



AGENDA

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

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

October 10, 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. <u>Approval of the Minutes of July 11, 2017</u>
Action would approve the SD&AE Railway Company Minutes of July 11, 2017. | Approve |
| 2. <u>Statement of Railway Finances (Erin Dunn)</u> | Informational |
| 3. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)</u> | Informational |
| 4. <u>Report on Pacific Southwest Railway Museum (Diana Hyatt)</u> | Informational |
| 5. <u>Report on the Desert Line</u> | Informational |
| 6. <u>Real Property Matters (Tim Allison)</u> | |
| a. <u>Summary of SD&AE Documents Issued Since July 11, 2017</u> | Informational |
| 7. <u>Approval of the 2018 SD&AE Board of Directors Meeting Schedule</u>
Action would approve the 2018 SD&AE Board of Directors meeting schedule. | Approve |
| 8. Board Member Communications | |
| 9. Public Comments | |
| 10. Next Meeting Date: January 9, 2018 (pending approval of Agenda Item No. 7) | |
| 11. Adjournment | |

San Diego and Arizona Eastern Railway Company

10/10/2017

Sign-in Sheet (VOLUNTARY)

Name	Company
1. John Hoegemeier	North Star Gas Ltd.
2. James Capstecker	Pacific Southwest Railway Museum
3. MATT Poma	SPRV
4. Jared Good	SPRV
5. Diana Hyatt	PSRM
6. ROBERTO ROMANO	BJRR
7. MANUEL HERNANDEZ	BJRR
8. JORGE LEQUENDO	BJRR
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MINUTES

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

July 11, 2017

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 11, 2017, at 9:08 a.m.

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

San Diego Metropolitan Transit System:	Tim Allison, Fred Byle, Erin Dunn, Karen Landers, Wayne Terry
Baja California Railroad Inc. (BJRR):	Manuel Hernández, Roberto Romandía
Ferrocarriles Peninsulares del Noroeste:	R. Mitchel Beauchamp
Pacific Southwest Railway Museum:	James Caestecker, Diana Hyatt

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the April 18, 2017, 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 second quarter of 2017 (attached to the agenda item). It was noted that MTS's attorneys' fees related to the PIR bankruptcy are reflected during this reporting period. Ms. Landers informed Board members that the outstanding property taxes were paid, and MTS has directed the State Board of Equalization to send all future bills to MTS (not to SD&IV). Ms. Landers also clarified that PIR paid \$45,000 to partially cover some of the attorneys' fees as part of the bankruptcy cure; PIR has also paid some of the outstanding property tax bills that came to SD&AE for San Diego and Imperial Counties. Ms. Dunn added that this is reflected in the report.

Action Taken

Informational item only. No action taken.

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

Matt Domen reviewed the SD&IV Periodic Report for activities for the second quarter of 2017 (attached to the agenda item). Mr. Jablonski asked about the decreases in volume in the second quarter. Mr. Gooch responded that as far as LPG traffic goes, the volume is always much higher in the winter. He added that it is questionable as to whether the barge terminal that was built will be able to keep up with the demand, and supplemental rail may be needed. Mr. Gooch stated that it is doubtful that SD&IV will get back to its previous volumes unless something changes in the long term or there is backfill with a commodity.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the Pacific Southwest Railway Museum (PSRM) report for the second quarter of 2017, which was handed out at the meeting (attached). Ms. Hyatt added that annual weed-spraying took place in April.

Ms. Hyatt introduced James Caestecker, PSRM Track Foreman. Mr. Caestecker stated that he looked into who was claiming to be a Carrizo Gorge Passenger Rail group, which was an issue that was raised by Mr. Jablonski at the last meeting. He stated that the Carrizo Gorge Scenic Railway has a Facebook page, and its main goal is to raise awareness about the railroad and garner interest. The group had a Web site that proposed using some rail cars based out of Los Angeles to establish some service. Ms. Hyatt added that the group has been informed that they have no rights to do anything on the line and must go through the proper channels.

Mr. Jablonski asked about PSRM's plan in regard to the FRA-required inspections and load-capacity determinations and what the process will be to undertake the work that is required to be able to continue to provide service.

