



Executive Director's Report

Over the past two years, we have been providing periodic updates at Regional Council meetings regarding pending or foreclosed homes. From more than 64,000 distressed properties in February 2010, our current map shows 34,705 pending or foreclosed homes, which is a marked improvement in our housing situation. We are seeing other signs that our economy is improving. For the first quarter of fiscal year (FY) 2012 (July-September 2011), transportation sales tax revenues were up 8.4 percent compared to the first quarter of FY 2011. September 2011 revenues were up 10.9 percent compared to September 2010. This was the first double digit positive growth since February 2007.

The lessons that we have learned over the past three years have taught us one primary lesson: we need to diversify our economy and become more globally competitive if we are to get our economy back on track. In recent weeks we launched a Metropolitan Business Planning Initiative in partnership with the Brookings Institution and other regional economic development leaders, such as the Greater Phoenix Economic Council. After the launch, we held a work session to help identify a lead initiative that will make a difference in focusing our regional economy and providing more sustainable jobs.

During the launch of the Metropolitan Business Plan, the Brookings Institution praised the MAG Regional Council for creating an Economic Development Committee that is made up of a high-caliber team of public and private sector leaders. We are relying on the knowledge and talent of our partners to help guide this important process. We are building upon the hard work that has already taken place in the region, including incorporating economic development plans already underway, to develop a unified strategy that moves the needle toward recovery.

For more information, please contact Dennis Smith, MAG Executive Director, (602) 254-6300.

Regional Council Meeting Report for Wednesday, October 26, 2011

Action Items



Approval of the Draft Federal Fund Programming Guidelines and Procedures

The Regional Council approved several key revisions to MAG's federal fund programming guidelines. The changes are expected to help end what had become a common occurrence in which millions of dollars in federal funds were being carried forward due to project deferrals and other issues.

In 2009, the MAG Management Committee formed the Federal Fund Working Group to discuss issues that impact the region's ability to spend federal funds. After looking at the reasons projects are deferred—and relying on information that was derived from a peer review of similar metropolitan regions—the group recommended a number of policy changes.

The revised principles include the following:

- The project must have local commitment. The project and local funds must be documented in an approved Capital Improvement Program (CIP) or budget document.
- Progress reports and milestones will be delivered every six months.
- A project can be deferred only once. If an agency cannot show continual progress, the project will be deleted. However, if external factors are involved, such as utility clearance issues or other factors that the local agency cannot control, the project can be allowed to be deferred more than once.
- Modifications in the federal funding rate. Under the current policy, local governments were responsible for 30 percent of the cost of Intelligent Transportation Systems (ITS), bicycle and pedestrian projects, with 70 percent coming from federal sources. Under the suggested change, local governments would only be responsible for 5.7 percent of the project cost, with 94.3 percent coming from federal sources.

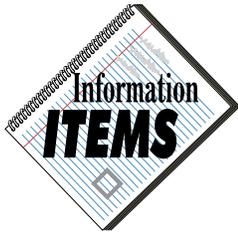
Now that the Regional Council has approved the revised guidelines, next steps will include discussion of their implementation at the technical committees. It is anticipated that the progress status reports will be brought through the committee process beginning in January 2012.

For more information, please contact Eileen Yazzie, MAG Transportation Planning Project Manager, (602) 254-6300.

Public Safety Funding Request

Each year, the MAG Public Safety Answering Point managers submit inventory and upgrade requests for 9-1-1 equipment needs. This enables MAG to provide estimates of future funding needs to the state. Due to the fact that the State Legislature has transferred funds from designated 9-1-1 monies to the state budget, the state has notified MAG that network and maintenance costs would be funded, while new capital equipment purchases would be deferred. From FY 2003 to FY 2012, more than \$53 million in designated 9-1-1 funds have been transferred to the state general fund. During a presentation to the Regional Council, a 9-1-1 administrator reported that one of the agencies affected would be the Maricopa County Sheriff's Office, which has older equipment that could become unreliable as it ages, especially as maintenance support and repair parts become more difficult to procure.

For more information, please contact Nathan Pryor, MAG Intergovernmental Policy Coordinator, (602) 254-6300.



Information Items

Annual Report on the Implementation of Proposition 400

As required under state statute, the Regional Council was provided with an annual report on the status of freeway/highway, arterial street and transit projects included in Proposition 400. Staff reported that during FY 2011, the life cycle programming process continued to face a difficult revenue picture. Updated revenue forecasts for FY 2011 found that future revenues would be lower than predicted, with the projected deficit for highways \$453 million, arterials \$196 million, and transit approximately \$581 million.

While sales tax revenues showed an increase for the first time in three years, it was reported that transportation revenues are forecasted to remain at a lower rate than originally projected. In addition, federal transportation funding remains an ongoing issue (*see below*). This could result in a recurring imbalance between projected costs and expected revenues in all three life cycle programs. Staff reported that project scope and cost adjustments will be monitored to determine if additional changes are necessary.

