

**MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
REGIONAL COUNCIL MEETING**

February 28, 2007
MAG Office, Saguaro Room
Phoenix, Arizona

MEMBERS ATTENDING

Mayor James M. Cavanaugh, Goodyear, Chair
Mayor Mary Manross, Scottsdale, Vice Chair
+ Councilmember Dave Waldron for
 Mayor Douglas Coleman, Apache Junction
 Mayor Marie Lopez Rogers, Avondale
 Mayor Bobby Bryant, Buckeye
* Mayor Edward Morgan, Carefree
 Vice Mayor Dick Esser, Cave Creek
 Mayor Boyd Dunn, Chandler
* Mayor Fred Waterman, El Mirage
 President Raphael Bear, Fort McDowell
 Yavapai Nation
 Mayor Wally Nichols, Fountain Hills
 Mayor Daniel Birchfield, Gila Bend
* Governor William Rhodes, Gila River Indian
 Community
 Mayor Steven Berman, Gilbert
Mayor Elaine Scruggs, Glendale
* Mayor Bernadette Jimenez, Guadalupe

Mayor Thomas Schoaf, Litchfield Park
* Supervisor Don Stapley, Maricopa County
 Mayor Keno Hawker, Mesa
 Mayor Ed Winkler, Paradise Valley
 Mayor Bob Barrett, Peoria
* Councilmember Peggy Neely, Phoenix
 Mayor Art Sanders, Queen Creek
* President Joni Ramos, Salt River
 Pima-Maricopa Indian Community
 Councilmember Cliff Elkins for Mayor
 Joan Shafer, Surprise
Mayor Hugh Hallman, Tempe
* Mayor Adolfo Gamez, Tolleson
* Mayor Ron Badowski, Wickenburg
 Mayor Michael LeVault, Youngtown
* Joe Lane, State Transportation Board
* Felipe Zubia, State Transportation Board
 F. Rockne Arnett, Citizens Transportation
 Oversight Committee

* Those members neither present nor represented by proxy.
Attended by telephone conference call.
+ Attended by videoconference call.

1. Call to Order

The meeting of the MAG Regional Council was called to order by Chair James M. Cavanaugh at 5:07 p.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited.

Chair Cavanaugh noted that Mayor Elaine Scruggs, Mayor Mary Manross, and Mayor Hugh Hallman were participating by telephone, and Councilmember Dave Waldron, as proxy for Mayor Doug Coleman, was participating by videoconference. Chair Cavanaugh welcomed Councilmember Cliff Elkins as proxy for Mayor Joan Shafer, Surprise.

Chair Cavanaugh noted that materials for agenda items #7 and #9 were at each place. He stated that parking validation and transit tickets were available from staff.

3. Call to the Audience

Chair Cavanaugh noted that according to MAG's public comment process, members of the audience who wish to speak are requested to fill out public comment cards. The opportunity for public comment is provided to members of the public to address the Regional Council on items not scheduled on the agenda that fall under the jurisdiction of MAG, or on items on the agenda for discussion but not for action. Citizens will be requested not to exceed a three minute time period for their comments. A total of 15 minutes will be provided for the Call to the Audience agenda item, unless the Regional Council requests an exception to this limit. Those wishing to comment on agenda items posted for action will be provided the opportunity at the time the item is heard. Chair Cavanaugh noted that no public comment cards had been turned in.

4. Executive Director's Report

Dennis Smith reported that last week, MAG sent out an electronic survey to solicit input on ways to recognize MAG's 40th Birthday on April 12, 2007. He said that the majority of those responding preferred having an open house prior to the April 25, 2007 Regional Council meeting. There was also strong interest in recognizing the occasion at the meeting that night. Mr. Smith noted the surveys indicated a preference for an expanded invitation list that includes former Regional Council members and staff. The open house will feature displays depicting MAG's history.

Mr. Smith stated that Chair Cavanaugh, as the Chair of the Arizona COG/MPO Association, responded to a request from the Governor's Growth Cabinet to submit a summary of the Association's recommendations for the Listening Session on February 23, 2007. He stated that a letter requested stronger partnerships with planning agencies, funding for the statewide Reconnaissance and Framework Studies, establishment of an independent state Growth Office, funding for the State Land Department, and opportunities for public/private partnerships.

Mr. Smith stated that MAG Transportation Director, Eric Anderson, provided testimony at the National Surface Transportation Policy and Revenue Commission Field Hearing on February 23, 2007. Mr. Smith noted that Mr. Anderson presented the following four points: 1) The USDOT should establish a clear mission with respect to its federal role in national transportation system; 2) The USDOT needs to ensure there is a fair and equitable share of transportation funds; 3) the USDOT can play a role to increase communication between and among states by reinstating the Intermodal Planning Group (IPG) conferences, especially for the Inter-Mountain states; 4) the USDOT should assume the leadership in establishing a stable revenue source for transportation.

