the County Clerk of said San Diego County, being a strip 50.00 feet in width on each side of and parallel with the center line of the location of said railway. Except therefrom that portion of said land conveyed to the City of San Diego, as set forth and described in that Final Order of Condemnation recorded March 1, 1960 as Instrument No. 1960-42714 of Official Records, described as follows:

A strip of land 20.00 feet wide, 10.00 feet on each side of the following described centerline:

Commencing at a Spike and Washer marked RCE 27648, as shown on Record of Survey 17310, recorded March 7, 2002, filed in the office of the recorder of said County, as instrument number 2002-0194654, said point being distant thereon South 82°12'41" West 1,057.39 feet from a 3/4" iron pipe with disc stamped RCE 27648, per said Record of Survey 17310, said point also being on the southerly right-of-way line of the Metropolitan Transit System, 35.00 feet wide, as shown on said Record of Survey 17310, and the northerly line of Imperial Avenue, 94.00 feet wide, thence along said southerly and northerly right-of-way line North 82°12'41" East 180.17 feet to the True Point of Beginning of said centerline;

Thence leaving said southerly and northerly right-of-way line North 26°44'30" West 37.01 feet to the northerly line of said Metropolitan Transit System right-of-way, 35.00 feet wide, also being the southerly line of Parcel 5 per Final Order of Condemnation to the City

of San Diego, document number 1960-42714, recorded March 1, 1960, Official Records, also being the Point of Termination of said centerline

The sidelines of said 20.00 foot strip of land shall be prolonged or shortened as to terminate northwesterly in the northerly right-of-way line of said Metropolitan Transit District and southerly in the southeasterly right-of-way line of said Metropolitan Transit District, 35.00 feet wide.

Said Easement as described above contains 740 sq/ft (.0170 acres.)

This legal description is delineated on the accompanying Exhibit "C", made a part hereof for reference purposes and is not intended to be used in the conveyance of land in violation of the Subdivision Map Act of the State of California.

Prepared under the direction of :



Gregory A. Helmer L.S. 5134

PSOMAS

6/19/2015

Date:



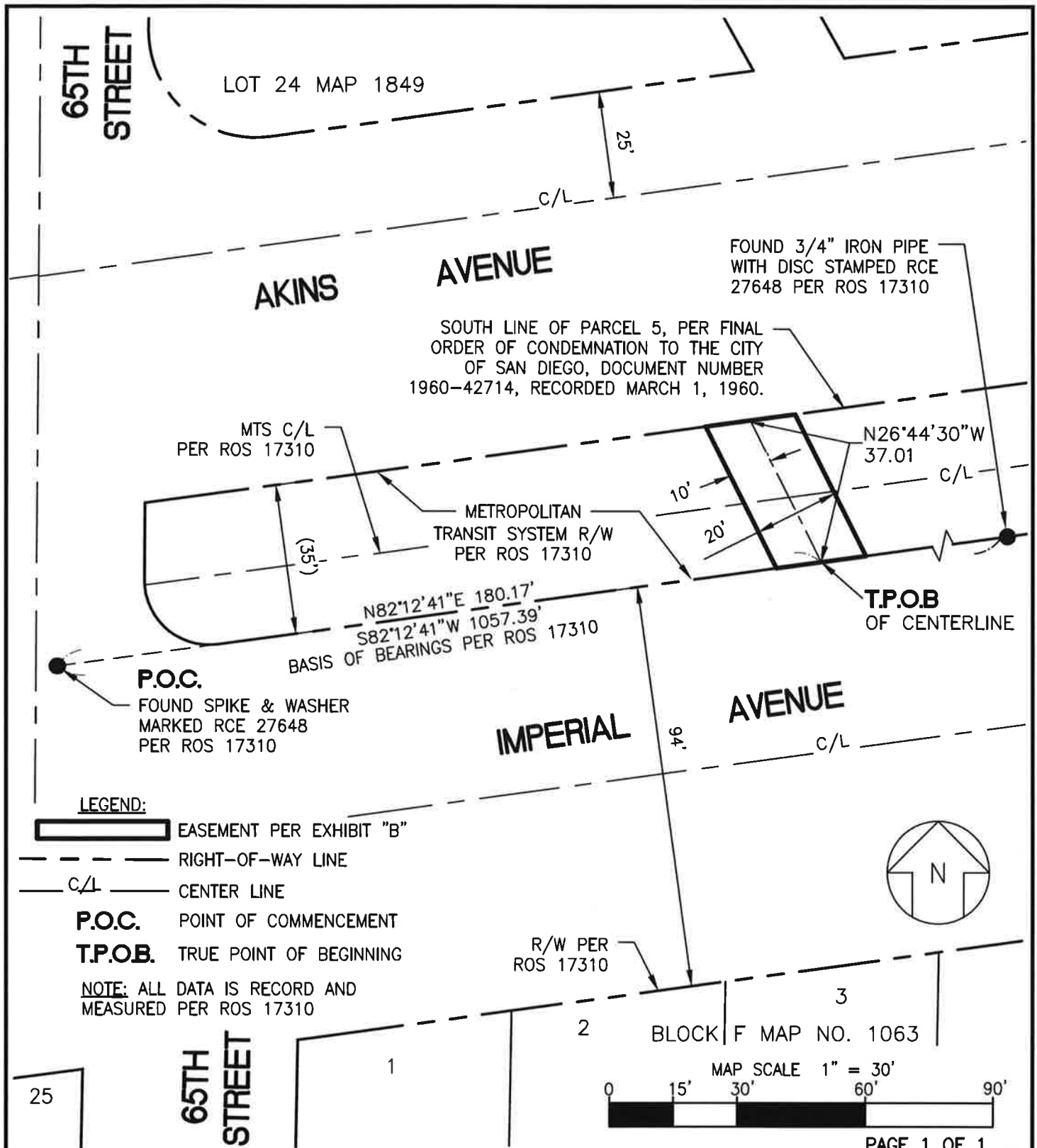


EXHIBIT "C"

SAN DIEGO GAS & ELECTRIC

PLAT TO ACCOMPANY EXHIBIT "B"

IN THE CITY OF SAN DIEGO, STATE OF CALIFORNIA

APPROVED BY:

Gregory A. Helmer L.S. 5134

PSOMAS

SCALE: 1" = 30'

DATE: 6/19/2015

PREPARED BY: WMJ

REVIEWED BY: GAH

REVISED:

JOB NO: 2JGM010240

FILE:

60-5