

MINUTES

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

April 10, 2018

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on April 10, 2018, at 9:05 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, Larry Marinesi, and Wayne Terry
Pacific Southwest Railway Museum:	Diana Hyatt
Baja Railroad (BJRR):	Jorge Izquierdo
North Star Gas:	John Hoegemeier

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the January 16, 2018, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Larry Marinesi (sitting in for Erin Dunn) reviewed the Statement of Railway Finances for the first quarter of 2018 (attached to the agenda item). Mr. Marinesi reported that revenues are favorable to budget primarily due to the Desert line lease revenue previously not included in the budget. He stated that expenses are unfavorable to budget due to a liability settlement and costs associated with the Cleveland Avenue track replacement. Ms. Landers added that there will be future expenses related to outstanding litigation and travel involving the new customs inspection facility for the Desert Line, which should be covered by the lease revenue.

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 first quarter of 2018 (attached to the agenda item).

Tim Allison informed Board members that the San Diego Association of Governments (SANDAG) is having its final walkthrough of the landscaping Best Management Practices on the San Ysidro Expansion Project, and that MTS's review will be next week.

Karen Landers noted that Customs and Border Protection (CBP) has requested a formal easement or right to patrol in the San Ysidro Expansion Project area because of the border crossing. Ms. Landers asked for input about associated safety training for CBP.

Mr. Domen responded that SD&IV staff has had recent discussions about issues with CBP. He added that CBP has had high a turnover of staff. Mr. Domen received an e-mail recently from his crew that there were issues with CBP personnel coming through the gate at San Ysidro Yard on ATVs at very high speeds. He said that he will be talking with CBP about that safety issue, and he is going to change the gate code. Mr. Domen also feels that CBP needs to participate in the maintenance of the road at the San Ysidro Yard.

Ms. Landers responded that MTS is working closely with CBP on projects related to the Desert Line, and she will reach out to find out who to work with on these issues. She stated that a meeting should be set to discuss the operational safety concerns so as not to create any unsafe conditions.

Mr. Allison added that he has a draft operations agreement that can be used as a starting point for discussions. Ms. Landers will forward a copy of that draft agreement to Mr. Domen.

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 first quarter of 2018, which was handed out at the meeting (attached). Ms. Landers added that it is getting to a point in the planning of the new customs inspection facility that she would like to bring PSRM and BJRR into the loop in regard to coordinating the building of the new facility at Campo.

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Jorge Izquierdo gave a verbal report. He stated that after the visit to Texas two weeks ago, the project is being readapted as CBP is adding more infrastructure into the planning. Mr. Izquierdo stated that there will be another trip to Mexico City next week, and new project terms will be presented after that meeting.

Ms. Landers reported that BJRR's lease currently defers performance milestones on the Desert Line until the new customs inspection facility is approved. CBP will not allow BJRR to run freight until it's completed, and therefore it is not economically feasible for BJRR to do all of the repairs on the Desert Line.

Ms. Landers stated that CBP and Border Patrol are cooperating in all aspects of planning the customs inspection facility. The present stage involves finding sites. Ms. Landers reported that the primary inspection facility will most likely be at the opening of the tunnel, and there is a limited footprint as to what can fit into that location. She stated that the secondary inspection facility will be at Campo. CBP is assisting with the design specifications, which are confidential.

Ms. Landers stated that CBP is very helpful and is using its own engineers and things are moving forward.

Ms. Landers reported that she went on a sponsored visit to Laredo and Eagle Pass to see primary and secondary Border Patrol rail cargo facility operations. Also in attendance on that trip were Roberto Romandia and Antonio Otanez from BJRR and CBP representatives (including the deputy agent in charge of the El Cajon Border Patrol Station who will have jurisdiction over the tunnel; Juan Romero, Assistant Port Director in Tecate; and Laura Wilson with the CBP Office of Field Operations).

Ms. Landers reported that there is a lot of support and it was a really good trip. She added that there will be a Chamber trip next week to brief Mexican officials and plan for the development of a Sistema de Administración Tributaria (SAT) inspection facility.

