



Executive Director's Report

For many years, MAG has been preparing air quality plans for this region. This has been an incredible challenge due to the growing population, sometimes the greatest growth rate in the nation. The Environmental Protection Agency (EPA) sets the standard for the major pollutants. How this works is that the standards are gradually changed over time to provide regions time to meet the new standards. Think of this as moving the goal posts. Even with these changing standards, we have approved new control measures to address the new standards. We believe in good air quality for our residents and work hard on air quality planning. With the new federal eight-hour ozone standard that lowers the standard for ozone from 0.075 to 0.070 parts per million, we now have a more daunting challenge. We already have 93 control measures and many of the sources that contribute to ozone are outside of our control.

Ozone is a pollutant that is not directly emitted by a single source. Instead, it is formed by a chemical reaction that occurs between nitrogen oxides in the presence of sunlight. The sources that create these compounds range from natural "background" sources, like trees, to emissions from cars, trucks and industrial sources. In our region, as the standard tightens, background ozone becomes a bigger portion of ozone concentration. The reality is that as background ozone (vegetation, trees, etc.) becomes more predominant, it is not a source we can control.

As the ozone standard is lowered, it also brings into question the boundary for ozone. The Arizona Department of Environmental Quality is considering an expansion because there are two monitors just outside the current boundary that are slightly over the standard. MAG believes these monitors will come into compliance in the near future and no expansion is needed. Once you expand a boundary, it is rarely reduced. This means even more businesses would come under the offset rules, further hurting our economic development.

You may wonder how ozone affects business development. Since our region is a "nonattainment" area for ozone, if a company that is a major source (more than 100 tons), such as a chip manufacturing plant, etc., and wants to relocate or expand in our region, it will have to offset its emissions. For example, for every pound of pollution emitted, the company would have to reduce by 1.15 pounds. In some cases, businesses can "buy" credits from an emissions "bank" (usually "deposited" when a company goes out of business or moves out of the nonattainment area),

but in Maricopa County that “bank” is nearly empty. This can seriously suppress economic development. We know of at least one major business that no longer considered this region and went to another state because of the offset requirement.

Sustainability is a word often mentioned. When new standards are set by the EPA, there needs to be a balance that considers the economy. This is especially true for pollutants such as ozone that are heavily influenced by background sources that cannot be controlled. We urge policymakers to support keeping the current ozone boundary and applaud the EPA for new federal tailpipe standards that we believe can make a difference for this region.

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

Meeting Report for Wednesday, March 23, 2016

Information Items



MAG Freight Plan Update

The MAG Regional Council heard an update on the MAG Freight Plan. MAG launched the effort in December. The Plan will look at how to enhance the movement of goods and improve access to industrial areas. MAG will coordinate the study effort with the Arizona Department of Transportation (ADOT) as it develops a State Freight Plan.

Staff reported that a strong freight plan can increase economic development. Along with transportation infrastructure, regional land use decisions also affect the growth around existing industrial clusters. Just as commercial and passenger vehicles compete for limited space, industrial developments must cope with commercial and residential projects. It is critical to plan the industrial clusters from many perspectives. These include transportation, economic development and neighborhood cohesion. Industrial developments should be compatible with the surrounding environment, yet still attract new customers. In this way, they will drive the local and regional economy.

The study will identify critical urban freight corridors as defined in the Fixing America’s Surface Transportation Act (FAST Act). Staff reported that the FAST Act dedicates \$6.3 billion in funding over five years for the National Highway Freight Program. The fund distribution is based on the percentage of miles a state has on the primary highway freight network. Based on Arizona’s total number of freight miles, the state is eligible to designate 102 miles of critical urban corridors statewide. However, this equates to less than \$30 million for freight over the next five years.

Staff noted that MAG is using GPS vehicle tracking information to determine where freight clusters are located and where congestion is occurring. Identifying distribution patterns will also help in project identification.

