



**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 16, 2018

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 10, 2017
Action would approve the SD&AE Railway Company Minutes of October 10, 2017. Approve
2. Statement of Railway Finances (Erin Dunn) Informational
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen) Informational
4. Report on Pacific Southwest Railway Museum (Diana Hyatt) Informational
5. Report on the Desert Line (Jorge Izquierdo) Informational
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued Since October 10, 2017 Informational
7. Board Member Communications
8. Public Comments
9. Next Meeting Date: April 10, 2018
10. Adjournment

DRAFT MINUTES

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

October 10, 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 October 10, 2017, at 9:00 a.m.

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

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Erin Dunn
Pacific Southwest Railway Museum:	Diana Hyatt, James Caestecker
Baja California Railroad Inc. (BJRR):	Roberto Romandia, Manuel Hernandez, Jorge Izquierdo

1. Approval of Minutes

Mr. Gooch moved to approve the Minutes of the July 11, 2017, SD&AE Railway Board of Directors meeting. Mr. Domen seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed Statement of Railway Finances for the third quarter (attached to the agenda item).

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 third quarter (attached to the agenda item).

Karen Landers gave an update on MTS Board Policy No. 12 (Ownership and Operation of the San Diego and Arizona Eastern Railway Company), which was discussed at the last SD&AE meeting. She stated that Ken Charron with Genesee and Wyoming (G&W) made some comments regarding the draft language. Ms. Landers has not had an opportunity to respond but she will be working with Mr. Charron to address GW's comments. She added that she would like the Board policy to match the actual relationship with the operators. The policy will most likely go to the MTS Board at its meeting in November, but Ms. Landers will circulate a copy of the draft to SD&AE Board members prior to that meeting.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt handed out and reviewed the Pacific Southwest Railway Museum (PSRM) report for the third quarter (attached). Ms. Landers expressed thanks to Ms. Hyatt for the Museum's responsiveness in handling the FRA issues and appreciation for stepping up and doing what needed to be done.

Ms. Hyatt informed members that due to some FRA defects, the Museum has stopped train operations on about two miles of track. Originally the Museum operated in Campo from milepost 59.9 to milepost 63.4. After the track work (RailWorks is the contractor), it will stop at milepost 61.9. She explained that this eliminates two bridges and hundreds of thousands of dollars in necessary track work. Ms. Hyatt indicated that this may continue for a couple of years but it is hopeful that the discontinued operations will resume sooner. She discussed the progress on the state of repairs.

Action Taken

Informational item only. No action taken.

6. Real Property Matters (taken out of order)

a. Summary of SD&AE Documents Issued Since July 11, 2017

Tim Allison noted that 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.

Action Taken

Informational item only. No action taken.

7. Approval of the 2018 SD&AE Board of Directors Meeting Schedule (taken out of order)

Board members confirmed that the proposed SD&AE meetings dates for 2018 were acceptable.

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)

Action Taken

Mr. Gooch moved to approve the 2018 SD&AE Board of Directors Meeting Schedule.
Mr. Domen seconded the motion, and it was unanimously approved.

5. Report on the Desert Line (taken out of order)

Karen Landers stated that at the September MTS Board meeting, the MTS Board approved a new amended and restated lease agreement with Baja California Railroad Inc. (BJRR) and all Pacific Imperial Railroad (PIR) assets—including the Desert Line lease—were assigned to BJRR. The original PIR lease and sublease that PIR entered into with BJRR were combined into one new amended and restated lease with BJRR. Ms. Landers explained that a new 99-year term was restarted beginning in September 2017. The compensation was unchanged. Performance milestones will be implemented after a Customs inspection facility is approved by US Customs Border Patrol. The focus now is to work with the US Government to get a Customs inspection facility approved. Ms. Landers met with Customs representatives in Washington DC last month and also locally. A joint facility on the Mexico side of border is not acceptable to US Customs, so the facility will be on the US side of the border. Ms. Landers stated that Customs' primary concern is the safety of its officers. She added that the facility mostly likely will be located at Campo. Ms. Landers stated that there are a multitude of issues to work through, including hardening, technology, roads, and property, and there does not seem to be any push back from Washington or locally.

Ms. Landers stated that once a plan is approved by Customs, the clock would start running for BJRR to get the Desert Line rehabilitated and operational to safety standards.

BJRR representatives arrived at 9:17 and submitted a copy of the third quarter report (attached). Manuel Hernandez informed the Board that on 8/31/2017, BJRR signed a 99-year lease agreement with MTS. He stated that BJRR has no outstanding payments due to MTS, and there has been no freight activity.

Ms. Landers requested some potential dates from BJRR representatives to meet with Customs. Roberto Romandia responded that there is a meeting tomorrow in Mexico City and another on October 24 with federal entities to discuss joint inspections. Mr. Romandia asked if it should be stated that Customs inspections will not occur on the Mexican side of the border. Ms. Landers confirmed that the focus has been shifted to the US side of the border. She wants to plan a site visit to Laredo to see how the SAT Officers conduct inspections on the US side—most notably information-sharing with officers in Mexico. Mr. Romandia also suggested Nogales as a possible site visit. Ms. Landers clarified that the goal is to eliminate any unnecessary duplication costs of having to build two facilities or pay for operations on both sides of the border.