Mr. Smith stated that MAG is partnering with the State Transportation Board, Citizen Transportation Oversight Committee, Valley Metro/RPTA, Valley Metro Rail, and the City of Phoenix Public Transit Department to hold the annual Joint Transportation Public Hearing March 9, 2007 at noon in the Saguaro Room. He stated that participation by Regional Council members in the Hearing is encouraged.

Mr. Smith expressed his appreciation to the Regional Council for the many positive comments that were submitted for his evaluation in January. He commented that these positive comments were a reflection of the great work of MAG staff members. Chair Cavanaugh thanked Mr. Smith for his report. No questions for Mr. Smith were noted.

5. Approval of Consent Agenda

Chair Cavanaugh stated that public comment is provided for consent items. Each speaker is provided with a total of three minutes to comment on the consent agenda. After hearing public comments, any member of the Council can request that an item be removed from the consent agenda and considered individually. Chair Cavanaugh stated that agenda items #5A, #5B, #5C, #5D, #5E, #5F, #5G, and #5H were on the consent agenda. He noted that no public comment cards had been turned in. Chair Cavanaugh asked members if they had any questions or any requests to hear an item individually. None were noted.

Mayor Hawker moved to approve Consent Agenda items #5A, #5B, #5C, #5D, #5E, #5F, #5G, and #5H. Vice Mayor Esser seconded, and the motion carried unanimously.

5A. Approval of the January 31, 2007 Meeting Minutes

The Regional Council, by consent, approved the January 31, 2007 meeting minutes.

5B. Project List for the Arizona Department of Transportation's Safe Routes to School Program

The Regional Council, by consent, approved the ranked list of projects to be submitted to the Arizona Department of Transportation for the Safe Routes to School Program. A total of \$400,000 statewide is available for projects through the Arizona Department of Transportation's (ADOT) Safe Routes to School Program. The program provides funding to public and non-profit agencies for projects that improve road safety and encourage more grade K-8 children to walk or bike to their neighborhood schools. In this first year of the program, the focus is on education, training and encouragement. In response to an announcement in November 2006, a number of project applications were submitted in the MAG region. The ADOT application review process stipulates that MPOs and COGs must recommend a ranked list of projects to ADOT by March 2, 2007. On January 30, 2007, the MAG Transportation Safety Committee reviewed all project proposals, and generated a ranked list for consideration by ADOT. The Management Committee recommended approval of the ranked list for submission to ADOT.

5C. Arterial Life Cycle Program (ALCP) – Status Report

Each quarter, MAG staff provides member agencies with an update on projects in the Arterial Life Cycle Program (ALCP). This is the fourth Status Report (covering the period from October to December 2006) for the ALCP. The Status Report includes an update on ALCP Project work, and ALCP revenue/financial section, information about ALCP amendments and administrative adjustments, and the remaining FY 2007 ALCP schedule. This item was on the agenda for information and discussion.

5D. Proposed Amendment and Administrative Adjustment to the FY 2007-December 13, 2006 Arterial Life Cycle Program (ALCP)

The Regional Council, by consent, approved the Amendment and Administrative Adjustment to the FY 2007 – December 13, 2006 ALCP. The latest FY 2007 ALCP was approved by MAG Regional Council on December 13, 2006. Since that time, projects have been identified that need to do a scope change, change project schedules, and lower and adjust the regional reimbursement amounts in FY 2007. An amendment is needed to do a scope change and change a project schedule, and an administrative adjustment is needed to adjust the project reimbursement amounts due to lower actual costs. The Transportation Review Committee and the Management Committee recommended approval of this item.

5E. Selection of CMAQ Funded Dirt Road Paving Projects for FY 2008 and 2009

The Regional Council, by consent, approved that three pave dirt facility projects in Phoenix, Litchfield Park and Surprise be awarded CMAQ funds in FY 2008 and that another three pave dirt facility projects in Phoenix (2) and Surprise be awarded CMAQ funds in FY 2009, as shown in the attached tables. A total of \$2 million in CMAQ funds has been programmed in FY 2008 for the paving of dirt roads in the MAG region and \$3.5 million for FY 2009. The Transportation Review Committee and Management Committee recommended six projects to utilize the funds available.