Ms. Hyatt responded that all of the bridges were built to a 252,000-pound loading capacity. She stated that today's freight can handle up to 286,000 pounds, which produces more of a problem for BJRR than PSRM because PSRM is not running anywhere near that heavy of a load. Ms. Hyatt spoke with engineers who felt that the bridge would need an additional bent to accommodate the loads coming from BJRR, but this was not included in the PSRM's original plan to rehabilitate the bridges.

Mr. Jablonski expressed concern about the short-term before BJRR begins operations. He asked what is needed for the bridges to come into compliance with PSRM's current operations.

Ms. Landers added that that the bridge-management plan load-ratings should be available by September 2017. There are inspections and load ratings that need to be completed on the bridges on which PSRM operates and asked at which point does PSRM need to go to Bridge 60.08. Mr. Caestecker responded that PSRM's trains go over Bridge 60.08 and into the border tunnel.

Discussion ensued regarding the bridges utilized by PSRM. Members agreed to have a meeting right after to discuss the issues, costs, and a plan to bring the bridges into FRA compliance. Ms. Landers added that the FRA inspector is assisting, but PSRM will not be able to operate if the bridges do not pass inspection.

Ms. Hyatt stated that PSRM was previously getting the inspections pro bono until PIR hired JL Patterson. She does not believe that there was a report completed in 2015. She stated that in 2016, BJRR hired a company but the report it produced is not sufficient.

Fred Byle, Superintendent of Wayside Management with SDTI, stated that PSRM's ratings are due in September 2017. He added that there is time to get the load ratings down and be in compliance by the deadline. The FRA instructor has not put a fine on any of the exceptions on the bridges; however, he could. Therefore, Mr. Byle suggested putting two bridges (Mile Post 60.08 at Division and Mile Post 66.08 in Campo) on the plan and show that two of them are

embargoed; he added that the bridge at Campo is already out of service. Mr. Jablonski added that getting the tunnel completed in the short term does not seem possible. Members agreed that all of the concerns should be addressed at the following meeting.

Action Taken

Informational item only. No action taken.

6. Proposed Revisions to MTS Board Policy No. 12 (Ownership and Operation of the San Diego and Arizona Eastern Railway) (Taken Out of Order)

Ms. Landers stated that ownership and operation of SD&AE is currently outlined in a very old policy (MTS Policy No. 12), which was amended in 2004 to restate and rebrand after the consolidation with SANDAG and, prior to that, it was revised in 1992. She explained that the policy seemed unclear and inconsistent in regard to the current operation and how the meetings are presently handled. Ms. Landers worked with Mr. Allison to update the policy and to reflect that the Desert Line is separate from SD&IV. The revisions also detail the roles of contractors and MTS and SD&AE staffing.

Ms. Landers stated that the revised policy was sent out with the packet, but it was not sent to SD&IV lawyers who may want to review it to make sure that it does not compromise any contractual rights. Ms. Landers added that the policy does not get final approval until it goes to the MTS Board. She proposed to amend today's action to approve the policy contingent upon review by SD&IV's attorneys to give them the opportunity to provide MTS with any substantive comments. She added that upon mutual agreement, the policy could then be brought for final review to the MTS Board of Directors at its September 21 meeting.

Ms. Landers added that the intent is not to have the policy impact any of the contractual rights—just to clarify all of the roles. Mr. Jablonski added that if SD&IV attorneys are able to review the policy by the close of business on Friday, it could go to the MTS Board's next meeting on July 20 (instead of in September).

Action Taken

Board members unanimously approved the proposed revisions to MTS Policy No. 12 (Ownership and Operations of the San Diego and Arizona Eastern Railway)—contingent upon review by SD&IV attorneys and mutual agreement to any changes or edits—and to forward a recommendation to the MTS Board of Directors for final approval and adoption of the policy.

5. Report on the Desert Line (Taken Out of Order)

Manuel Hernández, BJRR CFO, stated that BJRR is working on a three-phase plan to rehabilitate the Desert Line. Mr. Hernández said that Phase 1 would include Division to Jacumba—initially to haul gravel and sand northbound. Phase 2 would include Dos Cabezas to Plaster City, and Phase 3 would include Jacumba to Plaster City. On June 29, 2017, MTS staff met with Customs and BJRR staffs where BJRR presented its operational plan for Phase 1.

