



AGENDA

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

January 24, 2012

9:00 a.m.

Executive Committee Room
James R. Mills Building
1255 Imperial Avenue, 10th Floor

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
Randy Perry, Chairman
Bob Jones
Paul Jablonski

OFFICERS
Paul Jablonski, President
Bob Jones, Secretary
Linda Musengo, Treasurer

GENERAL COUNSEL
Karen Landers

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.

1. Approval of the Minutes of October 18, 2011 Approve
Action would approve the SD&AE Railway Company Minutes of October 18, 2011.
2. Statement of Railway Finances (Linda Musengo) Receive
Action would receive a report for information.
3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen) Receive
Action would receive a report for information.
4. Report on Pacific Southwest Railway Museum (Diana Hyatt) Receive
Action would receive a report for information.
5. Report on the Desert Line (Chas McHaffie) Receive
Action would receive a report for information.
6. Real Property Matters (Tim Allison)
 - a. Summary of SD&AE Documents Issued Since October 18, 2011 Receive
Action would receive a report for information.
7. Status of SD&AE Main Line Track and San Ysidro Freight Yard Improvements Projects (Pete d'Ablaing of SANDAG) Receive
Action would receive a report on the current status of the Trade Corridor Improvement Fund (TCIF) South Line Freight Improvement Projects.
8. Old Business
9. New Business
10. Public Comments
11. Next Meeting Date: April 17, 2012
12. Adjournment

Draft

MINUTES

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

October 18, 2011

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 18, 2011, at 9:02 a.m.

The following persons, constituting the Board of Directors, were present: Bob Jones, Randy Perry, and Paul Jablonski. Also in attendance were:

MTS staff:

Tim Allison, Karen Landers, Wayne Terry,
and Linda Musengo

SD&IV staff:

Matt Domen

Pacific Southwest Railway Museum:

Diana Hyatt

Carrizo Gorge Railway, Inc. (Carrizo):

Chas McHaffie

International Border Rail Institute:

Richard Borstadt

ADMICARGA

Jorge O. Monraz

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the July 19, 2011, SD&AE Railway Board of Directors meeting. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Linda Musengo submitted the financial statement for the third quarter of 2011 (attached to the agenda item).

Action Taken

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

3. Report on SD&IV Operations

Matt Domen presented the report of activities for the third quarter of 2011 (attached to the agenda item).

Mr. Jablonski asked if the traffic for gas importation has increased. Mr. Domen responded that it has increased a little. He added that North Star Gas has been authorized to import more gas by rail. Mr. Domen also reported that Texas Gas will be allowed to ship gas into Mexico.

Mr. Jones added that so far, North Star Gas has been very good to work with and forthcoming in all transactions.

Action Taken

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

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt presented the third quarter of 2011 report (attached to the agenda item).

Action Taken

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

5. Report on the Desert Line

Chas McHaffie presented the third quarter of 2011 report (attached to the agenda item). Mr. McHaffie added that the Disney movie *The Lone Ranger* is on schedule to begin production in the first quarter of 2012 (filming around Carrizo Gorge).

Mr. Jablonski asked about any ongoing concerns with the fire department. Ms. Hyatt responded that recently there was an informal inspection that didn't produce any issues.

Action Taken

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

6. Real Property Mattersa. Summary of SD&AE Documents Issued Since July 19, 2011

Tim Allison, MTS Manager of Real Estate Assets, presented the summary of documents issued since July 19, 2011. Mr. Jablonski asked about his request at the last meeting for an update on the San Ysidro Yard Project. Mr. Allison responded that SANDAG staff members assigned to the project are on vacation but will attend the meeting in January to give an update.

Action Taken

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

b. The City of Lemon Grove Main Street Promenade Project

Tim Allison introduced Barbara Kraber of the City of Lemon Grove. Mr. Allison stated that the Lemon Grove Main Street Promenade Project was presented to the Board earlier this year. Mr. Allison reviewed the background of the project and the request before the Board to approve a Construction and Maintenance Agreement to cover SD&AE right-of-way indemnification and insurance.

Ms. Landers informed the Board that the City of Lemon Grove has requested lower insurance limits, but she has not had a chance to review it yet. Mr. Jablonski stated that he is not concerned that this will be worked out and reminded everyone that work on the Orange Line will progress quickly.

Mr. Allison and Ms. Kraber gave a presentation on the project using a design visual.

Action Taken

Mr. Jablonski moved to approve a Construction and Maintenance Agreement for the City of Lemon Grove's Main Street Promenade Project with flexibility to adjust the insurance and indemnification requirement levels upon General Counsel's review. Mr. Jones seconded the motion, and it was unanimously approved.

c. Civic Center Drive Crossing Improvements

Mr. Allison gave a brief presentation on the Civic Center Drive Crossing Improvement Project. He explained the California Department of Transportation's (Caltrans') proposed operational improvements to restripe and signalize the intersection at Civic Center Drive and Wilson Avenue to increase capacity supporting interregional goods movement.