5F. Department of Housing and Urban Development Stuart B. McKinney Continuum of Care Consolidated Application Process for the MAG Region

The MAG Continuum of Care Regional Committee on Homelessness is the responsible entity for a year round homeless planning process. This includes the submittal of the U.S. Department of Housing and Urban Development (HUD) Stuart B. McKinney Continuum of Care Consolidated Application for the Maricopa Region. The release of the 2007 application is anticipated in the next few months. Since 1999, \$106 million has been awarded to the MAG region. In 2005, the region received more than \$20 million for 48 homeless service providers, and it is anticipated that our region will be awarded comparably in 2006. This information is being presented to inform MAG member agencies of the application process and of the opportunity to apply for this funding.

5G. Human Services Coordination Transportation Plan Short-Term Strategies

The Regional Council, by consent, approved the Human Services Transportation Plan Short-Term Strategies. In June 2006, the MAG Regional Council approved the development of a plan to coordinate human services transportation in compliance with new SAFETEA-LU regulations. These regulations

state that any agency applying for Job Access and Reverse Commute (JARC) funds, New Freedom funds or for the 5310 Elderly and Persons with Disabilities Transportation Program must demonstrate they are in compliance with a locally developed coordination plan. These three funding sources cannot be accessed unless such a plan is in place as of July 1, 2007. A stakeholders group with representatives from MAG member agencies, transportation providers and non-profit agencies is in the process of developing a plan for the MAG region. Short-term strategies have been identified for the 5310 application process that begins in March. This item is presented so that the 5310 application process may proceed in a timely manner. The same short-term strategies would also apply for the JARC and New Freedom applications later this year. The MAG Management Committee recommended approval of the short-term strategies.

5H. 2005 Census Survey Cost Allocations

The Regional Council, by consent, approved adjusting the cost allocation recommended by the Census Survey Oversight Subcommittee (CSOS) to hold harmless member agencies with a population less than 25,000 and a growth rate less than six percent in the 2005 Census Survey. In December 2003, the MAG Regional Council approved the methodology used to allocate 2005 Census Survey costs among member agencies. At the January 30, 2007 CSOS meeting, members recommended applying the approved methodology to the final census costs. For three jurisdictions, the costs to be incurred were 6-13 times higher than originally estimated because their population growth was slightly higher than the 3.6 percent growth rate used in the approved method. As a result, their cost was based on share of sample size rather than share of population. Due to concerns raised at the CSOS meeting, MAG staff developed an alternative cost allocation. At the February 14, 2007 MAG Management Committee meeting, members recommended adjusting the cost allocation recommended by CSOS to hold harmless member agencies with a population less than 25,000 and a growth rate less than six percent in the 2005 Census Survey.

6. Air Quality Update

Lindy Bauer, MAG Environmental Director, stated that PM-10 was the most difficult air quality problem facing the MAG region. Ms. Bauer displayed a chart that showed exceedances per monitor. She noted that the West 43rd Avenue and the Durango monitors had the highest numbers of exceedances in both 2005 and 2006. Ms. Bauer advised that in 2006 there were 21 days that monitors exceeded the PM-10 standard in the Maricopa County nonattainment area. Ms. Bauer advised that the Buckeye monitor is outside the nonattainment area, but the Higley monitor is inside. She added that the Higley monitor has been close violating the standard.

Ms. Bauer stated that because the Maricopa County area could not meet the PM-10 standard, MAG has been working on developing a Five Percent Plan for PM-10. She noted that the Plan is due to the Environmental Protection Agency (EPA) by December 31, 2007. Ms. Bauer advised that the region must reduce emissions by five percent per year until standard is attained. She noted that the five percent reduction must be based on the most recent emissions inventory prepared by the Maricopa County Air Quality Department. Ms. Bauer stated that three years of clean data at the monitors—for 2007, 2008, and 2009—are needed for attainment, or additional years of five percent reductions will need to be added to the plan. Ms. Bauer noted that so far in 2007, there has been no exceedance of the 24-hour standard.

Ms. Bauer stated that consulting firms were hired to conduct the MAG PM-10 Source Attribution and Deposition Study. She said that the consultants had been assessing existing meteorological and PM-2.5 and PM-10 data to evaluate exceedance conditions. Ms. Bauer added that the consultants especially focused on the Durango and West 43rd Avenue monitoring sites and were present during exceedances. She said that the consultants collected data from November 15, 2006 through December 14, 2006 during stagnant conditions.

Ms. Bauer displayed photographs of conditions that contribute to the PM-10 problem around the West 43rd Avenue and Durango monitors, including trackout, unpaved roads and shoulders and dragout, open burning, agriculture, unpaved lots, and vehicle activity on unpaved lots. She advised that there is significant noncompliance around monitors. Ms. Bauer stated that the study showed that PM-10 is localized rather than transported.