Mr. Hernández stated that they are preparing for a possible visit to Washington to present a complete plan for opening up the crossing to Division. He reported that a contract with MTS is very close to finalization, and he anticipates that it should be completed within a couple of weeks. Mr. Hernández also said that the assets purchased from PIR will be covered by July 27.

Ms. Hyatt asked Ms. Landers about the status of the progress on the rolling stock. Ms. Landers responded that claims were received and reviewed, and there did not seem to be any conflicts with people claiming ownership of the same items. She stated that a late claim was received this morning from Ed Kravitz (attached). Ms. Landers added that although MTS mailed and e-mailed a notice to Mr. Kravitz and his client IFE Leasing, it sounds like they did not receive the notice. Ms. Landers has not had a chance to go over the claim to see if there is any conflict. She stated that no one has been given permission to go forward, but that is next on the list; the assets that are easily removable will be first on the list. A right of entry or permit with indemnification and insurance will be necessary from anyone removing assets. Ms. Landers anticipates that this will occur in the next couple of weeks.

Ms. Landers stated that the cars at Dubbers Spur are not accessible, and the line will need to be repaired in some way in order to remove those cars. She added that this will be a longer-term issue to resolve. Ms. Landers stated that claims have been received from Gary Sweetwood, Mitch Beauchamp, and CZRy Police. The backup documentation from CZRy Police is a little unclear, so more clarification of proof of ownership is needed.

Ms. Hyatt asked if anyone is aware of who pays the bills for the repeaters (for the road frequencies). Mr. Caestecker clarified that a radio repeater repeats the radio signal so that it's easier to hear on handheld radios. Ms. Landers responded that it has been unclear to MTS who CZRy Police contracts with and its role. She stated that it will be up to BJRR to determine how to handle security. The goal for the abandoned equipment is to remove anything that is not going to be used for BJRR freight operations or by PSRM.

Mr. Jablonski asked about the condition of the Metra cars. Ms. Hyatt responded that the one that is at Campo is in very good condition; however, the five at Dubbers are not in good condition. Ms. Landers added that those cars were seen to be in bad condition during a recent visit. Discussion continued regarding scrapping rail cars and storage fees.

Ms. Landers reiterated that the intent is to accommodate and encourage people to claim their property and remove it at no cost to MTS (and storage fees would be waived). If that is not possible and MTS is forced to go through the effort of auctioning and scrapping the property, then MTS will expect to recover those costs and storage fees. Ms. Landers also reiterated that next steps will include assuring that there are no double claims on any of the property and then, assuming that there are none, reach out to the claimed owners and come up with a plan to safely remove the property.

Ms. Landers will send a summary to all concerned parties of the claims received, by whom, and what remains unclaimed. Ms. Hyatt suggested contacting the Department of General Services to help determine who owns some of the assets.

Action Taken

Informational item only. No action taken.

7. Real Property Mattersa. Summary of SD&AE Documents Issued Since April 18, 2017

Since the April 18, 2017, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-16-657: Right of Entry Permit to the City of La Mesa for its Flag Day Parade.
- S200-17-658: License agreement with Pacific Bell for aerial fiber crossings east of Campo in San Diego County.
- S200-17-660: Right of Entry Permit to West Coast General Co. for construction of the North Avenue Crossing in the City of Lemon Grove.
- S200-17-661: Right of Entry Permit to Kunzik & Sara Construction, Inc. for construction adjacent to the right-of-way south of Wagner on Marshall Avenue in the City of El Cajon.
- S200-17-662: Right of Entry Permit to the San Diego County Bicycle Coalition for the 2017 Bike the Bay event.
- S200-17-663: Right of Entry Permit to the Navy SW Morale Welfare & Rec for the 30th Annual Bay Bridge Run.

Action Taken

Informational item only. No action taken.

8. Board Member Communications

Ms. Landers informed Board members that MTS is working with a UK film company in relation to a railroad-engineering show about the Goat Canyon Trestle.

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, October 10, 2017.

7. Real Property Matters (Taken Out of Order)

The Board convened to Closed Session at 9:43 a.m.

