



**SAN DIEGO & ARIZONA
EASTERN RAILWAY
COMPANY**

A NEVADA NONPROFIT
CORPORATION

1255 IMPERIAL AVENUE,
SUITE 1000
SAN DIEGO, CA
92101-7490
(619) 231-1466

BOARD OF DIRECTORS
PAUL JABLONSKI, CHAIRPERSON
MATT DOMEN
BLAKE JONES

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

April 12, 2016

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.

	<u>ACTION RECOMMENDED</u>
1. <u>Approval of the Minutes of January 19, 2016</u> Action would approve the SD&AE Railway Company Minutes of January 19, 2016.	Approve
2. <u>Statement of Railway Finances (Erin Dunn)</u> Action would receive a report for information.	Receive
3. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)</u> Action would receive a report for information.	Receive
4. <u>Report on Pacific Southwest Railway Museum (Diana Hyatt)</u> Action would receive a report for information.	Receive
5. <u>Report on the Desert Line (Don Stoecklein/Alberto Alemany)</u> Action would receive a report for information.	Receive
6. <u>Real Property Matters (Tim Allison)</u>	
a. <u>Summary of SD&AE Documents Issued January 19, 2016</u> Action would receive a report for information.	Receive
• <u>S200-15-627</u> : Right of Entry Permit to Emmerson Construction to construct the a residential building near Euclid Avenue in the City of San Diego.	
• <u>S200-16-633</u> : Right of Entry Permit to Caster Properties for construction of a storage facility near Elm Street, in the City of San Diego.	
b. <u>Use Agreement With the Unified Port of San Diego</u> Action would approve the use of a portion of the Coronado Branch south of H Street in the City of Chula Vista.	Approve
7. Board Member Communications	

8. Public Comments
9. Next Meeting Date: July 19, 2016
10. Adjournment

DRAFT MINUTES

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

January 19, 2016

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on January 19, 2016, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Blake C. Jones, Matt Domen, and Wayne Terry. Also in attendance were members from:

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Erin Dunn, Traci Wutke
Pacific Southwest Railway Museum:	Diana Hyatt, Michael Edwards
San Diego Imperial Valley Railroad:	Jared Gooch, Clint Ashmead, Jeff Owen
Trains Magazine:	Don Jones

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the October 13, 2015, SD&AE Railway Board of Directors meeting. Mr. Terry seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed the financial statement for the fourth quarter of 2015 (attached to the agenda item).

Action Taken

The Board received the report.

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

Matt Domen reviewed the report of activities for the fourth quarter of 2015 (attached to the agenda item).

Action Taken

The Board received the report.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the fourth quarter of 2015 report (attached to the agenda item).

Action Taken

The Board received the report.

5. Report on the Desert Line

Karen Landers provided a report for the Desert Line. In addition to PIR's written report, Ms. Landers informed the Board that MTS has received the amended Desert Line reconstruction report and MTS anticipates having comments submitted to PIR in the following weeks. Mr. Jablonski and Ms. Landers are scheduled to visit the Mexican portion on the Desert Line and the facilities in late January with the U.S. Consul General for Tijuana.

Action Taken

The Board received the report.

6. Real Property Matters

A. Summary of SD&AE Documents Issued since October 13, 2015.

- S200-15-629: Right of Entry Permit to Aguirre and Associates, for performing various field surveys in the City of La Mesa.
- S200-16-631: Right of Entry Permit to Cal Poly State University for public surveys at the Lemon Grove Trolley Station.
- S200-16-632: Right of Entry Permit to Henkels & McCoy, Inc., for removing SDG&E transmission towers along the South Line between Sampson St. and Schley St.

Action Taken

The Board received the report.

7. Amendment to Articles of Incorporation

The Board desires to amend the Articles of Incorporation in order to conform to the requirements for an exemption from the federal taxation under Internal Revenue Code Section 501(c)(3).

Action Taken

Mr. Domen moved to approve amendment to the Articles of Incorporation. Mr. Terry seconded the motion, and it was unanimously approved.

8. Board Member Communications

None.

9. Public Comments

None.

10. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on April 12, 2016.

11. Adjournment

The meeting was adjourned at 9:15 AM.

President

General Counsel

Agenda

Item No. 2

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

April 12, 2016

SUBJECT: STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a financial report for the period ending February 29, 2016.