Mr. Allison explained that the California Public Utilities Code (CPUC) requires approval of the project and application for crossing modifications.

Mr. Jablonski voiced concern regarding traffic backups at that intersection if the project is completed. Mr. Allison responded that traffic flow has been incorporated into the project and would not be an issue.

Action Taken

Mr. Jablonski moved to approve support for the Civic Center Drive Crossing Improvement Project CPUC application for crossing modifications. Mr. Jones seconded the motion, and it was unanimously approved.

7. Approval of the 2012 SD&AE Board of Directors Meeting Schedule

Karen Landers noted that the following meeting schedule is recommended for 2012:

Tuesday, January 17, 2012	9:00 a.m.	(Fourth Quarter 2012 Reports)
Tuesday, April 17, 2012	9:00 a.m.	(First Quarter 2012 Reports)
Tuesday, July 17, 2012	9:00 a.m.	(Second Quarter 2012 Reports)
Tuesday, October 16, 2012	9:00 a.m.	(Third Quarter 2012 Reports)

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

Materials Due to Clerk

Friday, January 6, 2012
Friday, April 6, 2012
Friday, July 6, 2012
Friday, October 5, 2012

Materials Mailed

Wednesday, January 11, 2012
Wednesday, April 11, 2012
Wednesday, July 11, 2012
Wednesday, October 10, 2012

Action Taken

Mr. Jablonski moved to approve the SD&AE meeting schedule for 2012 as presented. Mr. Jones seconded the motion, and it was unanimously approved.

8. Old Business

No old business.

9. New Business

No new business.

10. Public Comments

Jorge O. Monraz – Mr. Monraz of ADMICARGA requested clearance to provide rail service to Toyota to move its new automobiles from Baja to San Diego via Tijuana (the autos would be trucked into San Diego).

Wayne Terry stated that overhead catenary clearance would be an issue with the Public Utilities Code (PUC) and the Federal Railroad Administration (FRA). Mr. Terry added that MTS has current as-builts, but an evaluation could be conducted to get the exact data on clearance and regulatory limitations.

Mr. Jones suggested getting a quote on using a clearance car with lasers, which can send beams to measure the whole line.

John Hoegemeier added that in addition to the clearance issue is the question of where to put the cars with the limited rail-operating window. Mr. Jablonski suggested looking at Palomar Siding or the San Ysidro Yard.

Mr. Perry suggested taking the proposal to move rail one step at a time and to explore options.

Ms. Landers reminded the Board that no action could be taken at this time (any action on this item would have to come back to the Board as an agenda item).

11. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on January 17, 2012.

12. Adjournment

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

President

General Counsel

JGardetto/
MINUTES-SDAE.10-18-11

Agenda Item No. 2

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

January 24, 2012

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Board of Directors receive a financial report for the quarter ended December 31, 2011.

Budget Impact

None.

DISCUSSION:

Attached are the financial results for the two quarters ended December 31, 2011. The current year-to-date results show decreases of \$12,000 in right of entry revenue and \$11,000 in lease income compared to the same period last year, while expenses showed a \$10,000 positive variance. The net loss for FY 12 was \$3,904 compared to the net income of \$8,803 in FY 11. The total ending reserve balance for FY 11 increased by \$3,786 to \$919,524 due to the final allocation of interest income.

Attachment: SD&AE Operating Statement 2nd Quarter FY 12

SD&AE operating statement FY2012 and FY2011

	FY2012			FY2011		
	Q1	Q2	YTD	Q1	Q2	YTD
Revenue						
Right of entry permits	\$ 1,221	\$ 4,400	\$ 5,621	\$ 12,250	\$ 5,450	\$ 17,700
Lease income	19,155	20,836	39,991	22,072	28,845	50,917
SD&IV 1% freight fee	-	-	-	-	-	-
Total revenue	20,376	25,236	45,612	34,322	34,295	68,617
Expense						
Personnel costs	20,284	17,151	37,434	19,916	22,595	42,511
Outside services	-	-	-	-	260	260
Risk management	5,798	5,974	11,772	8,352	8,194	16,546
Misc operating expenses	309	-	309	303	194	497
Depreciation	-	-	-	-	-	-
Total expense	26,391	23,125	49,516	28,571	31,243	59,814
Net income/(loss)	\$ (6,015)	\$ 2,111	\$ (3,904)	\$ 5,751	\$ 3,052	\$ 8,803

Reserve balance 2011 - actual	\$ 919,524
Allocated interest earnings - estimated	3,497
Operating profit (loss)	(3,904)
Improvement expense 2011	-
Reserve balance 2012- estimated	\$ 919,116

Agenda Item No. 3

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

January 24, 2012

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 2011



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

January 12, 2012

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 2011 are listed as follows:

1. Labor

At the end of December 31, 2011 the San Diego & Imperial Railroad had 10 employees:

- 1 General Manager
- 1 Asst. General Manager
- 1 Asst. Trainmaster
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Officer
- 1 Roadmaster
- 1 Maintenance of Way Employee
- 2 Train Service Employees

2. Marketing

Volume in the 4th Quarter was significantly impacted by border crossing issues of Texas Gas & Oil LPGS. LPG's were down 33% from last year. Overall, the volume dropped 17% over last year. Bridge traffic was down 19% over last year. Traffic destined or originated on the SDIY was only down 4% to last year.