Ms. Bauer stated that Maricopa County is currently working on the inventory of annual PM-10 emissions, which is being refined based on review. Ms. Bauer stated that the MAG Air Quality Technical Advisory Committee has drawn up a draft list of preliminary PM-10 measures, such as having dust managers at construction sites; extensive dust control training; strengthening trackout provisions; implementing Rule 316 for nonmetallic mineral processing; reducing off-road vehicle use; paving/stabilizing dirt roads, shoulders, and parking lots; prohibiting new dirt roads; stabilizing vacant lots; increasing fines for open burning; and implementing agricultural measures. Ms. Bauer noted that the Governor's Agricultural Best Management Practices Committee has formed a technical working group.

Ms. Bauer stated that the MAG Air Quality Technical Advisory Committee will be considering a recommendation on the preliminary PM-10 measures at its meeting March 1, 2007. She advised that additional meetings of the Committee may be required to finish its work on the measures.

Ms. Bauer said that she has been asked if Clean Air sanctions were imminent. She advised that they are not. Ms. Bauer indicated that sanctions could be imposed for failure to submit a plan, failure to implement any plan requirement, failure to make any required submission, or EPA disapproval of the plan. Ms. Bauer then provided a timeline if sanctions were imposed, which includes tighter controls on major industries in 18 months, followed by loss of federal highway funds and imposition of a federal implementation plan in 24 months.

Ms. Bauer advised that if the region fails to attain the PM-10 standard, more measures will need to be added to the plan to reduce emissions by five percent per year until attainment is met. She commented that it is becoming increasingly difficult to meet the requirements and the best course of action is to attain the standards as quickly as possible. Ms. Bauer outlined the schedule for the Five Percent Plan for PM-10. She noted that commitments by member agencies to implement measures would be requested in June 2007. Ms. Bauer stated that action on the Plan by the Regional Council is anticipated in December 2007. Following action, the Plan would be submitted to ADEQ and EPA. She noted that EPA could make its adequacy finding for the conformity budget in March 2008.

Ms. Bauer then addressed the Council on the Eight-Hour Ozone Plan which is due to the EPA by June 15, 2007. She noted that the Maricopa County nonattainment area has had no monitors with violations

of the Eight-Hour Ozone Standard for two years. Ms. Bauer advised that attainment of the standard is required by June 15, 2009.

Ms. Bauer displayed the list of committed measure in the One-Hour Ozone Maintenance Plan. She advised that with these existing committed maintenance and contingency measures, the region should be able to reach attainment.

Ms. Bauer stated that a recent court ruling vacated EPA's Phase 1 Eight-Hour Ozone Implementation Rule, which included the classification of the nonattainment areas. She added that the EPA may tighten the Eight-Hour Ozone Standard and designations may be made by 2011. Ms. Bauer stated that the Governor issued an Air Quality Executive Order which requires ADEQ to develop an Air Quality Improvement Action Plan by March 31, 2007. She advised that the Executive Order contains requirements that must be met by jurisdictions who receive funding from the Arizona Department of Transportation.

Chair Cavanaugh introduced Holly Ward, Community and Media Relations Manager for Maricopa County, who provided a report on the County's new public education campaign, Bring Back Blue. Ms. Ward stated that the Board of Supervisors approved more than \$1 million for the campaign, which is designed to inform the public about what they can do to reduce particulate pollution. Ms. Ward stated that the campaign consulted with stakeholders to determine effective outreach, and conducted four focus groups and telephone surveys. She said the research indicated that many people focus on the tailpipe as the source of pollution, not dust sources. Ms. Ward stated that the survey respondents indicated that health was their concern in regard to pollution.

Ms. Ward stated that the campaign kicked off on January 16, 2007. She said that the campaign includes billboard advertising and a website. Ms. Ward stated that the website contains a list of twelve actions the public can do to reduce particulate pollution. She said the public can take a pledge on the website and receive a certificate. Ms. Ward stated that there are also prize incentives.

Ms. Ward stated that advertising will also appear in the *East Valley Tribune*, *The Arizona Republic*, *Prensa Hispana*, and *La Voz*, along with 30-second television commercials. Ms. Ward then played the commercials. Chair Cavanaugh thanked Ms. Bauer and Ms. Ward for their reports.

Chair Cavanaugh asked Ms. Bauer for clarification of the five percent calculation. Ms. Bauer replied that the five percent calculation is based on the most recent emissions inventory prepared by the County. The total emissions is grown by sector to 2007. Ms. Bauer stated that the tonnage is then multiplied by .05, which is now approximately 4,600 tons per year. She added that this is a draft number because the County is still revising the inventory.