Budget Impact

None.

DISCUSSION:

Attached are SD&AE's financial results for the period ending February 29, 2016, as well as the financial results for the fiscal year-to-date actuals as of February 29, 2016.

The current fiscal year-to-date revenues are \$646,000 favorable to budget primarily due to the Desert Line Lease revenue not included in the budget. This revenue is partially reduced by Right of Entry Permits under budget by \$13,000.

Expenses are \$49,000 favorable to budget primarily due to favorable variances in Personnel Costs and Outside Services.

The Net Income for the period ending February 26, 2016 was \$677,000.

Attachments: SD&AE Operating Statement for the Period Ending February 29, 2016

SD&AE Operating Statement FY2016-15

	FY 2016						FY 2015	
	Q1 Actual	Q2 Actual	Q3 Actual (Jan. - Feb.)	YTD - Actual (Jul - Feb.)	YTD Budget (Jul - Feb.)	Variance	Q3 Actual (Jul - Feb.)	Variance
Revenues								
Right of Entry Permits	\$ 750	\$ 4,150	\$ 1,750	\$ 6,650	\$ 20,000	\$ (13,350)	\$ 11,906	\$ (5,256)
Lease Income	16,529	19,904	6,130	42,563	46,664	(4,101)	45,478	(2,915)
Desert Line Lease Revenue	250,000	250,000	166,667	666,667	-	666,667	666,667	(0)
Operator Income - SD&IV 1% Freight Fee	8,500	8,500	3,403	20,403	23,336	(2,933)	11,725	8,678
Other Income - Easement	-	-	-	-	-	-	25,500	(25,500)
Total Revenue	275,779	282,554	177,950	736,283	90,000	646,283	761,276	(24,993)
Expenses								
Personnel Costs	16,642	9,975	1,429	28,046	63,989	35,943	78,993	50,947
Outside Services	422	17,010	3,642	21,074	33,333	12,259	34,984	13,910
Risk Management	3,347	3,762	2,646	9,755	10,672	917	10,109	354
Misc. Operating Expenses	250	156	287	693	336	(357)	284	(409)
Total Expense	20,661	30,903	8,004	59,568	108,330	48,762	124,370	64,802
Net Income/(Loss)	\$ 255,118	\$ 251,651	\$ 169,945	\$ 676,714	\$ (18,330)	\$ 695,044	\$ 636,906	\$ 39,808

Reserve Balance 2015	\$ 1,553,150
Allocated Interest Earnings - Estimated	3,333
Operating Profit/(Loss) - YTD	676,714
Reserve Balance 2016 as of Feb. 29, 2016	\$ 2,233,198

Agenda Item No. 3

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

April 12, 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 1st Quarter of 2016



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

April 1, 2016

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 1st Quarter of 2016 are listed as follows:

1. Labor

At the end of March 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 1st Quarter increased 64% as compared to 2015. Bridge traffic into Mexico had a 94% increase, primarily driven by increases in LPG. Traffic terminating or originating on the SDIY was essentially flat.

3. Reportable Injuries/Environmental

Days through year to date, March 31, 2016, there were no FRA Reportable injuries or Environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 6936

4. Summary of Freight

	2016	2015	2014
Total rail carloads that moved by SDIY Rail Service in the quarter.	1483	906	1185
Total railroad carloads Terminating/Ori­ginating Mexico in the quarter.	1202	621	1033
Total railroad carloads Terminating/Ori­ginating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	281	285	152
Total customers directly served by SDIY in the quarter	11	12	10
Regional Truck trips that SDIY Railroad Service replaced in the quarter	4449	2718	3555

Respectfully,

Matt Domen

General Manager

Agenda Item No. 4

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

April 12, 2016

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: Quarterly Report



Pacific Southwest Railway Museum

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

April 5, 2016

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

Re: First Quarter 2016

Dear SD&AE Board:

During the first quarter of 2016, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 49 passenger trains carrying 2,380 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2016 was \$40,316.40. Our check for \$806.33 will follow under separate cover.

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

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 has remained fairly steady during this quarter with a peak in the first quarter of 2012 and 2013 primarily due to an affiliation with Groupon. Our Bunny Trains were the only special event trains during this quarter. Since the Bunny Train event began in 2008, ridership has nearly tripled.