For the Arterial Life Cycle Program, MAG staff and member agencies recently engaged in a coordinated reprogramming effort that resulted in a balanced program, which was approved by the Regional Council in September. The freeway program was rebalanced in FY 2010, as was the Transit Life Cycle Program, which is maintained by the Regional Public Transportation Authority. It is anticipated that rebalanced life cycle programs for freeways and transit will be identified by the end of calendar year 2011.

A consultant hired by the State Auditor General is completing work on the Proposition 400 Performance Audit and the report is expected sometime this fall. Once the audit is complete, the appropriate agencies will need to make recommendations regarding the audit findings.

For more information, please contact Roger Herzog, MAG Senior Project Manager, (602) 254-6300.

Future of Federal Transportation Funds

The Regional Council heard an update regarding the future of federal transportation funds. The Regional Transportation Plan is funded by the regional sales tax, state sources, and federal funds. The regional sales tax, state budget, and Highway User Revenue Fund have all been affected by the downturn in the economy. Gas tax revenues and the vehicle license tax revenues are down. The State Legislature has transferred transportation funds to other uses, which has reduced ADOT's bonding capacity, which could impact ADOT's match for federal funds.

Staff stated that until now, federal funds have been the most stable source of funding. The federal transportation authorization expired September 30, 2009,

and Congress has passed a continuing resolution so that the authorization would continue through March 2012. Congress also appropriated funding through November 2011 at the current level of funding. One debate in Congress right now is whether to do short term bill at a lower level of funding, or a longer term, multi-year bill.

Staff reported that federal transportation spending is approximately 30 percent greater than revenue. Congress has infused funding from the Treasury to the Highway Trust Fund over the past couple of years to keep it solvent. One option being considered is to keep federal transportation spending within the limits of revenue, about a 30 percent cut. Efforts are ongoing to find additional revenue, but with a \$1.5 trillion budget deficit, there are not many sources, and not much appetite to increase the federal gas tax. The Budget Deficit Commission is due to make recommendations soon, and if Congress does not vote on the Commission's recommendations to reduce the deficit and on the balanced budget amendment, automatic cuts will occur. Staff reported that MAG is planning for several funding scenarios.

For more information, please contact Eric Anderson, MAG Transportation Director (602) 254-6300.

Update on Interstate 11 and Punta Colonet Port

The Regional Council heard an update on Interstate 11 (I-11), a proposed freeway corridor that would connect Phoenix and Las Vegas and potentially reach from Mexico to Canada through the Pacific Northwest. The corridor could also link military installations and serve as a reliever for Interstate 5 in the western United States. In September, MAG was notified that I-11 has been selected by the Brookings Institution as a proposed "transformative investment." Transformative investments are seen as high-impact projects with the potential to transform the physical and economic landscape of the region. Governor Brewer has directed ADOT to begin feasibility studies related to I-11.

In addition to I-11, a status update was provided on the proposed deep water port project in Punta Colonet, located in Baja, California. In August, the Arizona Mexico Commission hosted a meeting with representatives from the Ministry of Communications and Transportation of Mexico to discuss advancing the project. Discussions included the possible issuance of a Request for Proposals for the project and the need to identify a potential rail crossing in Arizona for the new port.

For more information, please contact Eric Anderson, MAG Transportation Director, (602) 254-6300.

Update on the MAG Five Percent Plan for PM-10

Staff reported on efforts to update the MAG Five Percent Plan for PM-10 (coarse particulate matter). It has been a challenging year for dust pollution in the Valley, due to numerous haboobs, dust storms, and high wind events. As of October, there were 87 exceedances of the PM-10 standard, with all but one related to high wind

exceptional events. The Arizona Department of Environmental Quality is preparing documentation for the events to submit to the Environmental Protection Agency (EPA), with technical assistance from MAG and Maricopa County.

Due to documentation requirements and the high number of events, staff reported that the documentation effort is resource intensive. MAG is researching legislative remedies regarding the amount of documentation for exceptional events. One suggested idea is to have states make the determination on exceptional events in consultation with the EPA. Although the EPA has issued draft guidance to help streamline the process, staff reported that it has not been helpful to the MAG region or other western states. The EPA is expected to issue revised guidance in November.

Finally, staff reported on the lawsuit filed by the Center for Law in the Public Interest against the state and Legislature for repealing the Local Transportation Assistance Fund (LTAF) in 2010 due to the bad economy. The court ruling found that an LTAF funding requirement for air quality plans remains in full force. The final court order told the state to reinstate the funds for transit and described how the funds would be reinstated for transit.

For more information, please contact Lindy Bauer, MAG Environmental Director, (602) 254-6300.

Next Regional Council Meeting

The next meeting of the MAG Regional Council is scheduled for Wednesday, December 7, 2011, at 5:00 p.m. at the MAG offices, 302 N. 1st Avenue, Phoenix, second floor, Saguaro Room. Agenda items include an update on the MAG file transfer protocol (FTP) site for downloading agendas on tablet computers, an update on dust control efforts, and an update on economic development efforts. Additional agenda items are pending.