Mayor Hawker asked how the PM-2.5 federal standard interacts with the PM-10 five percent reduction and if the MAG model included PM-2.5. Ms. Bauer replied that the region is not in nonattainment for PM-2.5, so it was not included in the modeling. Mayor Hawker asked if PM-2.5 was measured at the monitors. Ms. Bauer replied that was correct, the monitors do measure PM-2.5.

7. Update on the Regional Office Center

Mr. Smith stated that at their last meeting, the Building Lease Working Group (BLWG) agreed that holding a workshop would aid in the understanding of the large amount of data compiled for this project. He added that instead of the Regional Council taking action tonight, a workshop would be held in the next few days. Chair Cavanaugh asked if the partnering agencies would be invited. Mr. Smith replied that they would.

Mr. Smith expressed his appreciation to those who have participated in this two-year effort: Building Lease Working Group members: Mayor Cavanaugh and Mayor Hawker; Phoenix City Manager, Frank Fairbanks; Paradise Valley Councilmember Ron Clarke, and Prisila Ferreira, former Deputy City Manager from Peoria; MAG staff, Denise McClafferty, Monique De los Rios-Urban, Becky Kimbrough, Rita Walton, and Audrey Skidmore; and private sector partners, landowner David Kaye, Jay Tubbs from the Ryan Corporation, and Geegee Entz and Patty Boyd from Coldwell Banker.

Mr. Smith noted that Arizona Municipal Water Users Association (AMWUA) recently had chosen not to participate as a partner in the building.

Mr. Smith spoke about MAG's mission and how the building will complement that mission. Mr. Smith stated that the term of financing would be 30 years. If the building is completed in 2009 or 2010, what will be happening during those 30 years? Mr. Smith noted the region's population will almost double by 2040 and interaction between regional agencies will be required to plan for this growth. He stated that groups such as the Regional Council will be the ones called on to do the heavy lifting on regional and state issues. Mr. Smith added that MAG's mission revolves around collaboration, both regionally and statewide.

Mr. Smith displayed a chart of funding sources and noted that MAG cooperatively makes decisions on more than \$800 million per year. He stated that the \$16 billion Regional Transportation Plan is a cooperatively developed plan that requires close interagency collaboration to deliver the plan to the voters. Mr. Smith noted that MAG, RPTA, and Valley Metro Rail, along with ADOT, work very closely together.

Mr. Smith stated that great meeting space is essential to facilitate that close interaction in order to obtain the best results. He explained that standard office space does not offer the clear span space with no pillars that is needed for meeting rooms. Mr. Smith noted that clear span space gives the flexibility to host many of the forums and events for which space must be rented.

Mr. Smith stated that because all three agencies are growing, if a building is not built, the agencies will need to move to separate spaces. He advised that MAG will need to move within the next three years and probably every 10 to 15 years thereafter, and added that the challenge will be finding space that is centrally located and has clear span space. He advised that RPTA's and MAG's leases are expiring at the end of 2008.

Mr. Smith recapped the history of the building to date. He stated that the Regional Council selected a centrally located site on McKinley Avenue between First and Second Avenues. Mr. Smith stated that

the preliminary design phase and bid process to determine building cost were completed, followed by a value engineering process.

Mr. Smith stated that in addition to the staff integration needed for delivery of the Regional Transportation Plan, a common building would result in greater efficiency of member agencies' time and resources. He stated that all cities, the county, the Native American Indian Communities, and ADOT are part of MAG. Many are also members of RPTA and Valley Metro Rail. Mr. Smith stated that having the agencies sharing space facilitates moving from one meeting to the next.

Mr. Smith stated that considerable money and staff effort have been expended on the project. He noted that he was not sure the opportunity to construct a building would be presented again. Mr. Smith advised that a decision on the building needs to be made in 30 to 60 days.

Denise McClafferty, MAG Management Analyst, provided an overview of the building. She said that 20 sites, located downtown, midtown, and airport, were considered. The 20 sites were narrowed to five, based on centralized location, proximity to light rail and access to freeways. Ms. McClafferty stated that the parcel size is 1.80 acres and the building is approximately 238,000 square feet. She noted that the building includes a 573 space parking garage and is estimated to cost \$86.9 million.

Ms. McClafferty stated that she would provide a review of the questions that have been asked and addressed. This information was included in the packet of material at each place. She added that a detailed presentation would be provided at the BLWG Workshop. Ms. McClafferty noted that the numbers she would be presenting will change slightly with the deletion of the AMWUA data.

Ms. McClafferty stated that one question was the partner agency capital costs. She said that MAG's share is \$36,445,394; RPTA's, \$29,738,725; and Valley Metro Rail's, \$17,427,062. She noted that AMWUA's amount was \$3,326,878.

