



**SAN DIEGO & ARIZONA
EASTERN RAILWAY
COMPANY**

A NEVADA NONPROFIT
CORPORATION

1255 IMPERIAL AVE., STE. 1000
SAN DIEGO, CA
92101-7490
(619) 231-1466

BOARD OF DIRECTORS
PAUL JABLONSKI, CHAIRPERSON
MATT DOMEN
JARED GOOCH

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

January 17, 2017

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 October 11, 2016
Action would approve the SD&AE Railway Company Minutes of October 11, 2016. 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 (Arturo Alemany)
Action would receive a report for information. Receive
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued Since October 11, 2016
Action would receive a report for information. Receive
7. Board Member Communications
8. Public Comments
9. Next Meeting Date: April 11, 2017
10. Adjournment

DRAFT

MINUTES

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

October 11, 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 October 11, 2016, at 9:03 a.m.

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

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Wayne Terry, Erin Dunn, Mark Olson
Pacific Southwest Railway Museum:	Diana Hyatt
City of Imperial Beach:	Steve Dush
Pacific Imperial Railroad, Inc.:	Arturo Alemany, Tim Doolittle, Manuel Hernandez
Other:	R. Mitchel Beauchamp

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the July 19, 2016, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed Statement of Railway Finances for the third quarter of 2016 (attached to the agenda item). Karen Landers added that revenues will be used for future unallocated expenses on the Desert Line, such as work completed by RailPros.

Action Taken

Mr. Jablonski moved to receive the report. 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 SD&IV Periodic Report for activities for the third quarter of 2016 (attached to the agenda item). Mr. Domen explained some of the enhancements to the San Ysidro Yard, including switches, track-lengthening, turn-around times, lighting, cameras, increased car capacity, and ramps for transloading. Mr. Gooch reviewed the improvements made to the drainage to prevent flooding and the layout of the transload operations. He also discussed new and potential customers and marketing efforts. Board members agreed that the benefits of the enhancements greatly improve operations, and potential new customers are excited about using the facility.

Mr. Jablonski asked about the operations at the Palomar siding. Mr. Terry responded that the FRA will be conducting fitness testing after which staff training will be conducted and an addendum to the FRA waiver would be submitted for absolute block operation. He stated that the absolute block allows freight to move after the last trolley goes out of service and saves

about 30 minutes from previous procedures. Mr. Domen added that this is a huge time savings for freight operations.

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the Pacific Southwest Railway Museum (PSRM) report for the third quarter of 2016, which was provided at the meeting (attached).

Action Taken

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

5. Report on the Desert Line

Arturo Alemany reviewed the Report on the Desert Line (attached to the agenda item). Mr. Alemany discussed the investment challenges and progress made in efforts to get operations up and running over the Desert Line. He discussed a recent survey of the rail, bridges, and tunnels with a team of representatives from collaborating agencies and the positive working relationships that have been formed between all parties. Mr. Alemany stated that they are awaiting Dan Davis' return next week to review the Reconstruction Plan. He added that Baja California Railroad (BJRR) has submitted all of its required payments. Manuel Hernandez discussed new business and commodities and anticipates beginning operations next year.

Mr. Jablonski stated that he was in Washington DC recently and met with the Ambassador to Mexico and representatives from the Department of Commerce and the Department of State. The topic of transload with Mexico over the Desert Line was positive and has much support. Mr. Hernandez added that lobbying assistance is being sought and will help to keep progress going on the right track. He added that a presentation should be ready for review by Ms. Landers next week. Ms. Landers stated that staff met with Washington DC representatives and also residents of Alpine in an effort to work together to get the project completed on a short track.

Action Taken

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

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since July 19, 2016

Since the July 19, 2016, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-16-638: Right of Entry Permit to the San Diego Bicycle Coalition for the Bike the Bay bike-ride event.
- S200-17-640: Right of Entry Permit to Like a Shot Entertainment for the filming of a documentary segment at the Goat Canyon Trestle on the Desert Line.
- S200-17-641: Right of Entry Permit to Baja California Railroad for Desert Line reconstruction-related activities.
- S200-17-642: Right of Entry Permit to Flatiron West, Inc. for reconstructing the SR 94 Campo Creek Bridge in Campo.

Action Taken

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

b. License for Community Dog Park in Imperial Beach

Karen Landers presented the item in Tim Allison's absence. She introduced Steve Dush with the City of Imperial Beach. Ms. Landers stated that the license being requested would have the caveat that it would be revocable with a 120-day notice if rail operations were needed; however, there are no foreseeable plans to operate in the SD&AE right-of-way. She added that the City of Imperial Beach would also maintain the right-of-way. Mr. Dush clarified that he wasn't aware of any structures that would be added on SD&AE's property, but if so, they would be easily removable.