Other events during this quarter included the Three Kings Train event in Tecate, B.C., Mexico on Sunday, January 10, 2016. Unfortunately, the daylighting of tunnel 3 and the restoration of the roadbed at Lindero was not complete in time for the museum to provide the train aspect for this charitable event. It has been seven years since a museum train or any train has operated from Campo, CA to Tecate, Mexico. Fortunately, significant progress is being made and we are optimistic that the Three Kings Train aka The Christmas Train will arrive in Tecate on Sunday, January 8, 2017 aboard a PSRM train originating in Campo and replete with volunteers, the Three Kings and Santa.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also maintains a twenty four hour contact number, posted at both crossings, in the event of crossing malfunctions or other emergencies. As required, PSRM performs twice-weekly track inspections between MP 59.9 and 66 and our track crew continues their on-going maintenance tasks, particularly tie replacement on the mainline. During this quarter PSRM ordered and received a truckload of new ties and will be diligently working on replacing ties this year in order to lift the remaining two slow orders between Campo and Division. Plans to treat the right of way with herbicides and pre-emergent have been in the works but due to high winds and threatening storms, this event has been rescheduled several times.

On Thursday, February 25, 2016 Mr. Alemany arranged the rental of a PSRM motorcar and operator to preview the railroad with Baja Railroad and RailPros personnel. The motorcar was trailered from Campo to Ocotillo where it was placed on the rails. The party traveled westbound to Dubbers and returned to Ocotillo. The motorcar was trailered to Jacumba, placed on the rails and the party traveled to Division and tunnel 4 returning to Campo for a return car ride to Jacumba. It was a very long but very productive day. PIR will have more to report.

Over the years PSRM leadership has ventured to Jacumba to check on the condition of the rolling stock and structures there including the Jacumba Depot, motorcar sheds and shop structure. Since the motorcar trip through the Gorge, several museum members and I have taken a renewed interest in securing the buildings and rolling stock. The locomotives in particular, continue to suffer severe vandalism especially removal of parts for sale as scrap. The caboose has most if not all of its windows broken and a paint bomb was recently set off inside of it. The Depot has had doors kicked in, locks compromised and windows broken. Further, the electricity remains on inside the depot presenting the potential for an unchecked fire. As of a week ago, one of our volunteers arrived in Jacumba with the intent of performing a security check to find lewd acts being performed including a film crew inside the depot and other areas on the property. The depot area is well known by locals for its regular raves; we have been working with local law enforcement but no one has been apprehended. I broached these issues at our most recent board meeting and PSRM is in agreement, we would like to request tenant rights to the Jacumba Depot and enter into a formal lease agreement with MTS and SD&AE for the purpose of securing and restoring the depot and providing a security presence to the surrounding railroad property. I look forward to pursuing this further with MTS personnel.

As always, PSRM welcomes and encourages all participants of this board to visit our living history museum in historic Campo any weekend. Please contact me in advance and I will make arrangements for a personal tour. Thank you.

Sincerely,



Diana Hyatt
President

Agenda Item No. 5

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

April 12, 2016

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: Periodic Report for the 1st Quarter of 2016



PERIODIC REPORT

April 1, 2016

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.

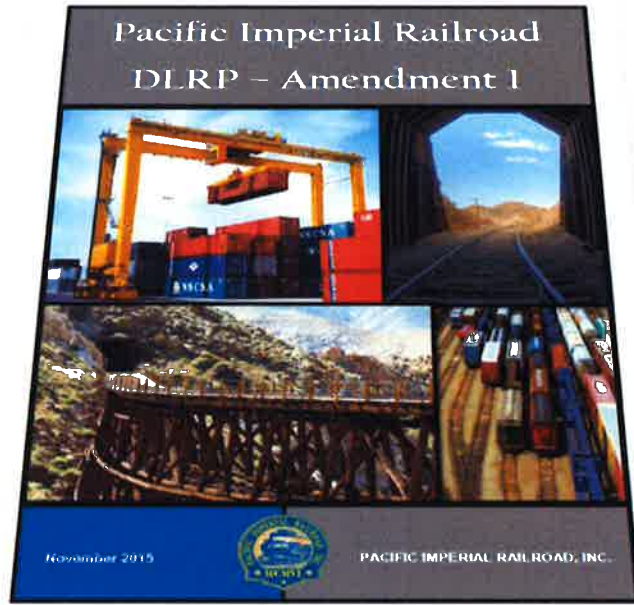
First Quarter 2015

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- V. PROGRESS WITH MEXICO**
- VI. REPORTABLE INJURIES / ACCIDENTS /
ENVIRONMENTAL INCIDENTS**
- VII. FREIGHT ACTIVITY**
- VIII. MTS LEASE PAYMENT**