Ms. McClafferty stated that another question that was asked was how would the project be funded for each agency: for MAG, the indirect cost rate across allowable funding sources; RPTA, upon board approval, a portion of the Regional Area Road Funds (RARF) and Public Transit Fund dollars may be combined and used for operation/administration expenses; and Valley Metro Rail, assessed against available funding and member agencies if needed.

Ms. McClafferty addressed the approximate cost per square foot for each partnering agency: MAG, \$38.27; RPTA, \$38.77; Valley Metro Rail, \$39.43.

Ms. McClafferty addressed the question asking the break-even years based on square footage: MAG, 2022; RPTA, 2019; Valley Metro Rail, 2020. Mayor Berman asked for clarification that break even meant this was the year it becomes less costly to buy than to lease. Ms. McClafferty replied that was correct, on a square foot basis.

Ms. McClafferty addressed the question that asked the market value position at the end of 30 years: MAG, \$56,004,104; RPTA, \$42,450,324; Valley Metro Rail, \$24,226,428.

Ms. McClafferty stated that another question asked is what happens at 40 years, ten years after the building cost has been paid off. She pointed out that total ownership cost is projected at approximately \$64 million, and the total lease cost is projected at more than \$165 million. This equals a savings of \$100 million between 2040 and 2050.

Ms. McClafferty addressed the question that asked the lease costs in the area. A map of office space currently available for lease showed that downtown and mid-town space per square foot ranges from \$21 to \$30 for Class A and \$19 to \$25 for Class B. She noted that current signed leases for both Class A and B in downtown and mid-town range from \$24.21 per square foot to \$29.50.

Ms. McClafferty addressed the question that asked the land costs in the area. She said that typical sales ranged from \$92.71 per square foot, at Second Street and McKinley, to \$133 per square foot at 7th Street and Pierce. She noted that the land price for the Regional Office Center is \$87.20 per square foot. Chair Cavanaugh thanked Mr. Smith and Ms. McClafferty for their reports. He noted that this item was for discussion by the Regional Council and no action would be taken tonight.

Mayor Hawker, Chair of the BLWG, provided the Regional Council with his perspective on the building. Mayor Hawker stated that the idea for constructing a building came about when Proposition 400 passed, and it was realized that MAG, RPTA, and Valley Metro Rail would be in business for at least 20 years. Mayor Hawker stated that because the agencies' leases would be expiring in the near future, the Executive Committee wanted to explore the costs of leasing versus owning. Mayor Hawker advised that the analysis has shown that in the short term, it is less expensive to lease; in the long term, it is less expensive to own. He added that the recovery periods vary by organization depending on the current lease rates and durations.

Mayor Hawker stated that the City of Phoenix, owner of the building where MAG and RPTA are located, has expressed that the rates in this building will need to increase to be closer to market rates. Mayor Hawker stated that he evaluated this project on whether he would rather lease a home or a city hall, how long the agencies would be performing their functions, and the importance of the synergy of agencies being in the same location. He commented that the building more expensive than he thought it would be, and he had hoped to have full recovery in less time. Mayor Hawker stated that in his opinion, if Regional Council members wanted to help out their jurisdictions over the long term, constructing a building is the best option. For the short term, MAG could get by for ten years and no one would know the opportunity that was passed up. It would be left to another group of elected officials to deal with the higher lease rates. Mayor Hawker stated that either way, the organizations will be paying for space, whether leased or owned.

Mayor Hawker stated that because of the smaller size of the League of Arizona Cities and Towns site, the building could be constrained from accommodating all agencies. Mayor Hawker noted that because of the smaller footprint, the building would need to be taller and it could dwarf the State Capitol. He commented that he was not sure that would be desirable. He also noted that another consideration was the business of the agencies. Valley Metro Rail is in the business of building light rail and it makes sense they would want to be located as close to the light rail line as possible. Mayor Hawker stated that he hoped 30 years from now, a mayor would send him a thank you letter for making the decision to build.

Mayor Berman stated that he thought purchasing a building and locating agencies together had merit. He expressed his concern that the land at First Avenue and McKinley would cost \$4 million per acre. Mayor Berman remarked that he did not know detailed information about downtown Phoenix land prices but the price seemed high. He stated that he questioned whether MAG, RPTA and Valley Metro Rail needed to be on this expensive real estate. Mayor Berman also noted that there is a difference between these agencies and municipalities because municipalities will live indefinitely and the three organizations' existence could be ended through legislation. Mayor Berman stated that he was under the impression that the League of Arizona Cities and Towns location was not available due to Phoenix restrictions, but this might not be true today. He stated that the League facility might be purchased for less than \$6 million and the League members could get something for free and the three agencies would have a location by the Capitol. Mayor Berman commented on how the League site is quicker for him to access than downtown, even though it is farther from Gilbert. He stated that he would like to pursue buying a building and bringing in other organizations, and also pursue with Phoenix what is available at the League location and seeing if the League has an interest in partnering. Mayor Berman stated that he thought the League site was a better location and most cost effective. He added that anything over a five year break even point becomes uncertain.