Action Taken

Mr. Jablonski moved to approve issuing a license to the City of Imperial Beach for the portion of the proposed community dog park within SD&AE right-of-way located approximately between the intersection of 11th Street and Cherry Avenue and the intersection of Florida Street and Boulevard Avenue in Imperial Beach. Mr. Domen seconded the motion, and it was unanimously approved.

c. License Amendment for Bayshore Bikeway Bike Path Connection in Imperial Beach

Ms. Landers stated that all that is being requested is to add a notch-out to connect the bike path to the Bayshore Bikeway. She stated that the existing 1999 license would be updated to include indemnification language stating that it would be revocable if rail operations were ever needed and the property would be restored.

Action Taken

Mr. Jablonski moved to approve issuing a license amendment to the City of Imperial Beach for the proposed Bayshore Bikeway bike path connection located northwest of the intersection of 7th Street and Boulevard Avenue in Imperial Beach. Mr. Gooch seconded the motion, and it was unanimously approved.

7. Approval of the 2017 SD&AE Board of Directors Meeting Schedule

Ms. Landers presented the SD&AE meeting schedule recommended for 2017:

Tuesday, January 17, 2017	9:00 a.m.	(Fourth Quarter 2016 Reports)
Tuesday, April 11, 2017	9:00 a.m.	(First Quarter 2017 Reports)
Tuesday, July 18, 2017	9:00 a.m.	(Second Quarter 2017 Reports)
Tuesday, October 10, 2017	9:00 a.m.	(Third Quarter 2017 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 6, 2017
*Thursday, March 30, 2017
Friday, July 7, 2017
Friday, September 29, 2017

Materials Mailed

Wednesday, January 11, 2017
Wednesday, April 5, 2017
Wednesday, July 12, 2017
Wednesday, October 4, 2017

(*Day changed due to Cesar Chavez holiday on March 31)

Action Taken

Mr. Jablonski moved to approve the 2017 SD&AE Board of Directors meeting schedule. Mr. Gooch seconded the motion, and it was unanimously approved.

8. Board Member Communications

There were no Board member communications.

9. Public Comments

There were no public comments.

10. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, January 17, 2017.

11. Adjournment

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

President

General Counsel

2016-10-11.SDAE Draft Minutes.doc

Attachment: Report on PSRM Operations (handed out at the meeting)



Pacific Southwest Railway Museum

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

October 9, 2016

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

Re: Third Quarter 2016

Dear SD&AE Board:

During the third quarter of 2016, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 88 Valley Flyer passenger trains carrying 183 passengers during 16 operating days. There were no FRA reportable accidents or injuries during the third quarter, 2016. Total income from SD&AE property for third quarter, 2016 was \$7,160.85. Our check for \$143.22 will follow under separate cover. By comparison, PSRM carried 658 passengers during the third quarter of 2015 and total income from SD&AE property was \$14,160.

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

658 passengers during the third quarter of 2015
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

When planning the operating schedule for 2016, a decision was made to extend our summer schedule into the beginning of October when in past years the summer schedule ended on Labor Day weekend. Additionally, trains were operated on Sundays only during the summer season schedule as opposed to Saturdays only during the summer for the two previous years. The train rides operated during the third quarter of this year were two mile round-trip cabooses, within the Campo Valley at a lower fare. The results of this experiment did not yield favorable results in some areas and the data will be used in determining the 2017 summer schedule. The last day of the summer schedule was Sunday, October 2. Pumpkin Trains will operate every

Saturday and Sunday through the end of October. Every Saturday and Sunday from November 5 through the 20th, the museum will operate caboose trains. Every Friday and Saturday evening beginning Friday, November 25, 2016 through Saturday, December 17th the museum will operate its popular North Pole trains; pre-sales are strong with first class sold out.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs routine track inspections between MP 59.9 and 66.77. Our volunteer track crew continues to perform track maintenance tasks, particularly tie replacement on the mainline.

I would like to invite the members of this board and staff, Pacific Imperial Railroad and Baja Railroad to join us on one of two North Pole train rides on the private Pullman Robert Peary Friday, December 16, 2016 at the 5:00 pm or 7:00 pm departure. Both time slots have been reserved for you with a capacity of twenty persons per train departure.