Action Taken

Informational item only. No action taken.

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 9, 2018.

11. Adjournment

The meeting was adjourned at 9:20 a.m.

President

General Counsel

2017-10-10 Draft Minutes.doc

Attachments: Handout – 3rd Quarter Report for Agenda Item No. 4
Handout – 3rd Quarter Report for Agenda Item No. 5



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 dlhyatt@psrm.org.

Sincerely,

A handwritten signature in cursive script that reads "Diana Hyatt". The signature is written in black ink and has a long horizontal flourish extending to the right.

Diana Hyatt
President



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. 2

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

January 16, 2018

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, 2017.

Budget Impact

None.

DISCUSSION:

SD&AE's financial results are attached for the period ending November 30, 2017.

As of November 30, 2017, fiscal year-to-date revenues are \$427,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget.

Expenses are \$32,000 unfavorable to budget primarily due to a \$50,000 liability settlement in the first quarter.

The Net Income for the period ending November 30, 2017, was \$335,000.

Attachment: SD&AE Operating Statement for period ending November 30, 2017

SD&AE Operating Statement FY2018-17

	FY 2018					FY 2017	
	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	\$ 4,500	\$ 7,500	\$ 12,000	\$ 12,500	\$ (500)	\$ 9,888	2,112
Lease Income	19,630	17,492	37,122	31,250	\$ 5,872	36,856	266
Desert Line Lease Revenue	250,004	166,669	416,673	-	\$ 416,673	416,667	6
Operator Income - SD&IV 1% Freight Fee	9,300	6,200	15,500	10,415	\$ 5,085	14,167	1,333
Total Revenues	283,433	197,861	481,295	54,165	427,130	477,577	3,717
Expenses							
Personnel Costs	8,477	6,201	14,678	21,363	6,685	6,280	(8,398)
Outside Services	36,726	17,096	53,822	83,834	30,012	14,215	(39,607)
Risk Management	54,113	2,195	56,309	6,460	(49,849)	6,408	(49,901)
Misc. Operating Expenses	3,136	17,865	21,001	1,665	(19,336)	1,146	(19,855)
Total Expenses	102,452	43,358	145,810	113,322	(32,488)	28,048	(117,761)
Net Income/(Loss)	\$ 180,981	\$ 154,503	\$ 335,485	\$ (59,157)	\$ 394,642	\$ 449,529	\$ (114,044)

<u>Reserve Balance July 1, 2017</u>	<u>\$</u>	<u>1,527,382</u>
Allocated Interest Earnings - Estimated	\$	4,167
Operating Profit/(Loss) - YTD	\$	335,485
Less Desert Line Lease Revenue	\$	(416,673)
<u>Estimated Reserve Balance as of Nov 30, 2017</u>	<u>\$</u>	<u>1,450,361</u>

Agenda Item No. 3

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

January 16, 2018

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 2017



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

December 22, 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 2017 are listed as follows:

1. Labor

At the end of December 31, 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 4th Quarter had a 35% decrease as compared to the same quarter in 2016. This was driven by a 53% decrease of bridge traffic into Mexico due to the loss of LPG traffic to modal competition. Traffic terminating or originating on the SDIY was up 28% versus last year due to additional traffic handled at the San Ysidro transload facility.

3. Reportable Injuries/Environmental

Days through year to date, December 31, 2017, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 7576

4. Summary of Freight

	2017	2016	2015
Total rail carloads that moved by SDIY Rail Service in the quarter.	940	1440	923
Total railroad carloads Terminating/Ori­ginating Mexico in the quarter.	519	1110	655
Total railroad carloads Terminating/Ori­ginating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	421	330	268
Total customers directly served by SDIY in the quarter	12	11	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2820	4320	2769

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

January 16, 2018

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 mail-out

Agenda Item No. 5

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

January 16, 2018

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 mail-out

Agenda Item No. 6a

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

January 16, 2018

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE OCTOBER 10, 2017

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the October 10, 2017, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-18-670: Easement to San Diego Gas & Electric for an underground gas pipeline at 65th Street in the City of San Diego.
- S200-18-674: Right of Entry Permit to Railworks Track Services, Inc., for tie replacement from Division to Campo on the Desert Line.
- S200-18-676: Right of Entry Permit to R.D. Installations, Inc., to repair concrete footings for SDG&E electrical towers in National City.
- S200-18-677: Right of Entry Permit to Coffman Specialties, Inc., for intersection signaling construction at H Street in Chula Vista.
- S200-18-678: Right of Entry Permit to Los Angeles Maritime Institute to move a sailboat across the tracks at F Street in Chula Vista.