- b. CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.9(d)(1) CHRIS REIMER v. THE CITY OF NATIONAL CITY, ET AL., SCSC CASE NO. 37-2015-00038580-CU-PO-CTL

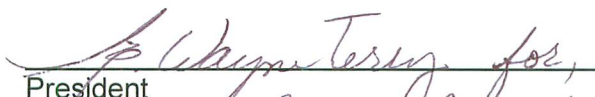
The Board reconvened to Open Session at 10:05 a.m.

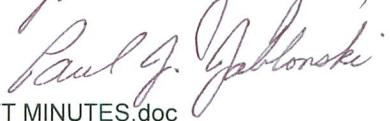
Oral Report of Final Actions Taken in Closed Session

Karen Landers reported that the Board received a report and gave instructions to staff.

11. Adjournment

The meeting was adjourned at 10:05 a.m.



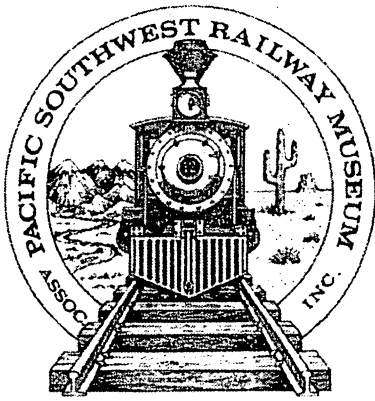
President




General Counsel

2017-7-11 DRAFT MINUTES.doc

Attachments: PSRM Second Quarter 2017 Report
E-mail from Ed Kravitz dated 7/11/2017



Pacific Southwest Railway Museum

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

July 10, 2017

San Diego & Arizona Eastern Board of Directors
c/o Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Re: Second quarter 2017

Dear SD&AE Board:

During the second quarter of 2017, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 86 Golden State passenger trains to the international border and return including one school train midweek during May and 4 Valley Flyer passenger trains within the Campo Valley carrying 2,315 passengers during 23 operating days. There were no FRA reportable accidents or injuries during the second quarter, 2017. Ticket revenue from SD&AE property for second quarter, 2017 was \$27,675.73, our check for \$553.51 is enclosed.

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

2,315 passengers during the second quarter of 2017
1,185 passengers during the second quarter of 2016
2,197 passengers during the second quarter of 2015
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

I am happy to report that ridership has increased during this quarter as well as for this year. The weather during March, April and May was relatively pleasant and our seasonal favorite, Bunny Trains operated over three operating days with 912 happy participants. PSRM transitioned to its summer schedule following the Father's Day weekend and will operate trains on Saturdays through October 1, 2017. This summer we will operate a Golden State train every Saturday,

departing the Campo Depot at 11:00 am and Valley Flyer caboose trains within the Campo Valley on Saturday afternoons.

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 Road Master reports a total of 172 ties replaced during the quarter and various work re-establishing drainage parallel to the tracks in various areas. On Thursday, June 29th Fred Byle of SDTI brought their hi-rail truck to Campo for a visit by an FRA bridge inspector, an FRA track inspector, a PUC bridge inspector and a PUC track inspector. The FRA track inspector took exception to two areas of track within the entire six miles and issued a report which has been forwarded to MTS General Counsel; no citations are recommended.

Progress towards our birthday party caboose site has been the primary objective this past quarter and work will continue until its completion. This project was partially funded by a San Diego County Enhancement Grant and will be a fantastic addition to our facilities. It is located east of the Campo Depot on the adjacent museum parcel.

No special events are currently planned for the third quarter of this year but this time will be utilized to prepare the equipment and grounds for our busiest quarter of the year from October through December. Tickets will go on sale soon for these reserved trains and I would like to extend an invitation to the members and staff of this board to join us for a train ride along the historic San Diego & Arizona Railway and experience our progress. Incidentally, the 100th anniversary of the SD&A is approaching: November 16, 2019.

Sincerely,

A handwritten signature in black ink that reads "Diana Hyatt". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Diana Hyatt

President

From: Ed Kravitz <ekatsdrp@yahoo.com>
Sent: Tuesday, July 11, 2017 8:26 AM
To: Jan Gardetto
Cc: Philip Sheridan; Karen Landers; Paul Jablonski; Matt Domen; mitch@psds.com; Diana Hyatt; Tim Allison
Subject: Re: LAST MINUTE INFORMATION FOR SDAE BOARD MEETING THIS MORNING

I just found the e-mail you referenced in my spam folder.