In addition to the FAST Act funding, which is based on a formula, another funding possibility comes through the Nationally Significant Freight and Highway Projects Program. These include so-called “FASTLANE” grants (Fostering Advancements in Shipping and Transportation for the Long-Term Achievement of National Efficiencies). This is a freight-specific program with \$4.5 billion offered in competitive grants over five years. *(See next agenda item, below).*

For more information, please contact Tim Strow, MAG Senior Transportation Project Manager, (602) 254-6300.

USDOT TIGER and FASTLANE Grants

Staff provided further information about funding opportunities. These include the FASTLANE grants and the Transportation Investment Generating Economic Recovery (TIGER) grants.

As noted in the previous agenda item, FASTLANE focuses on freight and the total funding allocated is \$800 million for federal fiscal year 2016. These grants are for very large projects. Large grants are a minimum of \$25 million, accounting for no more than 60 percent of the project total. Construction of FASTLANE projects has to begin within 18 months from the time the grant is received, so projects must be shovel ready. The deadline for project submissions is April 14, 2016.

TIGER grants are another form of highly-competitive grants. Only six percent of all applications receive funding. Of the 381 grants issued since 2009, only seven have been in Arizona. Successful projects have been “transformative” projects with a strong local funding match. Many of them are regionally supported and many are multimodal. A total of \$500 million is available this year in the eighth round of TIGER funding. Eligible applicants include any governmental agency. Eligible projects include highways, bridges, transit, bicycle/pedestrian, freight rail, passenger rail, intermodal facilities and ports.

Urban grants range from \$5 million to \$100 million with a 20 percent local match requirement. Rural grants range from \$1 million to \$100 million with no local match requirement. Staff noted that important considerations for the grants include project readiness. MAG issued a call for projects and submissions were due March 28, 2016. The submissions will be reviewed by the MAG Transportation Review Committee. MAG’s goal is to have one regionally supported urban project and one regionally supported rural project for TIGER grants. An extensive benefit-cost analysis is required for both FASTLANE and TIGER grant applications.

For more information, please contact Audra Koester-Thomas, MAG Transit Planning Project Manager, (602) 254-6300.

Ozone Boundary Designations

As noted in the Executive Director's report above, in October 26, 2015, the Environmental Protection Agency (EPA) published a final rule to strengthen the federal eight-hour ozone standard from 0.075 to 0.070 parts per million. By October 1, 2016, states are required to submit designation recommendations for nonattainment/attainment to EPA. In order to meet this deadline, the Arizona Department of Environmental Quality (ADEQ) will draft recommendations for public review between May and June 2016. In February, ADEQ conducted two stakeholder meetings on the Ozone Boundary Designations. Based upon the 2013-2015 air quality monitoring data, it appears that there are exceedances of the new standard in the counties of Maricopa, Pinal, Gila, and Yuma. EPA anticipates finalizing the designations, classifications, and attainment dates based upon the ozone levels in the area (Marginal-Extreme) by October 1, 2017. After this, MAG will be given an attainment date between the years 2020 to 2037.

Ozone occurs from a chemical reaction of volatile organic compounds and nitrogen oxides in the presence of sunlight. Staff noted that approximately 58 percent of volatile organic compound emissions are formed from biogenics such as trees and vegetation. Other sources of emissions are cars and trucks, solvents, fuel storage and transport, wildfires, landfills, lawn and garden equipment, mining and construction equipment, etc. The largest contributor to nitrogen oxide emissions is onroad sources at almost 61 percent, with biogenic sources at 1.2 percent.

ADEQ has been analyzing the nonattainment areas and boundary designations. Nonattainment areas include areas that are violating the standard or are contributing to the nonattainment of other nearby areas. ADEQ is evaluating five factors: air quality data, emissions and emissions related data, meteorology, geography/topography, and jurisdictional boundaries. MAG's current eight-hour nonattainment area encompasses 5,017 square miles. There are 20 air quality monitors within the current boundary. Thirteen of those do not meet the new ozone standard. Per state law, if a nonattainment area includes a metropolitan planning agency (MPO) certified by the Governor, that agency prepares the air quality plan.

