

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

July 19, 2016

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 19, 2016, at 9:04 a.m.

The following persons, constituting the Board of Directors, were present: Paul C. Jablonski, Matt Domen, and Jared Gooch (alternate for Blake Jones). Also in attendance were:

MTS staff:	Karen Landers, Tim Allison, Erin Dunn, Wayne Terry
Pacific Southwest Railroad Museum:	Diana Hyatt, Mike Edwards
Pacific Imperial Railroad (PIR):	Arturo Alemany
Baja Railroad (BJRR):	Manuel Hernandez, Roberto Romandia
Public:	Reena Deutsch

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the April 12, 2016, SD&AE Railway Board of Directors meeting. Mr. Jablonski seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed the Statement of Railway Finances for the second quarter (see the attachment to the agenda item). Ms. Landers pointed out that MTS has a contract with RailPros and Dan Davis to oversee the Desert Line reconstruction, and those expenses will be showing up on future reports.

Action Taken

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

3. Report on SD&IV Operations

Mr. Domen reviewed the SD&IV Periodic Report for activities for the second quarter of 2016 (see the attachment to the agenda item). Ms. Landers stated that SD&IV's lease has periodic rent evaluations and lease increases written into it, which may never have been done. She stated that it is time for an evaluation, and she will pull the information for review and then schedule a meeting.

Mr. Jablonski noted a healthy increase in the number of carloads and asked if those numbers can be sustained. Mr. Domen responded affirmatively and added the recent numbers are due to increased petroleum production in Mexico and also business from a steady transload customer. Mr. Gooch clarified that the fourth quarter typically sees the highest number of carloads quarterly due to higher demand for LPG.

Mr. Jablonski asked about the status of the spur on the Blue Line Improvement Project. Mr. Terry responded that the infrastructure is complete, and final signal testing is being conducted. The Federal Railroad Administration (FRA) will do an inspection. MTS received a five-year waiver from the FRA with a caveat that a supplement be submitted for special operations for the lockdown between the Yard and Palomar siding. Once testing is complete, the supplement will be prepared and submitted.

Mr. Domen reported that SD&IV will be running a test locomotive tomorrow night to that siding and test the interlocking. Mr. Jablonski requested that going forward, feedback be included in the quarterly report on the operational benefits of the expenditures for this project to report to SANDAG. Discussion ensued regarding the status of remaining projects for the Yard, potential customers, and the benefits of the enhancements to the Yard.

Mr. Domen added that the west Palomar siding was used to switch a customer and it worked great. He reported that the new signals are a great improvement, and they also speed up operations.

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the Second Quarter 2016 Pacific Southwest Railway Museum (PSRM) report. She provided the amounts for the incomplete passenger train counts in the quarterly report: the Museum ran 48 passenger trains carrying 1,945 passengers in the second quarter of 2016.

Ms. Hyatt requested an update from the last meeting regarding the Jacumba Depot. Tim Allison responded that the lease is still under Carrizo Gorge Railway (CZRY). Ms. Landers added that there is a meeting right after this meeting regarding PSRM's lease, and it will be discussed at that meeting.

Mr. Allison stated that Caltrans has been working with MTS about the work that Caltrans has to do at the crossing by the Stone Store on Highway 94. He added that there have been a number of ongoing meetings with representatives from multiple agencies. Mr. Allison stated that Caltrans hired a contractor, but no right of entry permit has been submitted to date. Mr. Allison clarified that the project involves an emergency contract to replace the bridge in its entirety because Caltrans identified a scour problem north of an SD&AE crossing. He stated that the emergency contract was written with minimal plans and no strategy to deal with railroad approaches, so Caltrans is not ready to begin the project. Mr. Allison added that Dan Davis is our expert on the project, and he will be at the meeting on Friday. He stated that it is being made clear that the Museum's trains are not to be impacted and must be able to operate. Ms. Hyatt added that they want to ensure that the signaling will not be altered.