I was recently asked to come back on board to represent I.F.E. to see if we can recover the rail cars referenced. My client was promised interchange when the cars were purchased. Since there was not a storage fee being charged, he was content for some time to allow them to sit. Since then however, a need for their use has materialized yet, my client has been unable to get interchange of the cars to a Class 1 railroad in the United States. Why? Who is responsible?

If the SD&AE is willing to make that rolling stock whole again and expedite interchange to San Ysidro or Yuma we will drop this matter. Unless they can be interchanged or trucked to such an interchange location by the railroad we will seek all remedies including the Surface Transportation Board and Federal Courts.

Please make the Board aware that our official notice began TODAY : **July 7,2017**

We would like to be advised as to who we need to contact these days to get my client's rail cars interchanged to San Ysidro or Yuma? Who , what and when? Your policy and your contractors have prevented my client from access to his property.

**Ed Kravitz (of behalf of I.F.E. Leasing Inc.)
San Diego & Midwestern Railway Partners LLC
619-890-8894**

From: Jan Gardetto <Jan.Gardetto@sdmts.com>
To: "ekatsdrp@yahoo.com" <ekatsdrp@yahoo.com>
Cc: Karen Landers <karen.landern@sdmts.com>
Sent: Tuesday, July 11, 2017 9:27 AM
Subject: FW: LAST MINUTE INFORMATION FOR SDAE BOARD MEETING THIS MORNING

Hi Ed:

I believe that Karen did try to contact you by way of e-mail (attached) to ekatsdrp@yahoo.com on 4/25/17. Maybe it went into your Spam folder?

Jan

MTS Desert Line - Notice of Right to Reclaim Abandoned Property

Karen Landers

To: Christina M. Finrow (cmfinrow@gmail.com); mitch@psbs.com; ekatsdrp@yahoo.com; langlais@cgrp.us; m-lawtrains4dave@aol.com; dhyatt@psrm.org; aotanez@bajarr.com; mphaney@up.com; hoegjohn@yahoo.com;
CC: Jan Gardetto; Monica Coria; Tim Allison; Paul Jablonski; Roberto Romandia - Baja California Railroad (rromandia@bajarr.com); Manuel Hernandez (mhernandez@bajarr.com)
Attachments: Notice of Right to Reclaim Abandoned Property.pdf
Sent: 4/25/2017 12:37 PM

From: Ed Kravitz [mailto:ekatsdrp@yahoo.com]

Sent: Tuesday, July 11, 2017 7:23 AM

To: Jan Gardetto

Subject: LAST MINUTE INFORMATION FOR SDAE BOARD MEETING THIS MORNING

Ed Kravitz

c/o San Diego & Midwestern Railway Partners LLC

11 Bender Drive

Park Forest, IL 60466

San Diego & Arizona Eastern Railway Company

STE 1000

1225 Imperial Avenue

San Diego , CA 92101-7490

July 10, 2017

RE: ABANDONED ROLLING STOCK ON DESERT LINE

While reading the Agenda and Minutes from the April 18,²⁰¹⁷ meeting of the SD&AE Board I saw that there is an effort to remove rolling stock abandoned or land locked on the desert line. In mid-page of page 4 of the

minutes it states that Karen Landers was assigned to reach out to me regarding railcars that I may have represented for the owners previously.

For the record; 'As of 7/10/2017 , I have received no communications whatsoever in this matter.

There are three railcars of which I have personal knowledge. There is a wide cupola caboose which originated at Erie Mining that I sold to Mitch Beauchamp. That caboose was used by the Sweetwood version of Carrizo Gorge Railway.

I also produced to the SD&AE some time ago, two bills of sale for two of the former Metra cars (#7774 & # 8728) out near Anza Borrego area. My client (I.F.E. Leasing) was not in a hurry to obtain interchange of the cars but, he never thought they would be land locked or obstructed from interchange for ten years either?

Vandalism and time have reduced the condition of those railcars to almost minimal value. Replacement value for similar rail cars would be in the vicinity of \$50,000+ in the current market.