There are two monitors located just outside the MAG nonattainment area boundary that are slightly exceeding the new standard. One of the monitors is the Tonto National Monument monitor located in the Tonto National Forest. Staff noted that biogenics contribute to the formation of ozone. The second monitor is the Queen Valley monitor in Pinal County. The monitor is located in a retirement area and is on the border of the Tonto National Forest. Both monitors are at 0.071, only slightly over the new standard of 0.070. The state is examining whether the current nonattainment area should be expanded to include those two monitors. However, MAG staff noted there has been a downward trend in concentrations.

Based on that trend and that the monitors are only slightly above the standard, MAG has indicated to the state that it does not appear that the boundary should be expanded at this time. Staff stated that once enlarged, it is very difficult to decrease the boundary of a nonattainment area. The 2016 ozone season has not yet occurred. The EPA will be looking at 2016 and perhaps even 2017 data. It is possible the two monitors will be in attainment soon.

Staff noted that background ozone is an emerging issue nationwide. Background ozone comes from natural sources: plants, trees, wildfires, and stratospheric ozone intrusion, in which a major storm can pull ozone from the stratosphere to lower levels. Background ozone also can come from transport from other states and countries. The highest level of background ozone occurs in the Intermountain West, due to higher elevations, higher levels of transport, and other factors. This creates a problem because background ozone cannot be controlled. EPA estimates that in 2017, background ozone will be 52 percent of the concentration in the Maricopa nonattainment area, 67 percent of the concentration at the Queen Valley monitor, and 64 percent of the concentration at the Tonto National Monument monitor.

Staff reported that issues to be considered in determining the ozone boundary include:

- Background ozone, which becomes a bigger percentage of an area's ozone concentration with the lower 2015 ozone standard.
- Tighter controls on business and industry inside the nonattainment area.
- Transportation conformity requirements that will apply to nonattainment areas.
- The MPO develops the air quality plan, which determines the motor vehicle emissions budget for transportation conformity.

ADEQ will prepare a draft designation document and then publish the notice of availability in mid-May 2016. ADEQ will conduct a public hearing in June 2016. The designations document will be submitted to the Governor in September 2016 and the Governor submits it to EPA by October 1, 2016.

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

Development of the FY 2017 MAG Unified Planning Work Program and Annual Budget

The Regional Council heard an update on MAG's draft FY 2017 budget. The budget has been updated for March and is about 60 percent complete. Staff noted that dues and assessments were presented in January; in February MAG presented proposed new projects. For March, MAG has added work program narratives

for each project and division along with estimated funding needs by division and project. Also included is the draft Programs In Brief document, which is a summary of the 2017 work program.

The other information included in the draft budget are:

- Draft budgeted amounts are estimated for each project and program; these amounts include the carry forward estimates on current year projects.
- The FY 2017 proposed budget, including carryforward is estimated at \$28,885,747. This is compared to the current year budget, which was \$30,741,274. This is about \$1,855,527 million under our FY 2016 budgeted amount.

Staff noted that the proposed FY 2017 budget is less than FY 2016 due to lower projections for carryforward project work that MAG has completed. The final proposed budget is subject to change up through the request for approval in May.

The Intermodal Planning Group meeting was held on Friday, March 11, 2016. This is the budget review conducted by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) on MAG's proposed budget and compliance. MAG partners attended this meeting, including the Arizona Department of Transportation (ADOT), City of Phoenix, and Valley Metro. MAG received numerous complimentary comments on project work and the early draft Work Program. ADOT commented that related ADOT projects could potentially benefit by working with MAG.

For more information, please contact Rebecca Kimbrough, MAG Fiscal Services Manager, (602) 254-6300.

Next Meeting

Please note that the next meeting of the MAG Regional Council will be held on Wednesday, April 27, 2016, at 11:30 a.m. at the MAG offices, 302 N. 1st Avenue, Phoenix, second floor, Saguaro Room. Agenda items are expected to include an update on the development of the FY 2017 MAG Unified Planning Work Program, amendments to the Transportation Improvement Program and 2035 Regional Transportation Plan, announcement of the appointments to the Nominating Committee, and an update on socioeconomic projections. Additional agenda items are pending.