I. DESERT LINE RECONSTRUCTION PLAN – AMENDMENT I

In accordance with the lease, PIR submitted the Desert Line Reconstruction Plan – Amendment 1 (DLRP – A/1) to MTS on December 1st, 2015. The purpose of this report was to provide an exposition of PIR’s new reconstruction strategy as it relates



to our revenue-generating business model as well as a description of the different phases, the financing plan and the role of our engineering consultant and contractor.

This DLRP/A-1 amends the DLRP Supplement dated June of 2014. A review of the DLRP-S/A-1 was commenced on December 7, 2015, and completed by MTS consultant, Dan Davis of RailPro on January 17, 2016, and after MTS internal review, was presented to PIR on or about February 19, 2016. On February 25, 2016, Dan Davis, PIR, and BJRR completed a Joint Party Field Inspection of

substantially the entire line from Coyote Wells at MP 119 to MP 59.60 at Division. The purpose of the Field Inspection was to provide BJRR with direct access to the Desert Line and direct dialogue with Dan Davis as to the requirements to bring the Desert Line in compliance with the Amended Lease. Moving forward, Dan Davis will be approving and overseeing all reconstruction efforts and, pursuant to Section 1.2.2., MTS recognizes that “PIR may not commence with pursuing a specific Performance Milestone unless and until the DLRP for that stage has been approved by SD&AE.”

II. R.L. BANKS & ASSOCIATES

During October,
2015, MTS hired RL



Banks & Associates (“RLB”) to facilitate further negotiations between PIR and BJRR as a result of the MOU signing. “R.L. Banks & Associates, Inc. embodies deep and diverse expertise in railroad economics, engineering and service planning. RLBA brings over 50 years of experience integrating these disciplines in a unique way across intercity passenger rail, commuter rail and freight rail projects in North America. RLBA’s team of rail consultants combines its strong technical understanding of railroad operations,

economics and engineering to perform complex analyses and effectively communicate findings that strengthen the work of rail customers, railroads, government agencies, rail authorities, investors, attorneys, planners and economic developers.”

RLBA’s role was to act as a neutral third-party mediator to provide diverse railroad expertise to both parties specific to the formation of a definitive agreement. During their consultation, RLB and PIR conducted a visual inspection of the entire Desert Line via truck and rail. The final recommendation evaluates the strengths and weaknesses of several different alternative types of agreements including an interchange agreement, a sub-lease agreement and trackage rights agreement.

After the MTS recommendation was completed, PIR entered into a separate consulting agreement with RL Banks on November 6, 2015, in order to obtain further professional support with both the intermodal design and the reconstruction process. The contract with RLBA is to provide on-call professional consulting services to assist PIR in the reactivation of the Desert Line and to assist PIR and InterZone in the construction and operation of the intermodal facility. Under the agreement, RLB acts as an extension of PIR’s and

InterZone's staffs on an as-needed basis to assist in managing the desert line restoration efforts. Since signing the agreement, RLBA has performed a review of the Railworks contract discussed below as well as a review of the initial Coyote Well's site plans.

PIR has also approached RLBA for assistance with the pro forma economic analysis which is necessary to obtain high-level project financing. On December 29, 2015, RLBA submitted a five step proposal to perform this analysis of the prospective intermodal terminal at Coyote Wells, CA and associated railroad operations developed to a level which can be presented to prospective investors to demonstrate profitability and return on investment. The proposed work would include market research, intermodal and rail operations' costs and revenues and the corresponding infrastructure requirements as well as the final pro forma economic analysis.