Action Taken

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

5. Report on Desert Line

Arturo Alemany reviewed the PIR Periodic Report for the second quarter of 2016 and he gave a status update of the reconstruction plans. Mr. Alemany reported that PIR is in contact with possible operating partners and that information will be released once there is a nondisclosure statement. Mr. Alemany reviewed a detailed plan for the disposition of rolling stock that is stored on the Desert Line. He added that he has been working with Roberto Romandia of Baja Rail and Ms. Hyatt, who has been very helpful. He added that the Museum will have the pick of the unclaimed inventory. He also reported on security and a minor locomotive/railcar collision.

- Public Speaker – Reena Deutsche: Ms. Deutsche requested an update on the status of plans to build a new multimodal facility in Coyote Wells. Mr. Alemany gave a brief response and then agreed to address it further with Ms. Deutsche after the meeting.

Mr. Jablonski asked if an operational analysis has been conducted to understand what infrastructure improvements might be done to the sidings, etc. to maximize the capacity on the line. Mr. Romandia responded that engineers have been doing studies based on FRA requirements and there are different options available. Discussion continued and Ms. Landers added that Dan Davis has been designated to address any technical issues (with any infrastructure improvements). Mr. Alemany clarified that Baja Rail activities will be included within PIR's quarterly reports.

Action Taken

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

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since April 12, 2016

Tim Allison stated that since the April 12, 2016, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff. Mr. Allison stated that things are heating up with Caltrans' project and permit submittals by Baja Rail for Desert Line work.

- S200-16-636: Right of Entry Permit to the City of La Mesa for the La Mesa Flag Day Parade.
- S200-16-637: Right of Entry Permit to Navy Region Southwest for the Navy Bay Bridge Run.
- S200-16-639: Right of Entry Permit to Palm Engineering Construction Co. for a City of La Mesa sewer rehabilitation project east of the Grossmont Trolley Station.

Action Taken

The Board received a report for information.

7. Election to Fill Vacant Board Member Position

Ms. Landers stated that this request is to approve replacing Board member Blake Jones with Jared Gooch and to forward a recommendation to the MTS Board of Directors to ratify this action. She added that the recommendation should also reflect that the SD&AE Board allowed Mr. Gooch to serve as Mr. Jones' alternate for this meeting.

Mr. Jablonski moved to: (1) elect Jared Gooch from Genesee and Wyoming as an SD&AE Board member to replace Blake Jones (effective as of the beginning of this meeting); and (2) forward a recommendation for approval to the MTS Board of Directors. Mr. Domen seconded the motion, and it was unanimously approved.

8. Ratification of Corrections to July 14, 2015, Meeting Minutes

Ms. Landers informed Board members of a change in Committee clerks. Traci Wutke is no longer with MTS, and Jan Gardetto will be her replacement. Ms. Landers added that two items from the July 14, 2015, Meeting Minutes need Board approval for minor corrections to the actions.

1. Agenda Item 6b: License for Private Crossings – D and E Streets in Chula Vista on the Coronado Branch

The recommended action was 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. The final meeting minutes reflected that the Board received a report when in fact the Board approved the action.

2. Agenda Item 6c: Easement for Underground Gas Pipeline Crossing

The recommended action was 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. The final meeting minutes reflected that the Board received a report when in fact the Board approved the action.

Mr. Jablonski moved to: (1) approve corrections to the final meeting minutes of the July 14, 2015, SD&AE meeting for two prior actions taken on Agenda Items 6b and 6c; and (2) forward a recommendation to the MTS Board of Directors to ratify the corrected actions. Mr. Domen seconded the motion, and it was unanimously approved.

9. Board Member Communications

There were no Board member communications.

10. Public Comments

There were no additional public comments.

11. Next Meeting Date

The next meeting of the SD&AE Board of Directors is on October 11, 2016, at 9:00 a.m.

12. Adjournment

The meeting was adjourned at 9:45 a.m.



President



Legal Counsel