Mayor Dunn expressed that a workshop was a positive event because there needs to be a focus on the numbers. He stated that consolidating three major organizations makes sense by having a central location for all agencies to deal with overlying issues, especially over the long term. In addition, owning a building makes more sense than leasing. Mayor Dunn stated that leaders can look at various locations, but it all comes down to three agencies deciding on one location that meets their needs and concerns, and leaders cannot dictate the appropriate location for them. Speaking as Vice President of the League, Mayor Dunn said he was not sure these are the tenants the League is looking toward. Mayor Dunn noted that he had voted against AMWUA proceeding with being a partner in the new building because it has only ten employees and he struggled with the numbers. He stated that he could see AMWUA going into the League building as more appropriate, along with those organizations that lobby on a more regular basis. Mayor Dunn stated that this is the reason why he thought the workshop will be a good effort because it will help with the understanding of the financial aspects and comfort level of the site.

Mayor Barrett commented that, as a member of AMWUA, he felt the decision not to participate in the building was a mistake. He said that he realized part of the decision was the expense, but nothing is getting cheaper; the more delay the more costly the project will be. Mayor Barrett stated that leaders also have a responsibility to staff to keep them safe. He commented that the downtown area seemed to be a more secure area than the Capitol area. Mayor Barrett stated that there is also a need to separate MAG from the League and the Legislature. He remarked that there also is a perception that an organization is more important if it has its own building, and city halls are good examples of that.

Mayor Schoaf stated that it looked like MAG's percentage of the building is 44 percent. He asked for clarification of the percentage of cost being 28 percent. Becky Kimbrough, MAG Fiscal Services Manager, stated that the cost allocation was broken down into two different formulas for the owners and there are also cost centers. Ms. Kimbrough stated that MAG took on the cost of tenant improvements for the conference center, the media center, and the regional hub because it has the largest funding capacity. She added that the other agencies pay for their portion of the office space and common costs. That is why the percentage is different. Mayor Schoaf asked if that is why the buildout number is so

different among the three agencies. Ms. Kimbrough replied that was part of the reason. She explained that the buildout is associated with tenant improvements. Each agency met with the designers and architects and gave their ideas for what they wanted in their space. Mayor Schoaf asked why MAG's percentage of the proportionate share of retail cash flow is less than the percentage of its ownership. Ms. Kimbrough replied that she would verify the answer to this question, but believed that it resulted because the allocation was made on the owners versus the allocation of the garage and nonowners. Mayor Schoaf commented that MAG gets a smaller share of the retail income but pays a full proportionate share of the debt reduction. Ms. Kimbrough stated that MAG was trying to take on the largest expense because it could take it on better than other agencies. She added that the allocation assumptions could be changed. Mayor Schoaf stated that in June 2011, the MAG share of debt is \$2.5 million and RPTA's share is \$2.1 million. He commented that MAG pays more in debt service than RPTA but RPTA has a principal reduction of \$7.86 per square foot and MAG has \$4.15. He asked what led to that. Ms. Kimbrough replied that she would research this and get back to him with an answer.

Mayor Schoaf asked if the money spent on the building could impact the amount that could be spent on transportation projects. Ms. Kimbrough replied that MAG receives planning funds from Proposition 400 that can be used for administration only. This amounts to about \$4 million per year, which is increased by the planning index factor directed by ADOT. Mr. Smith stated that MAG's funds are planning money, whether they are FTA, FHWA or state planning and research funds. He said that approximately \$4 million of Proposition 400 funds are specifically allocated by state law for administration. Mr. Smith stated that in the past, MAG used approximately \$2 to \$3 million in STP funds per year in the TIP for studies. When the sales tax came available, MAG released that money back to the cities. Mr. Smith stated that MAG programmed the funds in the TIP but did not use them. Mayor Schoaf commented that it was unclear whether the MAG portion of the \$3 to \$4 million per year would take away the ability to build transportation projects. Mr. Smith replied that it would not. Mayor Schoaf stated that he would like to learn more about this at the workshop to increase his understanding.

Chair Cavanaugh departed for another function and turned over the gavel to past Chair, Mayor Keno Hawker.