Sincerely,

A handwritten signature in cursive script that reads "Diana Hyatt". The signature is written in dark ink and is positioned above the printed name and title.

Diana Hyatt
President

Agenda Item No. 2

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

January 17, 2017

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the period ending November 30, 2016.

Budget Impact

None

DISCUSSION:

Attached are SD&AE's financial results for the period ending November 30, 2016.

As of November 30, 2016, fiscal year-to-date revenues are \$421,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget.

Expenses are \$40,000 favorable to budget due to a favorable variance in Personnel Costs.

The Net Income for the period ending November 30, 2016, was \$450,000.

Attachment: SD&AE Operating Statement for period ending November 30, 2016

SD&AE Operating Statement FY2017-16

	FY 2017					FY 2016	
	Q1 Actual	Oct - Nov Actual	YTD Actual (Jul - Nov)	YTD Budget (Jul - Nov)	Variance	Q1 - Q2 Actual (Jul - Nov)	Variance
Revenues							
Right of Entry Permits	\$ 3,000	\$ 6,888	\$ 9,888	\$ 12,500	\$ (2,612)	\$ 4,900	4,988
Lease Income	19,103	17,753	36,856	29,165	\$ 7,691	31,314	5,542
Desert Line Lease Revenue	250,000	166,667	416,667	-	\$ 416,667	416,667	(0)
Operator Income - SD&IV 1%							
Freight Fee	8,500	5,667	14,167	14,585	\$ (418)	14,200	(33)
Total Revenue	280,603	196,974	477,577	56,250	421,327	467,081	10,496
Expenses							
Personnel Costs	2,752	3,528	6,280	42,602	36,322	25,413	19,133
Outside Services	14,059	156	14,215	18,809	4,594	17,433	3,218
Risk Management	3,762	2,646	6,408	6,670	262	5,993	(415)
Misc. Operating Expenses	1,146	-	1,146	210	(936)	406	(740)
Total Expense	21,719	6,330	28,048	68,291	40,243	49,245	21,197
Net Income/(Loss)	\$ 258,884	\$ 190,644	\$ 449,529	\$(12,041)	\$ 461,570	\$ 417,836	\$ 31,693

Reserve Balance July 1, 2016 **\$ 1,581,452**

Allocated Interest Earnings - Estimated 4,167
Operating Profit/(Loss) - YTD 449,529

Reserve Balance as of Nov 30, 2016 **\$ 2,035,147**

Agenda Item No. 3

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

October 11, 2016

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 4th Quarter of 2016



a Genesee & Wyoming Company

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

January 3, 2017

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 4th Quarter of 2016 are listed as follows:

1. Labor

At the end of December 31, 2016 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 4th Quarter increased 56% as compared to 2015. Bridge traffic into Mexico had a 69% increase, primarily driven by increases in LPG. Traffic terminating or originating on the SDIY was up 23% versus last year. Increase is due primarily to the addition and expansion of a new transload operation in San Ysidro handling ethanol and lumber.

3. **Reportable Injuries/Environmental**
Days through year to date, Dec 31, 2016, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.
Days FRA Reportable Injury Free: 7211

4. **Summary of Freight**

	2016	2015	2014
Total rail carloads that moved by SDIY Rail Service in the quarter.	1440	923	826
Total railroad carloads Terminating/Originating Mexico in the quarter.	1110	655	622
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	330	268	204
Total customers directly served by SDIY in the quarter	11	10	11
Regional Truck trips that SDIY Railroad Service replaced in the quarter	4320	2769	2478

Respectfully,
Matt Domen
General Manager

Agenda Item No. 4

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

January 17, 2017

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

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: Quarterly Report



Pacific Southwest Railway Museum

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

January 10, 2017

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

Re: Fourth Quarter 2016

Dear SD&AE Board:

During the fourth quarter of 2016, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 90 passenger trains carrying 6,736 passengers during 23 operating days. There were no FRA reportable accidents or injuries during the fourth quarter, 2016. Ticket revenue from SD&AE property for fourth quarter, 2016 was \$234,413; this figure is not inclusive of retail sales income for this time period and these figures will be adjusted accordingly. Our check for upwards of \$4,688 will follow under separate cover. By comparison, PSRM carried 7,110 passengers during the fourth quarter of 2016 and total income from SD&AE property was \$234,294.