However, in light of the ongoing good-faith negotiations between BJRR and PIR to reach an agreement to effectively and definitively unify the two railways, PIR decided not to engage RLBA for the work outlined in the December 29, 2015 proposal, but instead requested that RLBA assist PIR in addressing BJRR's

growing concerns pertaining to PIR's obligations under the Amended and Restated Desert Line Operating and Lease Agreement ("Desert Line Lease"), that ultimately result in payments of 15% of gross revenues to MTS. As such, on March 23, 2016, RLBA provided PIR with a seven-page investigative report of payment arrangements in cases where freight railroad operations traverse publicly owned rail rights of way. The investigation included the analysis of ten different railroads for which lease agreements were examined, including the SDIY arrangement in which SDIY pays an annual rate of 1% of freight revenues to MTS and an annual track maintenance reimbursement fee of \$3,100 per mile for the total mileage used over "joint-use track" with MTS trolley system. Among the conclusions of the investigation was that the base payment of \$1,000,000 annually is significantly higher than applicable available examples and the variable payment of 15% of gross freight revenue is higher than any of the examined agreements, especially when combines with the minimum \$1.0 million annual base payment. PIR and BJRR are confident that an agreeable arrangement can be negotiated with MTS that will allow

for the commercially feasible rehabilitation and operation of a future binational railway.

III. MOU WITH INTERZONE, INC.

Inter-Zone, Inc. (“InterZone”) is a Nevada corporation incorporated on July 1st, 2015, for the purpose of constructing and operating the intermodal facility as an agent on behalf of PIR. On September 28, 2015, PIR and InterZone entered into a Memorandum of Understanding in pursuit of this mutually beneficial relationship.



IV. WILSON & COMPANY

Although the Intermodal construction will have its own timing and phasing, PIR and InterZone believe it is important to concurrently develop the site plans for the Coyote Wells facility. As such, InterZone retained Wilson & Company (W&C) on November 9th to develop a conceptual site layout for the Coyote Wells intermodal facility. “For more than eight decades, clients have chosen Wilson & Company to help them



move from concept to completion, unused spaces to productive places, underutilized to efficient facilities, and rural to urban challenges to achievable solutions. Wilson & Company provides engineering, architecture, planning, environmental, survey & mapping, and construction management services. Their focus on their client's specific needs to deliver high-quality professional services with lasting Higher Relationships in mind; discipline, intensity, collaboration, shared ownership, and solutions.”

InterZone's management team was attracted to W&C specifically due to their involvement with the newly constructed Union Pacific Santa Teresa Terminal Fueling Facility, Block Swap Yard and Intermodal Ramp. W&C completed all survey; permitting; hydraulic & hydrologic design; utility design; roadway design; grading and track design; electrical design' mechanical design; architectural design; and construction management for the project. David Olsen, the Facility & Utility Design Program Manager for this project, was retained by InterZone for the Coyote Wells initial design work.

On November 13, 2015, InterZone received the initial conceptual design for the layout of the facility which includes the

facility entrance and checkpoint, the parking and maintenance facilities as well as the intermodal strip tracks, gantry crane configuration as well as the circulation roadway and blocking swap yard. The site design directly affects Phase 1 reconstruction because the blocking yard on the eastern side of the freeway extends 8,000 ft. towards Plaster City. As such, it was decided to remove that portion of track and bridge 123.89 from the Phase 1 scope of work because it will require specific planning and design characteristics in order to accommodate 6 blocking and storage tracks. This portion of track and bridge 123.89 will now be considered part of the first phase of the intermodal construction process. The proposed contract with Railworks reflects this decision.

V. PROGRESS WITH MEXICO

In January of 2016, PIR provided to BJRR the J.L. Patterson Field Reports and Executive Summary, which included detailed inspections of the rail line, track structures, and the 57 bridges on the Desert Line. After BJRR engineers had reviewed the reports, dialogue commenced between the two railroads pertaining to the state and quality of various physical and structural features of the

Desert Line. On February 26, 2016, this dialogue resulted in a joint-party field inspection of the entirety of the Desert Line attended by PIR, BJRR, and Dan Davis, of RailPros, who had approved PIR's DLRP-A-1, and had also conducted field inspection reports for JL Patterson. The purpose of the inspection was to provide BJRR a better understanding of the physical characteristics of the Desert Line and the scope of the work that would be required for rehabilitation.