Acting Chair Hawker stated that the documents for the workshop will set the standard for what each organization contributes. He stated that he would like the material to include the retail sales, and the legal structure on the lease agreement due to the complicated nature of the 501(c)(3) restrictions on leasing space. Acting Chair Hawker stated that a thorough examination of the numbers is welcomed to determine that this is sound and take it back to councils and say this is good for the organizations and the region.

8. Discussion of the Development of the FY 2008 MAG Unified Planning Work Program and Annual Budget

Ms. Kimbrough provided an update on the development of the MAG Unified Planning Work Program and Annual Budget. She noted that the agenda packet included narratives of new projects.

Acting Chair Hawker asked if the Performance Measurement Framework Study was being conducted in preparation for the 2010 audit. He commented that MAG is responsible for the highway/freeway and

arterials portions of the audit and asked if this study would be one combined effort for transportation modes overall. Mr. Anderson replied that staff thinks it is important to get external advice and perspectives on what performance measures should be looked at on an ongoing basis to evaluate system and individual project performance. He added that Valley Metro is also preparing for its performance audit and is looking at standards and measures that could be used.

Acting Chair Hawker asked Mr. Anderson of some of the parameters and measurables that might be tracked over the next few years. Mr. Anderson replied that he thought travel times, average delays, and level of service might be measures. He added that staff wants to ensure the important measures are covered so when the national auditor comes in nothing will have been missed. Mr. Anderson stated that the study will provide an external perspective and awareness of what others are doing. Acting Chair Hawker asked if state statute addressed the parameters. Mr. Anderson replied that statute lists the criteria for light rail in the performance audit, but is silent on other areas.

Ms. Kimbrough stated that the estimated budget for MAG shows a decrease of about 7.6 percent from the FY 2007 budget. She noted that this decrease is, in part, due to three projects in this fiscal year that are either ending or nearing completion: the 2005 Census Survey, the Regional Videoconferencing Project, and the Community Emergency Notification System. Ms. Kimbrough stated that one staff position is being requested for the new year: a Computer Support Technician I to assist in maintaining MAG's internal computer operations. She noted that additional detail on the budget would be included in the March agenda packet.

Acting Chair Hawker asked about the clause of taking the risk out of bids for contractors that was discussed at the Construction Forum and if it would be included in the Work Program or handled separately. Mr. Smith replied that MAG had been discussing cost indexes with ADOT. He added that ADOT has been working with the Governor's Task Force on bid specifications.

Acting Chair Hawker asked if STAN funds were received this year, if that would change the budget, or would the same process as last year be followed. Mr. Smith replied that the STAN funds would not be a part of the Work Program.

9. Legislative Update

Matthew Clark, MAG Senior Policy Planner, provided an update on legislative issues of interest. He reported that Senate Bill 1049, which appropriates \$450 million from the State's Rainy Day Fund to transportation, failed on February 8, 2007, due to the amendment process.

Mr. Clark stated that Senate Bill 1172, which increases the maximum maturity date for state highway bonds from 20 to 30 years, passed the Finance Committee on February 7, 2007.

Mr. Clark reported that Senate Bill 1576, sponsored by Senator Jay Tibshraeny, repeals the chapter in the transportation code that deals with private transportation projects and replaces the chapter with language authorizing the formation of transportation authorities made up of combinations of local government entities with or without state participation. These highway authorities may construct, finance, and operate public highways including toll roads. Mr. Clark noted that this bill failed in the

Transportation Committee, but four other public/private bills, SB 1585, 1586, 1587, and 1591, did pass out of the Committee.

Mr. Clark reported that SB 1635, which deals with FAST and HOV lanes, passed the Transportation Committee on February 13, 2007.

Mr. Clark stated that House Bill 2682 establishes a Blue Ribbon Transportation Committee. He noted that the bill passed the House and sent to the Senate on February 26, 2007. Mr. Smith noted that at the Governor's Growth Cabinet Listening Session, MAG, on behalf of the Arizona COG/MPO Association, requested that the Statewide Framework Studies be funded. He noted that ten of these studies are proposed and could cost \$400,000 to \$500,000 each.

Mr. Clark noted that SB 1552 deals with air quality regulations and local ordinances. He said the bill has been moving through the process as work on the measures continues.

Mr. Clark stated that SB 1265, which would allow taxation of Voice Over Internet Protocol (VoIP) in the same manner as other telecommunications services, passed the Senate and should move to the House soon.

10. Comments from the Council

An opportunity will be provided for Regional Council members to present a brief summary of current events. The Regional Council is not allowed to propose, discuss, deliberate or take action at the meeting on any matter in the summary, unless the specific matter is properly noticed for legal action.

No comments from the Council were noted.

There being no further business, the Regional Council meeting adjourned at 6:35 p.m.

Chair

Secretary