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

6,736	Passengers during the fourth quarter of 2016
7,110	Passengers during the fourth quarter of 2015
6,765	Passengers during the fourth quarter of 2014
6,535	Passengers during the fourth quarter of 2013
6,889	Passengers during the fourth quarter of 2012
6,109	Passengers during the fourth quarter of 2011
4,384	Passengers during the fourth quarter of 2010
3,268	Passengers during the fourth quarter of 2009
4,554	Passengers during the fourth quarter of 2008

The slight difference in ridership can be attributed to a slight decrease in Pumpkin Train attendance while North Pole Train ridership remained steady. The private Pullman car Robert Peary, once used by Franklin Delano Roosevelt during his third presidential tour across the United States was reserved for all SD&AE partners to experience on Friday, December 16, 2016.

The twentieth annual Christmas Train/Three Kings Train event was held on Sunday, January 8, 2017 at Estadio Manuel Cecena in Tecate, B.C., Mexico. This was the eighth year that a train from Campo to Tecate, B.C., Mexico was unable to make the fourteen mile trip by rail and participants crossed the border as pedestrians. Nevertheless, four to five thousand underprivileged children from Tecate and outlying areas received a gift bag of useful items that included a notebook, blanket, toothbrush, an orange and a small toy. The event is hosted by DIF: El Desarrollo Integral de la Familia and is led by the mayor's spouse. The new mayor of Tecate assumed office in late November, 2016 and her husband will be the new director of DIF.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs routine track inspections between MP 59.9 and 66.77. Our volunteer track crew continues to perform track maintenance tasks, particularly tie replacement on the mainline.

Sincerely,

A handwritten signature in dark ink, appearing to read "Diana Hyatt", written in a cursive style.

Diana Hyatt
President

Agenda Item No. 5

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

January 17, 2017

SUBJECT:

REPORT ON THE DESERT LINE

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: Quarterly Report



PERIODIC REPORT

January 1, 2017

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.

First Quarter 2016

CONTENTS

- I. BJRR RECONSTRUCTION PLAN**
- II. CHAPTER 11 REORGANIZATION**
- III. REPORTABLE INJURIES / ACCIDENTS / ENVIRONMENTAL INCIDENTS**
- IV. FREIGHT ACTIVITY**
- V. MTS LEASE PAYMENT**

I. BJRR RECONSTRUCTION PLAN

Reconstruction Plan Deadline Extension. Under the Cali-Baja Joint Venture Sublease and Operating Agreement (“Cali-Baja Sublease”), Baja California Railroad, Inc. (“BJRR”) originally had 150 days from the effective date of the agreement (November 7, 2016) to submit to PIR a Reconstruction Plan for the BJRR Segment, which must be submitted to SD&AE/MTS for approval. On November 8, 2016, Karen Landers, General Counsel of SD&AE/MTS agreed to extend the deadline for submitting the reconstruction plan to January 9, 2017. The plan is being developed by rail engineers from BJRR in coordination with Grupo DLG, an experienced railroad engineering and design firm based in Monterrey, Mexico.

II. CHAPTER 11 REORGANIZATION

On October 13, 2016, PIR filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code for the Southern District of California in order to facilitate the further development of its primary asset. Various claims arising from creditors and prior management have resulted in a chilling effect on PIR’s ability to raise capital. The Chapter 11 proceeding will enable PIR to maximize the value of its assets, provide an effective forum for resolving any disputes regarding the claims, and enable PIR to complete its goal of securing a strategic partner with the necessary capital and expertise to develop the remainder of PIR’s railway assets in a manner that will pay PIR’s creditors and further the interests of the public at large.

III. FREIGHT ACTIVITY

There has been no freight activity.

IV. REPORTABLE INJURIES / ACCIDENTS / ENVIRONMENTAL INCIDENTS

- i. There have not been any reportable injuries.
- ii. There were no reportable accidents during the third quarter.
- iii. There were no environmental incidents during the third quarter.

V. LEASE PAYMENT

- i. On January 1, 2017, the semi-annual lease payment of \$500,000 was due to MTS, which PIR paid. To date, PIR has made 8 lease payments totaling \$4,000,000.
- ii. BJRR has paid the full amount of \$3,000,000 as consideration for the Cali-Baja Sublease.

Agenda Item No. 6a

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

January 17, 2017

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE OCTOBER 11, 2016

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the October 11, 2016, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-16-635: Right of Entry Permit to the HP Communications Inc. to install aerial fiber at 32nd Street and Harbor Drive in the City of San Diego.
- S200-17-647: License to Crown Castle NG West LLC for aerial fiber at 32nd Street and Harbor Drive in the City of San Diego.
- S200-17-648: Right of Entry Permit to AirX Utility Surveyors, Inc. for utility location at Elm Street in the City of San Diego.