Ms. Landers clarified that there will be two separate facilities on the US side. Due to the remote location, CBP cannot approve its officers being on the Mexican side of the border because of safety concerns. She added that CBP has been very responsive, and there is another site visit planned for late May or early June to regroup and hopefully have more people come from Washington, DC to view the site on the Desert Line.

Action Taken

Informational item only. No action taken.

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since January 16, 2018

Tim Allison reported that since the January 16, 2018, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-18-675: Right of Entry Permit to LH Woods and Sons Inc. to install steel pipe liner inside an existing water line at University Avenue in the City of La Mesa.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

There were no Board member communications.

8. Public Comments

There were no public comments.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, July 10, 2018.

10. Adjournment

The meeting was adjourned at 9:21 a.m.



President

General Counsel

2018-4-10 Minutes

Attachment: PSRM First Quarter 2018 Report (handed out at the meeting)



REPORT PROVIDED AT SD&AE MEETING ON APRIL 10, 2018

Pacific Southwest Railway Museum

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

April 9, 2018

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

Re: First Quarter 2018

Dear SD&AE Board:

During the first quarter of this year, the Pacific Southwest Railway Museum, utilizing all-volunteer crews, operated 71 Golden State trains, two of which were School trains, from Campo to Canyon and return carrying 2,718 passengers over 25 operating days. There were no FRA reportable accidents or injuries during the first quarter of 2018. Total revenue from SD&AE property for this time period was \$30,251.28; our check for \$605.03 is enclosed.

Passenger ridership and revenue during the first quarter of previous years has been:

1,185 passengers during the first quarter of 2017; \$18,950
2,380 passengers during the first quarter of 2016; \$40,316
2,333 passengers during the first quarter of 2015; \$36,462
2,223 passengers during the first quarter of 2014; \$36,566
3,081 passengers during the first quarter of 2013; \$20,932
3,001 passengers during the first quarter of 2012; \$27,281
924 passengers during the first quarter of 2011; \$19,192

Passenger ridership was healthy during this quarter and there were very few days with poor weather. With Easter falling earlier in the calendar year, we operated three days of Bunny trains during the quarter that contributed almost 1,500 passengers to our ridership total. Revenue seems to be down as a result of less discretionary spending occurring on the property.

PSRM continues to maintain both signalized railroad crossings within our right of way limits; PSRM signal maintainers perform the monthly, quarterly and annual inspections. This year,

rather than hiring a contract weed sprayer this year, PSRM will tackle the weed spraying of the right of way in April and May of this year.

We are pleased to announce the transfer of former County-owned land, once a part of the Camp Locket Army base, is now final. With this transaction, PSRM owns an additional 100 acres in Campo. This would not have been possible without the support of the community, the County Board of Supervisors and our representative, Supervisor Dianne Jacob. Three other non-profit organizations in Campo were involved in the process as well: Camp Locket Equestrian & Event Center, Mountain Empire Health & Community Services and the Mountain Empire School District.

For the past five or more years, the Golden State train ride was offered twice per day every Saturday and Sunday with an 11:00 am and a 2:30 pm departure time. In January, PSRM management chose to offer three trains per day every Saturday and Sunday. These trains depart the Campo Depot at 11:00 am, 1:00 pm and 3:00 pm. The addition of a third train in the middle of the day seems to be working out well for visitors who arrive mid-day but are unable to wait for the last train of the day. PSRM will continue this same schedule through summer instead of reverting to a modified operating schedule during the summer months. In fact, this will remain the schedule through the end of October, 2018 with possible modifications during November and the transition to night trains in late November and December.

Thank you for allowing us the opportunity to interpret southern California railroading in a living history atmosphere. We are honored to be caretakers of the Desert Line for the past thirty five years and look forward to celebrating the centennial of the San Diego & Arizona Railway in 2019. Please mark your calendars and join us at Campo on Saturday, November 16, 2019 for a grand 100th anniversary celebration.

Sincerely,



Diana Hyatt
President