3. Reportable Injuries/Environmental

Days through year to date, December 31, 2011, there were no FRA Reportable injuries or environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 4477

4. Summary of Freight

	2011	2010	2009
Total rail carloads that moved by SDIY Rail Service in the quarter.	1142	1371	1390
Total railroad carloads Terminating/Originating Mexico in the quarter.	920	1139	1122
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	222	232	268
Total customers directly served by SDIY in the quarter	11	12	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	3882	4661	4726

Respectfully,

Randy Perry-

General Manager

Agenda Item No. 4

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting
January 24, 2012

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: Fourth Quarter Report for 2011

January 15, 2012

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

Re: Fourth Quarter 2011

Dear SD&AE Board:

During the fourth quarter of 2011, the Pacific Southwest Railway Museum carried 6,109 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for fourth quarter 2011 was \$140,460.78; a cashier's check for \$2,809.22 is enclosed. By comparison, PSRM carried:

4,384 passengers during the fourth quarter of 2010,
3,268 passengers during the fourth quarter of 2009 and
4,554 passengers during fourth quarter 2008

all with no FRA reportable accidents or injuries. The fourth quarter of every year is host to two of our most popular special events: Pumpkin Trains and North Pole Trains. We operated a total of twelve North Pole Trains and twelve Pumpkin Trains during the fourth quarter of 2011. We experienced a surge in interest particularly in our Pumpkin Trains during 2011 which peaked at over 2,000 passengers.

North Pole passengers were able to enjoy the Campo Depot waiting room with the addition of audio visual equipment including a flat screen television, benches, the custom made ticket counter and a Southern Pacific pot belly stove. All grading has been completed around the Campo Depot buildings and November rainstorms were weathered without incident.

On Saturday, March 24, 2012 we will again collaborate with the San Diego Chefs de Cuisine and the San Diego Vintner's Association with the 2nd Annual Chefs Fire Up the Iron Horse. This event will be an afternoon of wine tasting from locally crafted San Diego wines food pairing and musical entertainment in our Display Building in Campo. Each group is allowed several complimentary tickets, I would be please to extend these to the SD&AE board with adequate notice.

As always, I would be pleased to provide a personal tour of our facilities in Campo to the members of this board, at your convenience.

Very Truly Yours,

Diana Hyatt
President

Agenda Item No. 5

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

January 24, 2012

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: Report 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 24, 2012

SUBJECT:

SUMMARY OF SD&AE DOCUMENTS ISSUED SINCE OCTOBER 18, 2011

RECOMMENDATION:

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

Budget Impact

None.

DISCUSSION:

Since the October 18, 2011, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-12-503: Right of Entry Permit to Kehoe Testing and Engineering to perform field investigations along the Orange and Blue Lines in support of the San Diego Association of Governments (SANDAG).
- S200-12-508: Right of Entry Permit to Sweetwater Authority to perform facilities maintenance.
- S200-12-509: Right of Entry Permit to SDG&E to perform utility relocation in San Ysidro.
- S200-12-510: Right of Entry Permit to JCMS Landscaping to perform slope stabilization near Hill Street in El Cajon.
- S200-12-512: Right of Entry Permit to Integrated Marine Services to construct improvements near Main Street in Chula Vista.
- S200-12-513: Right of Entry Permit to American Integrated Services to perform field investigations along the Orange and Blue Lines in support of SANDAG.
- S200-12-514: Right of Entry Permit to Project Design Consultants to perform field surveys along the Orange and Blue Lines in support of SANDAG.
- S200-12-515: Right of Entry Permit to Spectrum Geophysics to perform field investigations along the Orange and Blue Lines in support of SANDAG.
- S200-12-516: Construction and Maintenance Agreement to the City of Lemon Grove for the Promenade Project.

Agenda Item No. 7

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

January 24, 2012

SUBJECT:

STATUS OF SD&AE MAIN LINE TRACK AND SAN YSIDRO FREIGHT YARD
IMPROVEMENT PROJECTS

RECOMMENDATION:

That the SD&AE Railway Company Board of Directors receive a report on the current status of the Trade Corridor Improvement Fund (TCIF) South Line Freight Improvement Projects.

Budget Impact

No impacts to the SD&AE budget.

DISCUSSION:

San Diego Association of Governments (SANDAG) staff will present a report on the status of SD&AE Main Line Track and San Ysidro Freight Yard Improvement Projects.