I have attached the two bills of sale which I previously presented SD&AE showing ownership by IFE leasing. The deadline set by the board for claiming abandoned property has passed without any contact from your Staff Legal Council (as was directed by the Board of Directors) according to the minutes. It has been partially the fault of the SD&AE that interchange of these railcars has been prevented, causing my client financial harm.

If you scrap these two railcar be advised; that my client will likely seek the current the replacement costs from the SD&AE Board. Because the SD&AE for whatever reasons, could not or would not allow interchange those railcars to San Ysidro or Yuma, it appears that your railroad has interfered with Interstate Commerce and NAFTA.

Please remit a check for \$100,000 for the current replacement costs of former Metra rail cars #'s 7774 & 8728 on behalf of my client, I.F.E. Rail Car Leasing Inc.
Best Regards,

Ed Kravitz <ekatsdrp@yahoo.com>
San Diego & Midwestern Railway Partners LLC

Attached please find a Notice of Right to Reclaim Abandoned Property (including a Desert Line – Rolling Stock Inventory and Service List) for your review and possible action.

Please note that the attached Notice contains deadlines and other instructions for all claims.

Karen Landers
General Counsel
San Diego Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101
Direct: (619) 557-4512

Agenda Item No. 2

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

October 10, 2017

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the year ending June 30, 2017, and period ending August 31, 2017.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's financial results for the year ending June 30, 2017, as well as the period ending August 31, 2017.

Fiscal year 2017 ended with revenues totaling \$1.2 million and expenses totaling \$284,000 resulting in net income of \$924,000. The \$1 million in Desert Line revenue was contributed to MTS capital projects and an estimated \$19,000 in interest was allocated to SD&AE resulting in an estimated \$76,000 decrease to reserves for the year. Although the financial statements have not been published, we do not expect any further changes.

As of August 31, 2017, fiscal year-to-date revenues are \$191,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget.

Expenses are \$22,000 unfavorable to budget primarily due to a \$50,000 liability settlement, which was partially offset by a favorable variance in Outside Services.

The Net Income for the period ending August 31, 2017, was \$169,000.

Attachments: SD&AE Operating Statement Fiscal Year 2017
SD&AE Operating Statement for period ending August 31, 2017

SD&AE Operating Statement FY2017-16

	FY 2017							FY 2016	
	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual	YTD Budget	Variance	Q1 - Q4 Actual	Variance
Revenues									
Right of Entry Permits	\$ 3,000	\$ 12,999	\$ 3,600	\$ 3,975	\$ 23,574	\$ 30,000	\$ (6,426)	\$ 12,708	\$ 10,866
Lease Income	19,103	19,019	24,311	24,701	87,134	75,000	12,134	86,885	249
Desert Line Lease Revenue	250,000	250,000	250,000	250,000	1,000,000	-	1,000,000	1,000,000	-
Operator Income - SD&IV 1% Freight Fee	8,500	8,500	25,487	9,300	51,787	25,000	26,787	31,703	20,084
Misc. Revenue (Cure of Default - DL lease assignment)	-	-	-	45,000	45,000	-	45,000	-	45,000
Total Revenues	280,603	290,518	303,398	332,976	1,207,495	130,000	1,077,495	1,131,296	76,199
Expenses									
Personnel Costs	2,752	4,347	6,959	26,856	40,914	51,000	10,086	38,133	(2,781)
Outside Services	14,059	1,830	39,826	99,036	154,751	250,000	95,249	50,554	(104,197)
Risk Management	3,762	4,177	3,744	4,083	15,766	15,500	(266)	14,633	(1,133)
Misc. Operating Expenses	1,146	-	-	71,201	72,347	4,500	(67,847)	9,753	(62,594)
Total Expenses	21,719	10,354	50,529	201,176	283,778	321,000	37,222	113,073	(170,705)
Net Income/(Loss)	\$ 258,884	\$ 280,164	\$ 252,869	\$ 131,800	\$ 923,717	\$ (191,000)	\$ 1,114,717	\$ 1,018,223	\$ (94,506)

Reserve Balance July 1, 2016	\$ 1,581,452
Allocated Interest Earnings - Estimated	19,000
Operating Profit/(Loss) - FY 2017	923,717
Contributed Operating Capital to MTS	(1,000,000)
Reserve Balance as of June 30, 2017	\$ 1,524,169