Another important discussion in the on-going dialogue, is regarding PIR's lease payment schedule in the Desert Line Lease, ultimately resulting in payments of 15% of gross revenue after five years of operations. In recent months, PIR has undergone extensive research to ascertain expense ratios common to North American short line railroads as part of the effort to develop and refine an accurate pro forma modeling a unified binational railroad. This work included comparing the operating ratios (operating expenses/operating revenue) of Class I carriers to short lines, retaining R.L. Banks and Associates, meetings with short line operators and consultants, and meetings with BJRR.

These efforts resulted in the February 2016, Memorandum Regarding the Desert Line: A Review of Physical Characteristics, Operating Expense Assumptions, & Rationale for Renegotiating Obligations to MTS, which has been provided to MTS. The major concern addressed in the memorandum regard the findings that a unified binational rail line operating efficiently will likely have an operating ratio between 75-85%. As such, the lease payments to MTS are problematic for PIR for several reasons, namely the threat of running a deficit if operating expenses for a given year exceed 85% of operating revenues. Therefore, it was agreed that renegotiation of the lease payments will be required for reaching a definitive agreement between BJRR and PIR with both parties endeavoring to negotiate a structure minimizing payments to MTS.

Additionally, on March 23, 2016, RLBA provided PIR with a seven-page investigative report of payment arrangements in cases where freight railroad operations traverse publicly owned rail rights of way. The investigation included the analysis of ten different railroads for which lease agreements were examined, including the SDIY arrangement in which SDIY pays an annual rate of 1% of freight revenues to MTS and an annual track maintenance

reimbursement fee of \$3,100 per mile for the total mileage used over “joint-use track” with MTS trolley system. Among the conclusions of the investigation was that the base payment of \$1,000,000 annually is significantly higher than applicable available examples and the variable payment of 15% of gross freight revenue is higher than any of the examined agreements, especially when combines with the minimum \$1.0 million annual base payment. PIR and BJRR are confident that an agreeable arrangement can be negotiated with MTS that will allow for the commercially feasible rehabilitation and operation of a future binational railway.

VI. REPORTABLE INJURIES / ACCIDENTS / ENVIRONMENTAL INCIDENTS

- i. There have not been any reportable injuries.
- ii. On or around March 6, 2016, there was a minor collision involving PIR’s locomotives on the Desert Line near Plaster City and a center beam railcar used in United States Gypsum Coportation’s (“USG”) operations at their plant in Plaster City. During the weekend of March 19-20, PIR’s three locomotives and the damaged center beam were

moved to the Coyote Wells siding. The locomotives were skated, as required by GCOR, and all handbrakes were set. USG has been notified and PIR did not impact their operation based on locomotives on their tracks. USG may have had some issues getting a new center beam railcar to ship outbound loads. PIR is working diligently on a collision investigation report, which is expected to be completed before the end of April.

VII. FREIGHT ACTIVITY

- a.** Currently, PIR has not commenced revenue generation due to pending completion of the construction required to move freight on both Baja Rail and the Desert Line as well as the intermodal facility.

VIII. LEASE PAYMENT

- a.** On January 1, 2016, the semi-annual lease payment was due to MTS, which PIR paid. To date, PIR has made 6 lease payments totaling \$3,000,000.

Agenda

Item No. 6a

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

April 12, 2016

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE JANUARY 19, 2016

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

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

- S200-15-627: Right of Entry Permit to Emmerson Construction to construct the a residential building near Euclid Avenue in the City of San Diego.
- S200-16-633: Right of Entry Permit to Caster Properties for construction of a storage facility near Elm Street, in the City of San Diego.

Agenda

Item No. 6b

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

April 12, 2016

SUBJECT: USE AGREEMENT WITH THE UNIFIED PORT OF SAN DIEGO

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors approves a Use Agreement with the Unified Port of San Diego (Port) for a portion of the Coronado Branch south of H Street in the City of Chula Vista.

Budget Impact

Fees would be credited to the SDAE Reserve which includes the value of the rights granted, costs for processing, and for costs incurred during construction.

DISCUSSION:

The Port requests the issuance of a Use Agreement for a portion of the Coronado Branch south of H Street in the City of San Diego as shown on Attachment A. The port intends to develop property on both the west and east side of the SD&AE right-of-way and wishes to use the forty foot wide corridor for various purposes including parking, landscaping, pedestrian and biking uses.

Attachment B shows an aerial of the property requested to be included in the agreement. The Port and MTS have discussed limitations that would be included in a grant of use including termination rights, improvements as required by the railroad to the railroad infrastructure if in the future the trackage would be used for railroad purposes.