SD&AE Operating Statement FY2018 and FY2017

	FY 2018			FY 2017	
	Jul - Aug Actual	Jul - Aug Budget	Variance	Jul - Aug Actual	Variance
Revenues					
Right of Entry Permits	\$ 750	\$ 5,000	\$ (4,250)	\$ 3,000	\$ (2,250)
Lease Income	39,240	12,500	26,740	12,599	26,641
Desert Line Lease Revenue	166,669	-	166,669	166,669	-
Operator Income - SD&IV 1% Freight Fee	6,200	4,166	2,034	5,667	533
Total Revenues	<u>212,859</u>	<u>21,666</u>	<u>191,193</u>	<u>187,935</u>	<u>24,924</u>
Expenses					
Personnel Costs	6,804	7,768	964	1,361	(5,443)
Outside Services	7,822	33,972	26,150	9,514	1,692
Risk Management	52,195	2,584	(49,611)	2,646	(49,549)
Misc. Operating Expenses	299	666	367	1,146	847
Total Expenses	<u>67,120</u>	<u>44,990</u>	<u>(22,130)</u>	<u>14,667</u>	<u>(52,453)</u>
Net Income/(Loss)	<u>\$ 145,739</u>	<u>\$ (23,324)</u>	<u>\$ 169,063</u>	<u>\$ 173,268</u>	<u>\$ (27,529)</u>

Estimated Reserve Balance July 1, 2017	\$ 1,524,169
Interest Earnings - Estimated	2,500
Operating Profit/(Loss) - YTD	145,739
Less Desert Line Revenue	(166,669)
Estimated Reserve Balance Aug 31, 2017	\$ 1,505,739

Agenda Item No. 3

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

October 10, 2017

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 2017



a Genesee & Wyoming Company

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

October 2, 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 3rd Quarter of 2017 are listed as follows:

1. Labor

At the end of September 30, 2017 the San Diego & Imperial Railroad had 8 employees:

- 1 General Manager
- 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 had a 29% decrease as compared to the same quarter in 2016. Bridge traffic into Mexico had a 48% decrease due to the loss of LPG traffic to modal competition. Traffic terminating or originating on the SDIY was up 32% versus last year due to additional traffic handled at the San Ysidro transload facility.

3. Reportable Injuries/Environmental

Days through year to date, September 30, 2017, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 7484

4. Summary of Freight

	2017	2016	2015
Total rail carloads that moved by SDIY Rail Service in the quarter.	979	1385	1086
Total railroad carloads Terminating/Ori­ginating Mexico in the quarter.	547	1058	756
Total railroad carloads Terminating/Ori­ginating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	432	327	330
Total customers directly served by SDIY in the quarter	12	10	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2937	4155	3258

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

October 10, 2017

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

RECOMMENDATION:

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

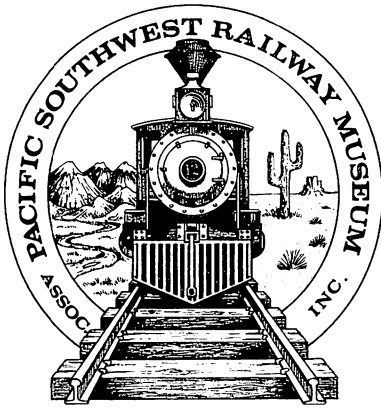
Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: Not submitted in time for the mail-out.



Pacific Southwest Railway Museum

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

October 9, 2017

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

Re: Third Quarter 2017

Dear SD&AE Board:

During the third quarter of 2017, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 14 Golden State passenger trains, 56 Valley Flyer passenger trains and one midweek school train in September carrying 822 passengers during 15 operating days. There were no FRA reportable accidents or injuries during the third quarter, 2017. Revenue from SD&AE property for the second quarter, 2017 was \$12,616.23, our check for \$252.32 is enclosed.

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

773 passengers during the third quarter of 2016
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

Ridership has increased with one less operating day during this quarter compared to the same time period in 2016. During this quarter, the summer train schedule offered trains on Saturdays only with one Golden State in the morning and Valley Flyer trains offered during the afternoon.

PSRM continues Maintenance of Way tasks relative to our portion of track on the Desert Line including signal maintenance. As an update to the FRA track inspector's visit in July, several defect areas were noted and PSRM has hired a contractor to complete a substantial tie replacement program that will address these areas and additional areas between Campo and MP 61.9. We are hopeful the contractor will be mobilizing within the next thirty days to begin work. I have been working with MTS personnel to finalize the arrangements for the Right of Entry

Permit. The required annual bridge inspection on the bridge at MP 65.27 has been performed by Jacobs Engineering as well as the load rating on this bridge. Although not required, the FRA bridge inspector has been kept apprised and is satisfied with PSRM's efforts therein.

There were no special event trains during the third quarter but sales are open for our popular Pumpkin Trains which will run the four weekends before Halloween and the North Pole trains which will operate every Friday and Saturday in December before Christmas. All here are invited to join us for either event or even a visit on any weekend, feel free to drop me an email at dhyatt@psrm.org.

Sincerely,



Diana Hyatt
President

Agenda Item No. 5

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

October 10, 2017

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: Not submitted in time for the mail-out.



DESERT LINE REPORT
October 10th, 2017

Baja California Railroad, Inc.

TABLE OF CONTENT

- 1. BJRR acquisition of PIR Assets**
- 2. BJRR-MTS Lease and Operating Agreement**
- 3. Injuries, Accidents, Environmental and Other Incidents.**
- 4. Freight Activity**
- 5. MTS Lease Payment**

1) BJRR acquisition of PIR Assets:

On August 31st of this year, the last installment of the PIR Assets was paid by BJRR. There is no other outstanding balance pending that is owed by BJRR for this transaction. There is an outstanding issue that PIR is some land property taxes that PIR owed and would be covered by them once acquisition was completely settled. As of today, we have not received confirmation from our legal counsel that this has been covered.

2) BJRR-MTS Lease and Operating Agreement:

On September 21st of this year, the new BJRR-MTS Lease and Operating Agreement. Among the main changes to the PIR Lease, is the term that is for 99 years and the Reconstruction Plan which will be done in 3 phases.

3) Injuries, Accidents, Environmental and Other Incidents:

There are no INJURIES / ACCIDENTS or ENVIREOMENTAL incidents in this period to report.

6. Freight Activity:

There was no freight activity during the period.

7. MTS Lease Payment:

BJRR paid has the \$500,000 semiannual lease payment due in June 2017. There's no outstanding balance with the MTS.

Agenda Item No. 6a

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

October 10, 2017

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JULY 11, 2017

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the July 11, 2017, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-16-649: Construction and Maintenance Agreement with the City of Lemon Grove for the North Avenue Realignment Project.
- S200-17-656: Right of Entry Permit to S E Pipeline to construct a gas pipeline at 65th Street in the City of San Diego.
- S200-17-659: License Agreement with the City of Imperial Beach for a community park between 11th Street and Cherry Avenue.
- S200-17-664: Right of Entry Permit to Pacific Bell Telephone Company for overhead fiber line construction near Campo at La Posta Road and Campo Road.
- S200-17-668: Right of Entry Permit to RECON Environmental, Inc. for the slope revegetation project at the San Ysidro yard.
- S200-17-672: Right of Entry Permit to Carlton Media Company for filming at the Goat Canyon Trestle.

Agenda Item No. 7

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

October 10, 2017

SUBJECT:

APPROVAL OF THE 2018 SD&AE BOARD OF DIRECTORS MEETING SCHEDULE

RECOMMENDATION:

That the SD&AE Board of Directors approve the 2018 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 2018:

Tuesday, January 9, 2018	9:00 a.m.	(Fourth Quarter 2017 Reports)
Tuesday, April 10, 2018	9:00 a.m.	(First Quarter 2018 Reports)
Tuesday, July 10, 2018	9:00 a.m.	(Second Quarter 2018 Reports)
Tuesday, October 9, 2018	9:00 a.m.	(Third Quarter 2018 Reports)

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

Materials Due to Clerk:

- Wednesday, January 3, 2018
- Wednesday, April 4, 2018
- *Tuesday, July 3, 2018
- Wednesday, October 3, 2018

Materials Posted:

- Friday, January 5, 2018
- Friday, April 6, 2018
- Friday, July 6, 2018
- Friday, October 5, 2018

*Materials due early due to July 4 holiday.