Attachments: A. Plat of requested use area
B. Vicinity Aerial

J-17330

MTS Parcel HP-13A

Those portions of Fractional Quarter Sections 163, 164, 170 and 171 of the Rancho de la Nacion in the City of Chula Vista, County of San Diego, State of California, according to Map thereof No. 166 filed in the Office of the County Recorder of said County said portions being a strip of land 40.00 feet in width, the centerline of which is described as follows:

Beginning at a 3" diameter brass disk marked "PORT OF SAN DIEGO SDUPD-052 LS 6000 GPS CONTROL" as shown on Record of Survey No. 17055 filed in the Office of the County Recorder June 28, 2001, from which a 3" diameter brass disk marked "PORT OF SAN DIEGO SDUPD-053 LS 6000 GPS CONTROL" as shown on said Record of Survey bears South 18° 20'54" East 2172.37 feet; thence North 61° 39' 57" East 2858.37 feet to the Northeast corner of the South half of said Quarter Section 171; thence along the easterly line of said Quarter Section South 17° 46' 55" East 40.00 feet to the southerly line of H Street per Resubdivision of Bay Villa Tract according to Map thereof No. 1198 filed in the Office of the County Recorder of said County August 6, 1909 and the **True Point of Beginning**; thence continuing along said easterly line South 17° 46' 55" East 1282.19 feet to the Southeast corner of said Quarter Section 171; thence along the easterly line of said Quarter Section 170 South 17° 50'01" West 200.02 feet to a point of intersection with the westerly prolongation of the northerly line of Parcel 1 of Parcel Map No. 13581 said point being the point of terminus.

Containing 59,288 square feet, or 1.361 acres, more or less.

The side lines shall terminate at the North at the southerly line of said "H" Street, and at the South, at said westerly prolongation of the northerly line of said Parcel 1.

 11-9-2015
Patrick A. McMichael, LS 6187



PAM:sr:L:\Files\17330\Text\Legals\MTS Parcel HP-13A

LEGEND



MTS RAILROAD
RIGHT-OF-WAY, 1.361± AC
T.P.O.B. TRUE POINT OF BEGINNING
P.O.B. POINT OF BEGINNING

NE COR.
S 1/2
1/4 SEC. 170

POR. N 1/2
1/4 SEC. 171

"H" STREET

POR. 1/4
SEC. 163

P.O.B.

N61°39'57"E

PT 52
FOUND 3" DISK MKD.
"PORT OF SAN DIEGO
SDUPD-052 "LS 6000"
GPS CONTROL PER
ROS 17055"

POR. S 1/2
1/4 SEC. 171

2858.37'

S17°46'55"E 40.00'

(PROPOSED)
STREET "A"

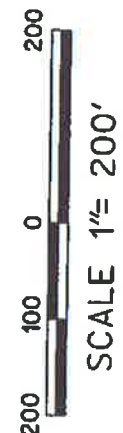
T.P.O.B. OF RIGHT-OF-WAY

1282.19'

S17°46'55"E

MAP 166

BAY BLVD.



2172.37'

S18°20'54"E

MTS (HP-13A)

POR. 1/4
SEC. 163

(PROPOSED)
STREET "C"

SE COR. OF
1/4 SEC. 171

POR. 1/4
SEC. 170

S17°50'01"E
200.02'

20' POR. 1/4
20' SEC. 164

PT 53
FOUND 3" DISK MKD.
"PORT OF SAN DIEGO
SDUPD-053 "LS 6000"
GPS CONTROL" PER ROS 17055

POINT OF
TERMINUS

PARCEL LINE
PARCEL 1
PM 13581



DRAWN _____
CHECKED _____
REVIEWED _____

APPROVED
Patrick A. McMichael
PATRICK A. McMICHAEL, L.S. 6187

SAN DIEGO UNIFIED PORT DISTRICT
MTS TRANSFER OF RIGHT-OF-WAY
WITHIN CORPORATE LIMITS OF CHULA VISTA
METROPOLITAN TRANSIT SYSTEM -
CHULA VISTA, LLC

DATE NOVEMBER 2, 2015
SCALE 1" = 200'
REF. J. 17330

SHEET 1 OF 1
DRAWING NO.
S31-028

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